

ACEPODIA, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2024 AND 2023

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

ACEPODIA, INC. AND SUBSIDIARIES
JUNE 30, 2024 AND 2023 CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ACEPODIA, INC.

Opinion

We have audited the accompanying consolidated balance sheets of ACEPODIA, INC. and subsidiaries (the "Group") as at June 30, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's Q2 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's Q2 2024 consolidated financial statements are stated as follows:

Existence and occurrence of cash and cash equivalents

Description

Please refer to Note 4(6) for accounting policies applied to cash and cash equivalents, and Note 6(1) for details of account items. As of June 30, 2024, cash and cash equivalents amounted to \$6,345,754 thousand, constituting 91% of the total consolidated assets. As cash and cash equivalents constitute a significant portion of total consolidated assets and inherent risk exists, we consider the existence and occurrence of cash and cash equivalents a key audit matter.

How our audit addressed the matter

The procedures performed in respect of this key audit matter include:

1. Confirmed bank accounts and special arrangements with financial institutions to verify the existence and rights and obligations of the bank deposits;
2. Verified the authenticity of the necessary information for the bank confirmations;
3. Reviewed and tested the mathematical accuracy of bank reconciliation statements, agreed the balances with the balances per cash book and per bank balance, identified any unusual or significant items and ensured that these were properly disposed of; and
4. Selected samples of significant cash receipt and payment transactions to check whether the transactions were incurred for operational needs and were properly approved.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Teng, Sheng-Wei Wendy Liang

For and on behalf of PricewaterhouseCoopers, Taiwan

August 12, 2024

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

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

ACEPODIA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	June 30, 2024		December 31, 2023		June 30, 2023	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 6,345,754	91	\$ 6,293,987	92	\$ 6,634,890	95
1200	Other receivables		1,275	-	2,617	-	295	-
1210	Other receivables from related parties	7(2)	-	-	-	-	302	-
1220	Current tax assets		3,833	-	1,605	-	-	-
1410	Prepayments		40,442	-	39,528	1	25,228	-
1470	Other current assets		33	-	77	-	3	-
11XX	Total current assets		<u>6,391,337</u>	<u>91</u>	<u>6,337,814</u>	<u>93</u>	<u>6,660,718</u>	<u>95</u>
Non-current assets								
1600	Property, plant and equipment	6(2)	267,020	4	200,549	3	76,234	1
1755	Right-of-use assets	6(3)	300,786	4	242,777	4	265,229	4
1780	Intangible assets		2,400	-	-	-	-	-
1915	Prepayments for equipment		4,449	-	23,467	-	-	-
1920	Refundable deposits		28,624	1	13,914	-	14,550	-
15XX	Total non-current assets		<u>603,279</u>	<u>9</u>	<u>480,707</u>	<u>7</u>	<u>356,013</u>	<u>5</u>
1XXX	Total assets		<u>\$ 6,994,616</u>	<u>100</u>	<u>\$ 6,818,521</u>	<u>100</u>	<u>\$ 7,016,731</u>	<u>100</u>
Liabilities and Equity								
Current liabilities								
2130	Contract liabilities - current	6(12)	\$ -	-	\$ -	-	\$ 16,593	-
2200	Other payables	6(4)	55,124	1	89,742	1	44,288	1
2230	Current tax liabilities		3,530	-	-	-	-	-
2250	Provisions - current	6(8)	-	-	6,755	-	-	-
2280	Lease liabilities - current		47,196	1	40,361	1	27,830	-
2300	Other current liabilities		646	-	732	-	-	-
21XX	Total current liabilities		<u>106,496</u>	<u>2</u>	<u>137,590</u>	<u>2</u>	<u>88,711</u>	<u>1</u>
Non-current liabilities								
2527	Contract liabilities - non-current	6(12)	13,432	-	13,432	-	13,432	-
2580	Lease liabilities - non-current		285,624	4	233,450	4	254,079	4
25XX	Total non-current liabilities		<u>299,056</u>	<u>4</u>	<u>246,882</u>	<u>4</u>	<u>267,511</u>	<u>4</u>
2XXX	Total liabilities		<u>405,552</u>	<u>6</u>	<u>384,472</u>	<u>6</u>	<u>356,222</u>	<u>5</u>
Equity attributable to owners of parent								
Share capital								
3110	Common shares	6(9)	5,696,439	82	5,670,161	83	5,660,326	81
	Capital surplus	6(10)						
3200	Capital surplus		4,735,981	67	4,748,749	70	4,748,753	68
	Retained earnings	6(11)						
3350	Accumulated deficit		(4,029,811)	(58)	(3,848,353)	(57)	(3,650,029)	(52)
Other equity								
3400	Other equity interest		186,455	3	(136,508)	(2)	(98,541)	(2)
3XXX	Total equity		<u>6,589,064</u>	<u>94</u>	<u>6,434,049</u>	<u>94</u>	<u>6,660,509</u>	<u>95</u>
3X2X	Total liabilities and equity		<u>\$ 6,994,616</u>	<u>100</u>	<u>\$ 6,818,521</u>	<u>100</u>	<u>\$ 7,016,731</u>	<u>100</u>

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

ACEPODIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except loss per share amounts)

Items	Notes	Six months ended June 30			
		2024		2023	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(12)	\$ 311	-	\$ -	-
5000 Operating costs		(96)	-	-	-
5900 Gross profit from operations		215	-	-	-
Operating expenses	6(2)(3)(6)(7)(15) (16) and 7				
6200 General and administrative expenses		(71,453)	(23)	(60,169)	(30)
6300 Research and development expenses		(238,949)	(77)	(138,158)	(70)
6000 Total operating expenses		(310,402)	(100)	(198,327)	(100)
6900 Operating loss		(310,187)	(100)	(198,327)	(100)
Non-operating income and expenses					
7100 Interest income	6(13)	131,170	42	49,606	25
7010 Other income		5	-	341	-
7020 Other gains and losses	6(3)(5)(14)	17,504	6	(468,755)	(236)
7050 Finance costs	6(3)	(3,066)	(1)	(1,860)	(1)
7000 Total non-operating income and expenses		145,613	47	(420,668)	(212)
7900 Loss before income tax		(164,574)	(53)	(618,995)	(312)
7950 Income tax expense	6(17)	(16,884)	(5)	-	-
8200 Net loss for the period		<u>(\$ 181,458)</u>	<u>(58)</u>	<u>(\$ 618,995)</u>	<u>(312)</u>
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8361 Exchange differences on translation of the financial statements of foreign operations		<u>\$ 386,194</u>	<u>124</u>	<u>\$ 82,803</u>	<u>41</u>
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>386,194</u>	<u>124</u>	<u>82,803</u>	<u>41</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Exchange differences on translation of the financial statements of foreign operations		(63,231)	(20)	(542)	-
8300 Other comprehensive income for the period		<u>\$ 322,963</u>	<u>104</u>	<u>\$ 82,261</u>	<u>41</u>
8500 Total comprehensive income (loss) for the period		<u>\$ 141,505</u>	<u>46</u>	<u>(\$ 536,734)</u>	<u>(271)</u>
Net loss attributable to:					
8610 Owners of parent		<u>(\$ 181,458)</u>	<u>(58)</u>	<u>(\$ 618,995)</u>	<u>(312)</u>
Comprehensive income (loss) attributable to:					
8710 Owners of parent		<u>\$ 141,505</u>	<u>46</u>	<u>(\$ 536,734)</u>	<u>(271)</u>
Loss per share					
9750 Basic loss per share	6(18)	<u>(\$ 0.32)</u>		<u>(\$ 2.09)</u>	
9850 Diluted loss per share	6(18)	<u>(\$ 0.32)</u>		<u>(\$ 2.09)</u>	

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

ACEPODIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent					Total equity
		Common shares	Capital surplus	Retained earnings		Other equity	
				Accumulated deficit	Exchanges differences on translation of the financial statements of foreign operations	Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	
<u>2023</u>							
Balance at January 1, 2023		\$ 351	\$ 200,696	(\$ 3,055,627)	(\$ 180,802)	\$ 24,593	(\$ 3,010,789)
Net loss for the period		-	-	(618,995)	-	-	(618,995)
Other comprehensive income for the period		-	-	-	82,261	-	82,261
Total comprehensive (loss) income for the period		-	-	(618,995)	82,261	-	(536,734)
Compensation cost of employee share options	6(7)(10)	-	12,960	-	-	-	12,960
Employee share options exercised	6(7)(9)(10)	54	12,716	-	-	-	12,770
Convertible preferred shares converted	6(5)(9)(10)	2,973	7,179,329	-	-	-	7,182,302
Common share splits and adjustment of par value	6(9)(10)	4,406,948	(4,406,948)	-	-	-	-
Issuance of common shares for cash	6(9)(10)	1,250,000	1,750,000	-	-	-	3,000,000
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition		-	-	24,593	-	(24,593)	-
Balance at June 30, 2023		<u>\$ 5,660,326</u>	<u>\$ 4,748,753</u>	<u>(\$ 3,650,029)</u>	<u>(\$ 98,541)</u>	<u>\$ -</u>	<u>\$ 6,660,509</u>
<u>2024</u>							
Balance at January 1, 2024		\$ 5,670,161	\$ 4,748,749	(\$ 3,848,353)	(\$ 136,508)	\$ -	\$ 6,434,049
Net loss for the period		-	-	(181,458)	-	-	(181,458)
Other comprehensive income for the period		-	-	-	322,963	-	322,963
Total comprehensive (loss) income for the period		-	-	(181,458)	322,963	-	141,505
Compensation cost of employee share options	6(7)(10)	-	(384)	-	-	-	(384)
Employee share options exercised	6(7)(9)(10)	26,278	(12,384)	-	-	-	13,894
Balance at June 30, 2024		<u>\$ 5,696,439</u>	<u>\$ 4,735,981</u>	<u>(\$ 4,029,811)</u>	<u>\$ 186,455</u>	<u>\$ -</u>	<u>\$ 6,589,064</u>

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

ACEPODIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Six months ended June 30	
		2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 164,574)	(\$ 618,995)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(2)(3)(15)	29,675	19,790
Amortization		126	-
Interest expense	6(3)	3,066	1,860
Interest income	6(13)	(131,170)	(49,606)
Compensation cost for employee share options	6(7)	(384)	12,960
Loss on disposal of property, plant and equipment	6(14)	87	-
Net loss on financial liabilities at fair value through profit or loss	6(5)	-	464,657
Gains on lease modification	6(3)	(3)	(6)
Changes in operating assets and liabilities			
Changes in operating assets			
Other receivables		(863)	30,835
Other receivables from related parties	7(2)	-	(190)
Prepayments		(914)	(1,281)
Other current assets		44	(201)
Changes in operating liabilities			
Other payables		(23,720)	(39,588)
Provisions - current		(7,020)	-
Other current liabilities		(86)	-
Cash outflow generated from operations		(295,736)	(179,765)
Interest received		133,375	49,606
Interest paid		(123)	-
Income tax paid		(15,651)	-
Net cash flows used in operating activities		(178,135)	(130,159)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(19)	(66,944)	(44,425)
Proceeds from disposal of property, plant and equipment		70	-
Increase in refundable deposits		(14,710)	(7,791)
Acquisition of intangible assets		(2,526)	-
Net cash flows used in investing activities		(84,110)	(52,216)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Redemption of lease liabilities	6(3)(20)	(23,093)	(5,052)
Employee share options exercised	6(7)(9)(10)	13,894	12,770
Proceeds from issuance of common shares	6(9)(10)	-	3,000,000
Net cash flows (used in) from financing activities		(9,199)	3,007,718
Net effect of changes in foreign currency exchange rate		323,211	82,903
Net increase in cash and cash equivalents		51,767	2,908,246
Cash and cash equivalents at beginning of period		6,293,987	3,726,644
Cash and cash equivalents at end of period		<u>\$ 6,345,754</u>	<u>\$ 6,634,890</u>

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

ACEPODIA, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

1. History and Organization

Acepodia, Inc. (the “Company”) was incorporated as a company limited by shares in the Cayman Islands on February 15, 2017. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research and development of anti-cancer cell new drugs, dedicated to researching the next generation of cancer cell immunotherapy. The Group utilises the unique antibody-cell conjugation technology platform and $\gamma\delta$ 2T cells to develop a series of immune cells that are applied with antibodies to activate the human immune system and guide the innovative treatment approach for clearing cancer cells.

The Company’s shares have been listed on the Taipei Exchange (the “TPEX”) Emerging Stock Board (the “ESB”) since August 8, 2023.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 12, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by FSC.

(2) Basis of preparation

- A. Except for financial liabilities at fair value through profit or loss, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership			Description
			June 30, 2024	December 31, 2023	June 30, 2023	
Acepodia, Inc.	Acepodia Biotech, Inc.	Research and development biotechnology	100%	100%	100%	Note 1
Acepodia, Inc.	Acepodia Biotechnologies, Limited	Research and development biotechnology	100%	100%	100%	Note 2

Note 1: Acepodia Biotech, Inc. was incorporated in December 2017 in the U.S..

Note 2: Acepodia Biotechnologies, Limited was incorporated in June 2017 in Taiwan.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is U.S. dollar; however, the consolidated financial statements are presented in New Taiwan dollar under the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

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

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

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(6) Cash equivalents

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

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery	3 ~ 7 years
Office equipment	3 ~ 5 years
Leasehold improvements	the earlier of the end of the asset's useful life or the end of the lease term

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

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable, and variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

D. For lease modification that decreases the scope of the lease, lessee decreases the carrying amount of the right-of use asset to reflect the partial or full termination of the lease, and recognized the difference between the decrease and the remeasurement of the lease liability in profit or loss.

(12) Intangible assets

Computer software

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

(13) Impairment of non-financial assets

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

(14) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

(15) Derecognition of financial liabilities

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

(16) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(17) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

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

(18) Employee share-based payment

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

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(20) Share capital

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

(21) Revenue recognition

A. Revenue from licencing intellectual property

(a) The Group entered into a contract with a customer to grant a license of patents to the customer.

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

(b) Some contracts require a sales-based royalty in exchange for a license of intellectual property.

The Group recognizes revenue when the performance obligation has been satisfied and the subsequent sale occurs.

B. Service revenue

The Group provides production of biomaterials services to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered.

(22) Operating segments

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

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

There have been no significant changes as of June 30, 2024. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2023.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 210	\$ 250	\$ 190
Checking accounts and demand deposits	3,388,122	1,687,987	6,634,700
Cash equivalents			
Time deposits	2,957,422	4,605,750	-
Total	<u>\$ 6,345,754</u>	<u>\$ 6,293,987</u>	<u>\$ 6,634,890</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's cash and cash equivalents are centrally deposited in financial institutions in Taiwan, and the currencies are mainly US dollars.

C. The Group has no cash and cash equivalents pledged to others.

(2) Property, plant and equipment

	Machinery	Office equipment	Leasehold improvements	Unfinished construction and equipments pending acceptance	Total
At January 1, 2024					
Cost	\$ 70,193	\$ 3,692	\$ -	\$ 154,533	\$ 228,418
Accumulated depreciation	(27,321)	(548)	-	-	(27,869)
	<u>\$ 42,872</u>	<u>\$ 3,144</u>	<u>\$ -</u>	<u>\$ 154,533</u>	<u>\$ 200,549</u>
At January 1, 2024	\$ 42,872	\$ 3,144	\$ -	\$ 154,533	\$ 200,549
Additions	27,614	900	-	25,602	54,116
Reclassifications	20,719	229	-	-	20,948
Depreciation	(8,489)	(491)	-	-	(8,980)
Disposals	(157)	-	-	-	(157)
Net exchange differences	498	46	-	-	544
At June 30, 2024	<u>\$ 83,057</u>	<u>\$ 3,828</u>	<u>\$ -</u>	<u>\$ 180,135</u>	<u>\$ 267,020</u>
At June 30, 2024					
Cost	\$ 117,423	\$ 4,891	\$ -	\$ 180,135	\$ 302,449
Accumulated depreciation	(34,366)	(1,063)	-	-	(35,429)
	<u>\$ 83,057</u>	<u>\$ 3,828</u>	<u>\$ -</u>	<u>\$ 180,135</u>	<u>\$ 267,020</u>

	Machinery	Office equipment	Leasehold improvements	Unfinished construction and equipments pending acceptance	Total
At January 1, 2023					
Cost	\$ 53,250	\$ 2,150	\$ 5,591	\$ -	\$ 60,991
Accumulated depreciation	(20,033)	(749)	(3,227)	-	(24,009)
	<u>\$ 33,217</u>	<u>\$ 1,401</u>	<u>\$ 2,364</u>	<u>\$ -</u>	<u>\$ 36,982</u>
At January 1, 2023	\$ 33,217	\$ 1,401	\$ 2,364	\$ -	\$ 36,982
Additions	4,190	30	-	40,205	44,425
Reclassifications	428	170	-	-	598
Depreciation	(4,784)	(285)	(845)	-	(5,914)
Net exchange differences	130	13	-	-	143
At June 30, 2023	<u>\$ 33,181</u>	<u>\$ 1,329</u>	<u>\$ 1,519</u>	<u>\$ 40,205</u>	<u>\$ 76,234</u>
At June 30, 2023					
Cost	\$ 57,605	\$ 2,367	\$ 4,728	\$ 40,205	\$ 104,905
Accumulated depreciation	(24,424)	(1,038)	(3,209)	-	(28,671)
	<u>\$ 33,181</u>	<u>\$ 1,329</u>	<u>\$ 1,519</u>	<u>\$ 40,205</u>	<u>\$ 76,234</u>

None of the Group's property, plant and equipment are pledged to others as collateral.

(3) Leasing arrangements — lessee

- A. The Group leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 3 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise buildings and business vehicles. Low-value assets comprise office equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 300,210	\$ 241,998	\$ 264,428
Business vehicles	576	779	801
	<u>\$ 300,786</u>	<u>\$ 242,777</u>	<u>\$ 265,229</u>

	<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Buildings	\$ 20,492	\$ 13,710
Business vehicles	203	166
	<u>\$ 20,695</u>	<u>\$ 13,876</u>

- D. For the six months ended June 30, 2024 and 2023, the additions to right-of-use assets were \$76,940 and \$232,700, respectively.

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

	Six months ended June 30,	
	2024	2023
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,943	\$ 1,860
Expense on short-term lease contracts	799	465
Expense on leases of low-value assets	68	34
Gain on lease modification	3	6

F. For the six months ended June 30, 2024 and 2023, the Group's total cash outflow for leases were \$23,960 and \$5,551, respectively.

(4) Other payables

	June 30, 2024	December 31, 2023	June 30, 2023
Payables for salaries and bonus	\$ 27,163	\$ 41,237	\$ 24,088
Payables for research expense	9,282	20,453	7,403
Payables for equipments	7,577	18,475	-
Payables for professional fee	2,252	4,657	8,761
Others	8,850	4,920	4,036
	<u>\$ 55,124</u>	<u>\$ 89,742</u>	<u>\$ 44,288</u>

(5) Financial liabilities at fair value through profit or loss

A. Amounts recognized in profit or loss and other comprehensive income, in relation to financial liabilities at fair value through profit or loss are as follows:

	Six months ended June 30,	
	2024	2023
Net losses recognized in profit or loss		
Financial liabilities held for trading		
Warrants	\$ -	\$ 6,112
Financial liabilities designated as at fair value through profit or loss		
Convertible preferred shares	-	458,545
	<u>\$ -</u>	<u>\$ 464,657</u>

B. Financial liabilities held for trading

In January 2021, the Group issued the Series B-2 warrants to B-2 round investors who invested equal to or more than US\$6,000 thousand (excluding the aggregate of any other B-2 round investors). B-2 warrant holders have the right to purchase up to 606,060 newly issued Series B-2 preferred shares from the Group within two years from the contract date starting on January 18, 2021, at a price of US\$1.65 per share, with a total price limit of US\$1,000 thousand.

- C. Financial liabilities designated as at fair value through profit or loss
- i. As of June 30, 2024, the Group has all converted its convertible preferred shares into common shares. The details are as follows:
- (a) In January 2018, the Group issued 8,700,000 shares of Series A convertible preferred shares ("Series A-1 Preferred Shares") to specific investors at US\$0.5 per share, with a total value of US\$4,350 thousand.
 - (b) In April 2018, the Group issued 1,965,602 shares of Series A convertible preferred shares ("Series A-2 Preferred Shares") to specific investor at US\$0.50875 per share, with a total of US\$1,000 thousand.
 - (c) In August 2018, the Group issued 8,316,392 shares of Series A convertible preferred shares ("Series A-3 Preferred Shares") to specific investors at US\$0.5411 per share, with a total value of US\$4,500 thousand. Series A-1 Preferred Shares, Series A-2 Preferred Shares and Series A-3 Preferred Shares are collectively referred to as the Series A Preferred Shares.
 - (d) From August 2019 to November 2019, the Group issued 13,793,640 shares of Series B convertible preferred shares ("Series B Preferred Shares") to specific investors at US\$0.69 per share, with a total value of US\$9,518 thousand.
 - (e) In January 2021 to March 2021, the Group issued 18,627,354 shares of Series B-2 convertible preferred shares ("Series B-2 Preferred Shares") to specific investors at US\$1.65 per share, with a total value of US\$30,735 thousand.
 - (f) In June 2021, the Group additionally issued 843,214 shares of Series B-2 convertible preferred shares ("Series B-2 Preferred Shares") to Maxpro Investment Co., Ltd. at US\$1.6603 per share, with a total value of US\$1,400 thousand.
 - (g) In September 2021, the Group issued 43,951,609 shares of Series C convertible preferred shares ("Series C Preferred Shares") to investors at US\$2.48 per share for a total value of US\$108,999 thousand.
 - (h) On January 17, 2023, Series B-2 Warrant holders exercised the warrants and acquired 606,060 shares of Series B-2 convertible preferred shares with a total value of US\$1,000 thousand. The revision of the register of shareholders was completed on February 7, 2023.
 - (i) On March 17, 2023, the Group converted the abovementioned convertible preferred shares totaling 96,803,871 shares into common shares at US\$0.001 per share and recognized the capital surplus of US\$233,702 thousand (equivalent to \$7,179,329 thousand).
- ii. When the Company issued the Series C convertible preference shares, some of the issuance terms were amended. The initial convertible preference shareholders (Series A, Series B and Series B-2) can apply the issuance terms retrospectively.

iii. The rights and characteristics of the convertible preferred shares are as follows:

Dividends rights:

The holder of preferred shares shall be entitled to receive dividends in preference to any dividends on the common shares at the rate no less than any subsequent round of shares or convertible vehicles. The preferential dividends will be paid on an as-converted basis when, as and if paid on the Common Shares.

Conversion rights:

- (a) Optional Conversion: The preferred shares may be converted into such number of fully paid and nonassessable common shares as is determined by dividing the original issue price by the conversion plan in effect at the time of conversion, at any time at the option of the holders.
- (b) Mandatory Conversion: All of the preferred shares shall be automatically converted to common shares, at the then applicable conversion rate (x) immediately upon the closing of an IPO or (y) on such date as shall be reasonably determined in good faith by the board in accordance with the advice of its underwriter, legal and tax advisors, if the Board duly approves in accordance with this agreement and the Company's Articles of Association that the Company commences an IPO process to take place at a stock exchange which requires that the preferred shares shall be fully converted into the common shares at the time of filing for registration of an IPO or earlier.

Anti-Dilution:

If at any time or from time to time after the applicable original issue date, the company issues any additional common shares at a price less than the then applicable conversion price, then the existing applicable conversion price shall be reduced, as of the opening business on the date such issue or sale, to a price determined in accordance with following formula:

$$CP_2 = CP_1 \times \frac{A + B}{A + C}$$

For purposes of the foregoing formula, the following definitions shall apply:

- (a) **CP₂** shall mean the applicable conversion price in effect immediately after the issuance or deemed issuance of the additional common shares;
- (b) **CP₁** shall mean the applicable conversion price in effect immediately prior to such issuance or deemed issuance of the additional common shares;
- (c) **A** shall mean the number of common shares deemed outstanding immediately prior to such issue or sale, treating for this purpose as outstanding as of a given date shall be the sum of (A) the number of common shares actually outstanding, (B) the number of common shares into which the then outstanding preferred shares could be converted if fully converted on the day immediately preceding the given date, and (C) the number of common shares which could be obtained through the exercise or conversion of all other rights, options and convertible securities outstanding, vested and/or exercisable, on the date immediately preceding the given date;

- (d) **B** shall mean the number of common shares which the aggregate consideration received by the company for the total number of additional common shares so issued would purchase at the applicable conversion price in effect immediately prior to such issuance or sale; and
- (e) **C** shall mean the total number of such additional common shares so issued in such transaction.

Liquidation preference:

- (a) Liquidation shall be deemed, unless otherwise waived by a supermajority resolution, to be occasioned by, or to include (each, a “liquidation event”):
 - a. Any liquidation, dissolution or winding up of the Company, whether voluntarily or involuntarily.
 - b. Any return of capital by the Company (other than dividends approved by the Board or the conversion, redemption or purchase of shares); and
 - c. A merger, acquisition, sale of voting control of the Company, or sale, lease, transfer, or other disposition of all or substantially all the assets of the Company in which members do not own the majority of the outstanding shares of the surviving corporation.
- (b) In any liquidation event, the holders of the preferred shares shall be entitled to receive in preference to the holders of the common shares, an amount per share equal to twice of the issue price (as adjusted for any share dividends, consolidation, sub-division or reclassification or similar events) plus any declared and unpaid dividends. If the Company had insufficient assets to permit payment to each preferred shareholder of the full liquidation preference amount, each holder of the preferred shares shall be entitled to receive proportionally.
- (c) Distribution of remaining assets. In any liquidation event, after the payment of all preferential amounts required to be paid to the holders of the preferred shares, the remaining assets of the Company available for distribution to its shareholders shall be distributed among the holders of the preferred shares and common shares, pro rata based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to common shares pursuant to the terms of this agreement immediately prior to such liquidation event.

Voting rights:

The preferred shares shall vote together with the common shares on an as converted and fully diluted basis, and have equivalent voting rights to common shares, unless otherwise provided by the law, the restated articles or by the other provisions specified herein.

- iv. For the six months ended June 30, 2024 and 2023, the Group has recognized the changes in fair value amounting to \$0 and \$458,545, respectively, and they are not attributable to the changes in credit risk of the liabilities.

v. According to IAS 32 “Financial instruments: Presentation”, the preferred shares issued do not meet the criteria for equity instrument and are therefore classified as a financial liability. The Company has designated the preferred shares as financial liabilities measured at fair value through profit or loss. The change in fair value of the preferred shares are recognized in profit or loss.

(6) Pensions

- A. The Group’s Taiwan subsidiary has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group’s Taiwan subsidiary contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. Other consolidated entities have also adopted a defined contribution pension plan under the local regulations.
- B. The pension cost under the defined contribution pension plan for the six months ended June 30, 2024 and 2023 were \$1,701 and \$1,174, respectively.

(7) Share-based payment

- A. As of June 30, 2024, the employee stock options issued by the Company are granted to qualified employees of the Company and its subsidiaries, with the underlying assets being the Company’s stock. The Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant year	Quantity granted	Contract period	Vesting conditions
Employee stock option	2017	3,040,000	10 years	4 years with 1 year cliff then 1/36 monthly
Employee stock option	2018	2,560,000	10 years	4 years with 1 year cliff then 1/36 monthly
Employee stock option	2019	1,844,000	10 years	4 years with 1 year cliff then 1/36 monthly
Employee stock option	2020	5,440,000	10 years	4 years with 1 year cliff then 1/36 monthly
Employee stock option	2021	21,225,040	10 years	4 years with 1 year cliff then 1/36 monthly
Employee stock option	2021	12,000,000	10 years	18 months
Employee stock option	2021	38,400	10 years	12 months
Employee stock option	2022	7,940,152	10 years	4 years with 1 year cliff then 1/36 monthly
Employee stock option	2023	600,000	10 years	4 years with 1 year cliff then 1/36 monthly

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

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

	2024		2023	
	No. of options	Weighted-average exercise price (in US dollars)	No. of options	Weighted-average exercise price (in US dollars)
Options outstanding at January 1	27,514,876	\$ 0.20	39,168,248	\$ 0.17
Options granted	-	-	600,000	0.33
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	39,580	0.16
Options exercised	(2,627,744)	0.66	(7,033,600)	0.06
Options expired	(1,033,792)	1.37	(4,275,824)	0.26
Options outstanding at June 30	<u>23,853,340</u>	0.78	<u>28,498,404</u>	0.20
Options exercisable at June 30	<u>20,545,056</u>		<u>20,073,928</u>	

C. The weighted-average stock price of stock options at exercise dates for the six months ended June 30, 2024 and 2023 was US\$0.47 and US\$0.31, respectively.

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

Grant year	Expiry date	June 30, 2024		June 30, 2023	
		No. of options	Exercise price (in US dollars)	No. of options	Exercise price (in US dollars)
2017	10 years	-	\$ -	480,000	\$ 0.01
2018	10 years	40,000	0.01	512,000	0.01
2019	10 years	200,000	0.01	200,000	0.01
2020	10 years	1,634,088	0.09	2,930,836	0.01~0.09
2021	10 years	18,820,652	0.16~0.35	20,431,488	0.16~0.35
2022	10 years	2,621,928	0.33~0.35	3,344,080	0.33~0.35
2023	10 years	536,672	0.33	600,000	0.33

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

Grant year	Stock price (in US dollars) (Note 2)	Exercise price (in US dollars) (Note 2)	Expected price volatility (Note 1)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in US dollars) (Note 2)
2017	\$ 0.22	\$ 0.05	98.27%	6.08 years	-	2.20%	\$ 0.2005
2018	0.19	0.05	92.84~97.29%	5.73~5.96 years	-	2.49~2.80%	0.1688~0.1708
2019	0.19~0.35	0.05	88.02~89.69%	5.02~5.43 years	-	1.56~2.43%	0.1648~0.3192
2020	0.33	0.05~0.35	91.66~96.56%	5.52~6.08 years	-	0.33~1.41%	0.2429~0.3031
2021	0.82~1.48	0.63~1.39	98.31~106.89%	5.14~6.08 years	-	0.90~1.31%	0.6755~1.2705
2022	1.26~1.33	1.32~1.39	98.21~101.91%	6.07~6.08 years	-	1.36~3.78%	1.0190~1.0634
2023	1.45~2.23	1.32	106.22~106.98%	5.58 years	-	3.53~4.33%	1.1928~1.9153

Note1: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

Note2: Each unit of share options can be exchanged for 4 shares of common stock after common share splits.

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

	Six months ended June 30,	
	2024	2023
Equity-settled	(\$ 384)	\$ 12,960

G. When calculating the number of stock options, the Group retrospectively computed the number of stock options based on the 1:4 stock split on April 26, 2023.

(8) Provisions

	<u>Litigation</u>
At January 1, 2024	\$ 6,755
Used during the year 2024	(7,020)
Exchange differences	265
At June 30, 2024	<u>\$ -</u>
	<u>Litigation</u>
At January 1, 2023	\$ -
Additional provisions	6,755
At December 31, 2023	<u>\$ 6,755</u>

Analysis of total provisions:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Current	\$ -	\$ 6,755	\$ -

Compensation lawsuit

The Group's U.S. subsidiary, Acepodia Biotech, Inc., received a letter from a former employee's attorney on February 2, 2023, claiming a labor dispute with Acepodia Biotech, Inc. and subsequently filed a compensation lawsuit in a California court. During the discovery and exchange phase of the litigation process, both parties agreed to mediation on December 19, 2023, which was successful on the same day. The parties agreed to a settlement of US\$220 thousand, and the settlement agreement was signed on January 22, 2024. As a result of the settlement, the plaintiff's lawsuit was dismissed by the California court on February 6, 2024, concluding the entire legal proceedings.

Provisions are recognized when the Group has a present legal obligation on December 31, 2023. The compensation loss was recognized in other gains and losses on the consolidated statement of comprehensive income.

(9) Share capital

A. As of June 30, 2024, the Company's authorised capital was \$9,074,905, consisting of 907,491 thousand shares of ordinary stock (including 23,853 thousand shares reserved for employee stock options), and the paid-in capital was \$5,696,439 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2024	2023
At January 1	567,016,108	11,695,874
Employee stock options exercised	2,627,744	1,758,400
Convertible preferred shares converted	-	96,803,871
Common share splits	-	330,774,435
Issuance of common shares for cash	-	125,000,000
At June 30	<u>569,643,852</u>	<u>566,032,580</u>

C. For changes in the year 2023, please refer to Note 6(9) of the Consolidated Financial Statements for the year 2023.

D. On January 1, 2024, the Company had 567,016 thousand outstanding common shares with a par value of \$10 (in dollars) per share.

As of June 30, 2024, the Company had issued total 569,644 thousand shares after considering 2,628 thousand shares of employee stock options exercised, with paid-in capital of \$5,696,439.

(10) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2024			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 4,553,916	\$ 182,594	\$ 12,239	\$ 4,748,749
Compensation cost of employee share options	-	(384)	-	(384)
Employee stock options exercised	(547)	(11,837)	-	(12,384)
Employee stock options forfeited	-	(21)	21	-
At June 30	<u>\$ 4,553,369</u>	<u>\$ 170,352</u>	<u>\$ 12,260</u>	<u>\$ 4,735,981</u>

	2023			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 5,378	\$ 193,615	\$ 1,703	\$ 200,696
Compensation cost of employee share options	-	12,960	-	12,960
Employee stock options exercised	30,786	(18,070)	-	12,716
Employee stock options forfeited	-	(2,667)	2,667	-
Convertible preferred shares converted	7,179,329	-	-	7,179,329
Common share splits and adjustment of par value	(4,406,948)	-	-	(4,406,948)
Issuance of common shares for cash	1,750,620	(620)	-	1,750,000
At June 30	<u>\$ 4,559,165</u>	<u>\$ 185,218</u>	<u>\$ 4,370</u>	<u>\$ 4,748,753</u>

(11) Retained earnings

A. Under the Company's Articles of Incorporation, the Company's distribution of earnings and dividend policy is as follows:

- i. As the Company continues to grow, based on the need for capital expenditure, business expansion and sound financial planning for sustainable development, it is the Company's dividends policy that the dividends may be allocated to the shareholders in the form of cash dividends and/or bonus shares according to the Company's future expenditure budgets and funding needs.
- ii. Unless otherwise provided in the applicable listing rules of the R.O.C., the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the shareholders in the general meeting for approval:
 - (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
 - (b) to set off cumulative losses of previous years (if any);
 - (c) to set aside ten percent (10%) as legal reserve pursuant to the applicable listing rules of the R.O.C. unless the accumulated amount of such legal reserve equals to the total paid-up capital of the Company;
 - (d) to set aside an amount as special reserve pursuant to the applicable listing rules of the R.O.C. and requirements of the Authority; and
 - (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative retained earnings and the amount of reversed special reserve), the Board of Directors may present a proposal to distribute to the shareholders by way of dividends at the annual general meeting for approval pursuant to the applicable listing rules of the R.O.C.. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of dividends may be 100% but shall be at least 10% of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of 10% and a maximum of 100% of the total dividends allocated to shareholders.

B. The Group has accumulated deficit for the six months ended June 30, 2024 and 2023, and thus had no earnings for distribution.

(12) Operating revenue

	Six months ended June 30,	
	2024	2023
Revenue from contracts with customers		
Service revenue	\$ 311	\$ -
Revenue from licencing intellectual property	-	-
	<u>\$ 311</u>	<u>\$ -</u>

A. Contract Liabilities

(a) The Group has recognized the following revenue-related contract assets and liabilities:

Items	June 30, 2024	December 31, 2023	June 30, 2023
Contract liabilities - current			
Licencing intellectual property	\$ -	\$ -	\$ 16,593
Contract liabilities - non-current			
Licencing intellectual property	13,432	13,432	13,432
Total	<u>\$ 13,432</u>	<u>\$ 13,432</u>	<u>\$ 30,025</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the period:

	Six months ended June 30,	
	2024	2023
Revenue from licencing intellectual property	\$ -	\$ -

B. In January 2020, Acepodia Biotechnologies, Ltd. (“Acepodia Taiwan”) entered into an option and license agreement with JW (Cayman) Therapeutics Co., Ltd. (“JW”). Whereby Acepodia Taiwan granted JW an exclusive first right to exercise option to acquire an exclusive sublicensable and fee-bearing right and license under certain Acepodia patents and know-how to manufacture, develop, use, sell, offer for sale, import and otherwise commercialize two Acepodia’s cell therapy candidates for the treatment of solid tumors and hematologic malignancies in Mainland China, Hong Kong, and Macau. The patents and specialized technologies of the Group are applied to develop two types of cell therapy drug candidates for the treatment of solid tumors and hematologic malignancies.

JW has the right to exercise the aforementioned option upon written notice from Acepodia Taiwan that certain clinical trial milestones for each product have been completed. Acepodia Taiwan has received an upfront payment of US\$500 thousand and an additional US\$500 thousand after submission of an investigational new drug (“IND”) to the FDA for each product.

In June 2023, the Group completed the conditions for the first licensed product, and JW was granted the right to exercise the first option. On July 7, 2023, JW decided not to exercise the option for the first licensed product and terminated the authorisation plan for the first licensed product. According to the contract, the Group has no further obligations regarding the first licensed product. Therefore, in accordance with IFRS No. 15, the "Contract liabilities" attributable to the first licensed product was transferred as revenue in July 2023.

As of June 30, 2024, since the contractual obligation of the second licensed product has not been fulfilled, JW has not had the right to exercise any option for the second licensed product. Thus, the payments received from JW for the second licensed product is recognized under "Contract liabilities - non-current," and no related revenue has been recognized by the group.

(13) Interest income

	Six months ended June 30,	
	2024	2023
Interest income from bank deposits	\$ 131,170	\$ 49,599
Other interest income	-	7
	<u>\$ 131,170</u>	<u>\$ 49,606</u>

(14) Other gains and losses

	Six months ended June 30,	
	2024	2023
Foreign exchange gains (losses)	\$ 17,618	(\$ 4,104)
Losses on disposals of property, plant and equipment	(87)	-
Net losses on financial liabilities at fair value through profit or loss	-	(464,657)
Gains on lease modifications	3	6
Other losses	(30)	-
	<u>\$ 17,504</u>	<u>(\$ 468,755)</u>

(15) Expenses by nature

	Six months ended June 30,	
	2024	2023
Employee benefit expense	\$ 105,233	\$ 94,024
Commissioned research fee	53,838	31,186
Consumables expense	62,736	21,339
Professional fee	29,433	19,252
Depreciation (Note)	29,675	19,790
Other expenses	29,487	12,736
	<u>\$ 310,402</u>	<u>\$ 198,327</u>

Note: Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

(16) Employee benefit expense

	Six months ended June 30,	
	2024	2023
Wages and salaries	\$ 94,429	\$ 73,163
Compensation cost for employee share options (384)	12,960
Labor and health insurance fees	7,522	4,895
Pension costs	1,701	1,174
Other personnel expenses	1,965	1,832
	<u>\$ 105,233</u>	<u>\$ 94,024</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the six months ended June 30, 2024 and 2023, the Group did not recognize any employees' compensation and directors' remuneration due to the after-tax net loss.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(17) Income tax

A. Components of income tax expense:

	Six months ended June 30,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 3,458	\$ -
Prior year income tax underestimation	13,426	-
Income tax expense	<u>\$ 16,884</u>	<u>\$ -</u>

B. Financing activities with no cash flow effects

	Six months ended June 30,	
	2024	2023
Warranty converted to convertible preferred shares	\$ -	(\$ 37,050)
Convertible shares converted to common shares	-	(7,145,252)
	<u>\$ -</u>	<u>(\$ 7,182,302)</u>

(20) Changes in liabilities from financing activities

	2024		
	Lease liabilities	Preferred shares	Warrant liabilities
At January 1	\$ 273,811	\$ -	\$ -
Changes in cash flow from financing activities	(23,093)	-	-
Impact of changes in foreign exchange rate	2,301	-	-
Changes in other non-cash items	79,801	-	-
At June 30	<u>\$ 332,820</u>	<u>\$ -</u>	<u>\$ -</u>

	2023		
	Lease liabilities	Preferred shares	Warrant liabilities
At January 1	\$ 52,406	\$ 6,685,363	\$ 30,912
Changes in cash flow from financing activities	(5,052)	-	-
Convertible preferred shares converted	-	(7,182,302)	-
Impact of changes in foreign exchange rate	577	1,344	26
Changes in fair value	-	458,545	6,112
Changes in other non-cash items	233,978	37,050	(37,050)
At June 30	<u>\$ 281,909</u>	<u>\$ -</u>	<u>\$ -</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Polaris Biopharmaceuticals, Inc.	Other related parties

(2) Significant related party transactions

A. Research and development revenue (presented as deduction of research and development expenses):

	Six months ended June 30,	
	2024	2023
Polaris Biopharmaceuticals, Inc.	<u>\$ -</u>	<u>\$ 771</u>

The Group entered into a research collaboration agreement with Polaris Biopharmaceuticals, Inc. in June 2022, according to the agreement, the actual research expenses incurred will be shared jointly by both parties.

B. Other receivables from related parties:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Polaris Biopharmaceuticals, Inc.	\$ -	\$ -	\$ 302

(3) Key management compensation

	<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Salaries and other short-term employee benefits	\$ 27,427	\$ 24,716
Share-based payments	(4,398)	8,574
	<u>\$ 23,029</u>	<u>\$ 33,290</u>

8. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

The Group signed a license agreement with Lawrence Berkeley National Laboratory (refer herein as “Berkeley Lab”) at the University of California, USA in September 2018. Pursuant to this contract, Berkeley Labs grants the Group a non-transferable, limited exclusivity and specific rights inclusive of royalties. The Group develops, manufactures, uses, sells, offers to sell and imports concession products accordingly. The Group is responsible for the development, sale and commercialization of all licensed products and reserves the right to make final decisions regarding such activities.

The Group has paid a one-time franchise fee of US\$15 thousand at the time of signing the contract and a franchise maintenance fee of US\$5 thousand per year prior to the commercial sale of the franchised products as agreed, in addition to a phased payment of the franchise fee subject to the achievement of each milestone. The above contract stipulates that when the relevant technology (or product) is sublicensed to a third party, the Group will pay Berkeley Lab a certain percentage of the sublicensing income according to the licensing year of the agreement. If the Group produces and sells the related products on its own, a derivative interest payment will be paid for a percentage of the annual net sales during the contract period.

Given the uncertainty surrounding the development of the Group's core treatment, the occurrence probability, timing, and reasonably estimable amount of the aforementioned items remain uncertain.

(2) Commitments

The Group’s expenditure contracted for at the balance sheet date but not yet incurred is summarized as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Clinical trial plans	\$ 547,631	\$ 246,150	\$ 265,554
Property, plant and equipment	24,062	50,720	142,349
	<u>\$ 571,693</u>	<u>\$ 296,870</u>	<u>\$ 407,903</u>

9. Significant Disaster Loss

None.

10. Significant Events after the Balance Sheet Date

None.

11. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 6,345,754	\$ 6,293,987	\$ 6,634,890
Other receivables	1,275	2,617	295
Other receivables from related parties	-	-	302
Guarantee deposits paid	28,624	13,914	14,550
	<u>\$ 6,375,653</u>	<u>\$ 6,310,518</u>	<u>\$ 6,650,037</u>
	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Other payables	\$ 55,124	\$ 89,742	\$ 44,288
Lease liability	<u>\$ 332,820</u>	<u>\$ 273,811</u>	<u>\$ 281,909</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group mainly operates in Taiwan and United States of America and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the NTD and USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.
- ii. The Group's businesses involve some non-functional currency operations (the Company's and US subsidiary's functional currency: USD; Taiwan subsidiary's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2024		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,960	32.570	\$ 291,828
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 36	32.570	\$ 1,186
	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,455	30.705	\$ 413,138
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 269	30.705	\$ 8,272

				June 30, 2023			
				Foreign currency			
				amount	Exchange	Book value	
				(in thousands)	rate	(NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD				\$	2,744	31.140	\$ 85,461
iii. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the six months ended June 30, 2024 and 2023 amounted to \$17,618 and (\$4,104), respectively.							
iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:							

				Six months ended June 30, 2024		
				Sensitivity analysis		
				Degree of	Effect on	Effect on other
				variation	profit or loss	comprehensive
					(NTD)	income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD				1%	\$ 2,918	\$ -
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD				1%	\$ 12	\$ -

				Six months ended June 30, 2023		
				Sensitivity analysis		
				Degree of	Effect on	Effect on other
				variation	profit or loss	comprehensive
					(NTD)	income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD				1%	\$ 855	\$ -

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms and the contract cash flows of financial assets stated at amortised cost.

- ii. For banks and financial institutions, the Group only accepts institutions with stable credit quality as trading counterparts. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
 - iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
 - iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - v. The indicators used by the Group to determine credit impairment of debt instrument are as follows:
 - (i) The issuer encounters major financial difficulties and the probability of going bankrupt or other financial reorganization increased;
 - (ii) The active market for the financial assets disappears due to financial difficulties of the issuer.
 - vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- (c). Liquidity risk
- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
 - ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Other payables	\$ 55,124	\$ -	\$ -	\$ -
Lease liability	53,783	57,700	160,914	83,353

December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Other payables	\$ 89,742	\$ -	\$ -	\$ -
Lease liability	45,701	45,648	128,379	72,975
June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Other payables	\$ 44,288	\$ -	\$ -	\$ -
Lease liability	33,591	45,628	133,354	91,235

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in hybrid instruments is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, other receivables, other receivables from related parties, refundable deposits and other payables, are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows: None.

D. For the six months ended June 30, 2024 and 2023, there was no transfer between Level 1 and Level 2.

E. For the six months ended June 30, 2024, there was no changes in Level 3. The following chart is the movement of Level 3 for the six months ended June 30, 2023:

	June 30, 2023		
	Preferred shares		
	liabilities	Warrant liabilities	Total
At January 1	\$ 6,685,363	\$ 30,912	\$ 6,716,275
Losses recognized in profit or loss	458,545	6,112	464,657
Settled in the period	(7,145,252)	(37,050)	(7,182,302)
Effect of exchange rate changes	1,344	26	1,370
At June 30	\$ -	\$ -	\$ -

- F. For the six months ended June 30, 2024, there was no transfer in or out of Level 3. For the six months ended June 30, 2023, the Group has transferred preferred share liability and warranty liability out from Level 3.
- G. The Finance and Accounting Department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement: None.

12. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 1.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

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

(3) Information on investments in Mainland China

None.

13. Segment Information

(1) General information

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

(2) Measurement of segment information

The accounting policies of the Group's operating segment are the same as the summary description of the significant accounting policies described in the notes to the consolidated financial statements. The profit and loss of the operating segment is measured by the after-tax profit and loss and used as the basis for evaluating the performance of the operating segment.

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

The Group is a single reportable unit, for the reportable information is the same as the financial statements.

(4) Reconciliation for segment income (loss)

The net loss from segment reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

(5) Geographical information

Geographical information for the six months ended June 30, 2024 and 2023 is as follows:

	<u>Non-current assets</u>		<u>Revenue</u>	
	<u>June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
US	\$ 42,779	\$ 51,975	\$ -	\$ -
TW	560,500	304,038	311	-
Total	<u>\$ 603,279</u>	<u>\$ 356,013</u>	<u>\$ 311</u>	<u>\$ -</u>

(6) Major customer information

Major customer information of the Group for the six months ended June 30, 2024 and 2023 is as follows:

	<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Revenue</u>	<u>Revenue</u>
Company A	\$ 311	\$ -

Acepodia, Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Six months ended June 30, 2024

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
Acepodia Biotech, Inc.	Acepodia Biotechnologies, Ltd.	Fellow subsidiary	Service revenue	\$ 114,918	100%	90 days	The prices and terms to related parties were not significantly different from transactions with third parties, except for particular transactions with no similar transactions to compare with. For these transactions, the prices and terms were determined in accordance with mutual agreements.	\$ 112,811	100%	

Acepodia, Inc. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 June 30, 2024

Table 2 Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2024	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Acepodia Biotech, Inc.	Acepodia Biotechnologies, Ltd.	Fellow subsidiary	\$ 112,811	2.22	\$ -	Not applicable	\$ -	\$ -

Acepodia, Inc. and Subsidiaries
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2024

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms	
0	Acepodia, Inc.	Acepodia Biotechnologies, Ltd.	Parent company to subsidiary	Service expense	\$ 2,636	Note 3	848%
0	Acepodia, Inc.	Acepodia Biotechnologies, Ltd.	Parent company to subsidiary	Other payables	1,401	Note 3	0%
1	Acepodia Biotech, Inc.	Acepodia Biotechnologies, Ltd.	Subsidiary to subsidiary	Service revenue	114,918	Note 3	36951%
1	Acepodia Biotech, Inc.	Acepodia Biotechnologies, Ltd.	Subsidiary to subsidiary	Account receivables	112,811	Note 3	2%

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: The transaction terms of significant inter-company transactions are similar with the normal transaction term except for circumstances in which there are no similar transactions for reference and the terms will be negotiated and determined by both parties.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Acepodia, Inc. and Subsidiaries
Information on investees
Six months ended June 30, 2024

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2024			Net profit (loss) of the investee for the six months ended June 30, 2024	Investment income (loss) recognized by the Company for the six months ended June 30, 2024	Footnote
				Balance as at June 30, 2024	Balance as at December 31, 2023	Number of shares	Ownership	Book value			
Acepodia, Inc.	Acepodia Biotech, Inc.	U.S.A	Biotechnology research and development	\$ 626,155	\$ 626,155	2,000	100%	\$ 462,893	\$ 4,545	\$ 4,545	
Acepodia, Inc.	Acepodia Biotechnologies, Ltd.	Taiwan	Biotechnology research and development	2,400,000	2,400,000	240,000,000	100%	866,875 (287,509) (287,509)	