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景岳生物科技股份有限公司
GenMont Biotech Inc.

2022 Annual Report

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The annual report may be accessed on the website at:

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

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Venue for trading the Company's listed overseas securities and inquiry method for such overseas securities : None

Company website : <http://www.genmont.com.tw>

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I. Letter to Shareholders

Dear shareholders:

First of all, we appreciate your support and encouragement to the Company in the previous year. Hereby we sincerely report to you the 2022 Corporate earnings and results, 2023 Business plan, Future business development, and the impact of the competitive environment, legal limits and the entire management conditions.

1. 2022 Corporate earnings and results

(1) Execution results of business plan:

The Company has completed its main products in 2022 and continue to launch new products with many patents issued (168 patent certificates were obtained by the end of 2022 from Taiwan, mainland China, the United States, the United Kingdom, France, Germany, Australia, Japan, Italy, etc.) The sales performance was influenced by the pandemic and decreased around 14% compared to 2022. The Company in 2023 would improve the marketing activities through domestic and overseas channels, and expand the international sales of functional materials. The Company would consecutively elevate and advance the production process and the core technology of research and design. In the meantime, to proactively build up the food safety management system in order to prevent the Company from being damaged by the food-safety issue and create more prosperous business results.

(2) Budget execution:

Unit: \$ Thousand

Item/Year	2022 Budge	Audited by accountants	
		2022 Amount	Completion Rate (%)
Revenue	343,456	368,546	107.31
Cost of Revenue	106,471	110,527	103.81
Gross Profit	236,985	258,019	108.88
Operation Expenses	155,843	131,953	84.67
Operation Income	81,142	126,066	155.36
Nonoperating income(expense)	10,767	(50,291)	(467.08)
Pre-Tax Income	91,909	75,775	82.45
Net-Income	-	56,978	-

(3) Financial balance and Return on investment analysis:

Unit: NT\$ Thousand

Item/Year			2021	2022
Financial balance	Revenue		427,929	368,546
	Gross Profit		299,326	258,019
	Pre-Tax Income /Loss		142,955	75,775
Return on investment analysis	Return On Equity (%)		8.36	4.18
	Ratio to capital (%)	Operation income to capital	17.27	14.60
		Per-tax income to capital	16.55	8.77
	Earnings per share (NT\$)		1.31	0.66

(4) Research Development:

Unit:NT\$ Thousand

Year	RD expense	Ratio to Revenue %	Main Results
2018	27,722	6.82	•Continually proceed search, purification and storage of lactic acid bacteria •Continually proceed filtering and functional verification of functional lactic acid bacteria
2019	27,107	7.83	•Research and Development of functional lactic acid bacteria •Build the culture technology of high density fermentation
2020	26,300	8.09	•Build the preservative technology of active freeze drying •Development and certification of the health food
2021	25,524	5.96	•Initiate the cooperation with academic institutions •Pass various subsidy plan of the government
2022	25,363	6.88	•Awarded various medals of the government •Published numerous important articles in foreign journals •Continually apply for the domestic and overseas patents of functional lactic acid bacteria •Conduct the human clinical trials of functional lactic acid bacteria domestically •Cooperate with the large foreign enterprise to conduct the human clinical trials of functional lactic acid bacteria domestically

2. 2023 Business Plan

(1) Management policy: 2023 Core Strategy of the Company

- I. Expansion of international markets: Disclosure the R&D results of inventive technology and expand the international markets.
- II. Marketing policy: Proactively create the OEM and raw-material markets except for the current marketing channels.

- III. Innovation and R&D dominated: Develop new markets with innovative thoughts instead of conventional ones and build the new sales and marketing with the modern concept on R&D.
- IV. Build up the comprehensive food-safety management system in accordance with the law related the food safety. Conduct relative assessment yearly from the upstream raw-material inputs to the downstream production, storage and transportation. Adjust and enhance the quality and ability of management.
- V. Optimize the organizational structure, elevate the hardware devices, advance fermentation technology, and lower production costs.
- VI. Established a factory in China in 2017 legally. Relevant points will be announced in accordance with the law.

(2) Expected sales volume and basis

Product Name	Expected annual sales volume	Basis
Functional Lactobacillus	Capsule 30,000 thousand pieces, Bacterial powder 50,000 kgs, Bacterial solution 1,500 kgs	Based on signed contracts, customer and forecast of market demand, production capacity estimates will be performed.

(3) Critical policy of production and marketing:

I. Production policy:

- (I) Follow the progress of product R&D and consecutively optimize the manufacturing process and fermentation capacity.
- (II) Assess periodically the production and marketing to reduce the sluggish raw materials.
- (III) Optimize the plan of production line and strengthen the training of employees

II. Marketing policy:

- (I) Continually develop the international markets with innovative-effect raw materials.
- (II) Expand the Taiwan and overseas markets by the creative products which meet the real needs of consumers.
- (III) mphasize on the customer development and service. Develop new products based on the needs of customers. Create the market demand and added value for customers.

III. Research and Development policy:

- (I) Rapidly develop the new strain on the basis of the market trend.
- (II) Continually proceed the research and development of the fundament, production process, and preparation, along with the technology innovation, in order to create the need of the market.
- (III) Introduce the latest R&D technology and equipment, and R&D talents, in order to considerably elevate the capability of R&D.
- (IV) Cooperate with teaching hospitals, academic and research institutions to advance the capability of R&D.
- (V) Implement the plans of various health-food certification and the clinical human trials
- (VI) Introduce adequately R&D talents with potentiality and strengthen the training of R&D employees

IV. Quality policy:

- (I) Prevent the business reputation of suppliers from being damaged again by the food-safety events as a result of the loose control of governments. Adopt the stricter regulations than the government to control the product quality. Apply relevant laws of the developed countries such as the US and European countries on the food safety management with respect to the parts not regulated by the governments.
 - (II) Use the legal raw materials, trace the origins, and register to build the product traceability
 - (III) Cyclically assess the skills of quality control and eliminate the blind spot of failed assessment, inefficiency, and the safety concern.
- V. The policy of workplace safety and environmental protection:
- (I) Strengthen workplace safe management system and organization. Employ the professional personnels to enhance the protection of workplace safety.
 - (II) Periodically inspect every place and equipment, especially the power system, in order to lessen the check neglect of blind corner space.
 - (III) Regularly conduct the fire drill to make employees familiar with the methods of disaster prevention, escape and disaster relief.
 - (IV) Energy conservation of the Electricity, water and fuel
 - (V) Using the water from solar preheating process
 - (VI) Recycling by the RO to filter out water
 - (VII) Carry out the waste sorting and recycling

3. Future business development

- (1) Strengthen the advantages of the R&D innovative creation. Expend domestical and overseas markets with the creative new products and raw materials.
- (2) Shape the excellent and innovation images of the Company. Build the brand value of GenMont Biotech Inc.

4. The impact of the competitive environment, legal limits and the entire management conditions

- (1) Probiotics markets is growing year by year. Chinese competitive companies are rising rapidly and the competition of international markets become increasingly fierce.
- (2) Taiwan is a small-scale market and the consumption ability is decreased yearly. Many similar and imitation competitive products emerge in the markets.
- (3) The capability of international R&D is enhancing remarkably, whereas that of Taiwan is lower. We need to reinforce the ability of R&D.

Chairman: Chen Ken-te



Manager: Chen Yu Chin



Accounting Manager: Huang Hsiang Chun



II. Company Profile

1.Date of incorporation

Date of incorporation : December 6, 2000.

2.Company history

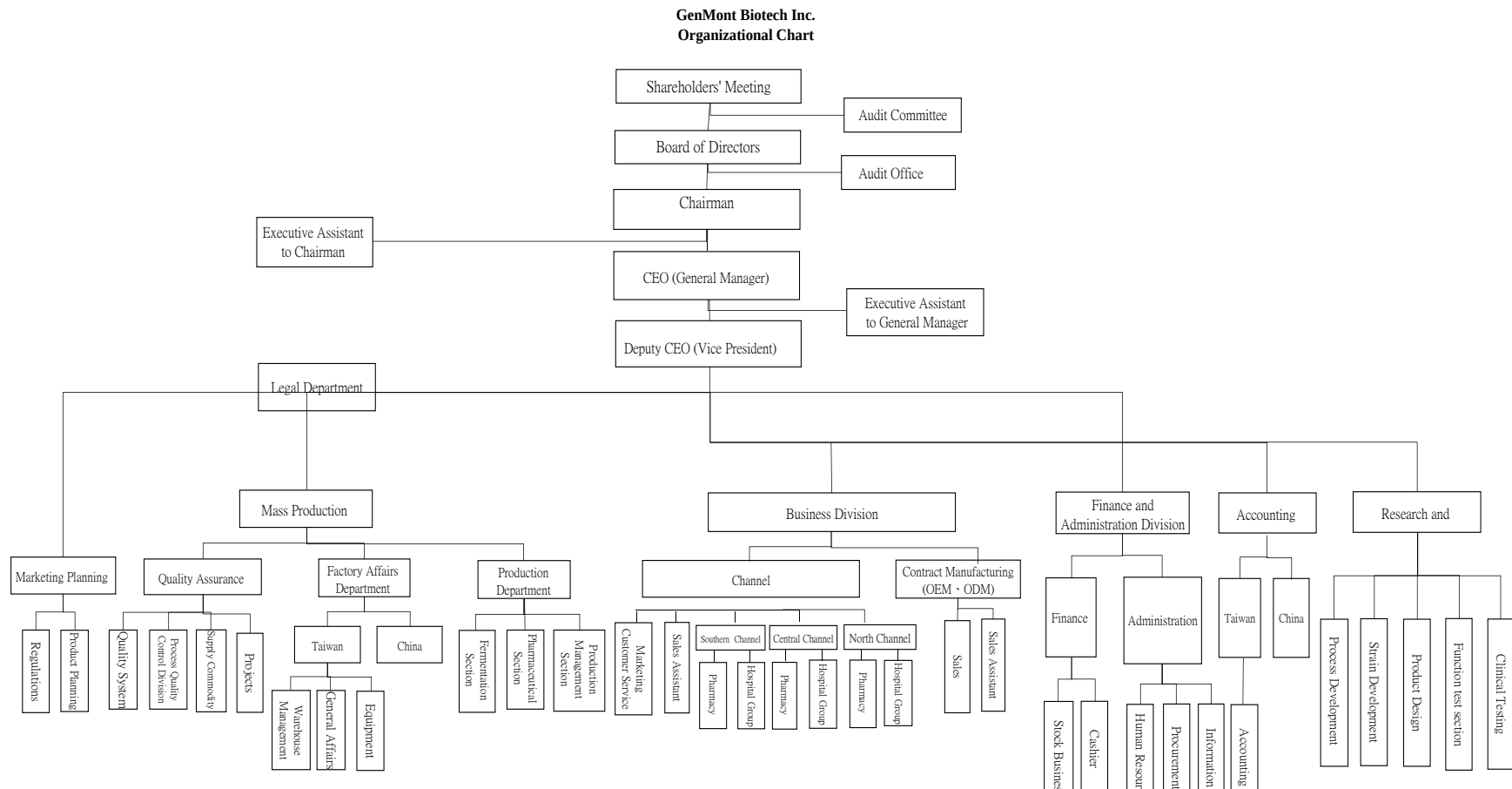
December 2000	Company license was officially obtained with paid-in capital of NT\$1,000,000.
March 2001	Passed the review of the Committee of the Southern Taiwan Science Park and approved to station in the Southern Taiwan Science Park.
April 2001	The first cash capital increase and the investment by technology, and the paid-in capital is NT\$92,730,000 after increasing the capital.
June 2001	Leased 0.8 hectares of land at 2455, Shanhua Section, Shanhua Township for the construction of a modern plant.
August 2001	Groundbreaking for the new plant.
September 2001	The second cash capital increase and the investment by technology, and the paid-in capital is NT\$230,000,000 after increasing the capital.
December 2001	The third cash capital increase, the paid-in capital after the capital increase is NT\$300,000,000.
January 2002	Signed an industry-academic cooperation agreement with the Research Center of Biotechnology of Southern Taiwan University of Science and Technology for high-density cultivation of strains and the establishment of upstream and downstream related process engineering systems.
February 2002	Stationed in the new factory office building on Nanke 7th Rd.
March 2002	The declaration of a supplemental public issuance becomes effective.
September 2002	The production line is in mass production.
November 2002	Received a letter of approval from the Industrial Development Bureau for emerging strategic industries.
June 2003	Stock is listed on the Emerging Stock Market.
August 2004	Capital increase in cash, the paid-in capital after capital increase is NT\$326,670,000.
December 2004	Increased the shareholding ratio of Medray Biotech Incorporation to 52.96% and became a subsidiary of the Company.
January 2005	Certified by Ministry of Health and Welfare as the first probiotic manufacturer in Taiwan with GMP certification for APIs.
February 2005	Passed food GMP certification.
June 2005	The Board of Directors and Supervisors were fully re-elected and Mr. Chen,Ken-Te was appointed as the Chairman of the Board.
December 2005	Ranked No. 14 in the "Top 50 High-Tech Growth Companies in Taiwan", No. 2 in the Biotech & Medical category, and No. 50 in the "Top 500 Fast-Growing High-Tech Companies in Asia Pacific" by Deloitte & Touche with a revenue growth rate of 885% for three consecutive years.
April 2006	Private placement of marketable securities with a paid-in capital of NT\$405,520,000 after the private placement.
April 2006	Increased Medray Biotech Incorporation's shareholding to 62.58%.
July 2006	Passed the food GMP certification again.
August 2006	In order to improve the company's financial structure, the shareholders will temporarily approve a capital reduction.
October-November 2006	Increased Medray Biotech Incorporation's shareholding to 82.51%.
November 2006	The capital was reduced by NT\$84,906,840 and 8,490,684 issued shares were cancelled to cover the accumulated deficit. The paid-in capital after the capital reduction amounted to NT\$327,343,160.
November 2006	Passed the cGMP evaluation of API factory again.

November 2006	"Functional Probiotic GM-080" won the 2006 National Biotechnology and and Medicine Care Quality Silver Award at the corresponding period.
November 2006	"Dental Health Product - Dental-Lac® Troches" won the "National Innovation Award" in 2006.
December 2006	Capital increase in cash, the paid-in capital after capital increase is NT\$447,343,160
January 2007	Ranked 256th in Deloitte's "Deloitte Technology Fast 500 Asia Pacific" for the second time.
April 2007	Awarded the honor of "Tainan County 2007 Excellent Business Unit for Harmonious Labor Relations".
January 2008	Awarded the "6th Taiwan Golden Root Award" by Taiwan Industrial Technology Association.
July 2008	Obtained the health food permit number for eN-Lac® APF probiotic capsules to assist in the adjustment of allergies.
August 2008	Obtained the dental health food permit number for Dental-Lac® Troches.
September 2008	Cash capital increase (public underwriting before listing), the paid-in capital after capital increase is NT\$501,853,160.
September 2008	Stock listed over the counter on September 10.
April 2009	Obtained China New Resources Health Food Certification, honored to be listed on NUTRA.ingredients.com website.
June 2009	The paid-in capital after treasury stock reduction is NT\$492,963,160.
November 2009	Obtained a letter of approval from the Industrial Development Bureau, Ministry of Economic Affairs for the technology business.
March 2010	Stock listed to the public on March 22.
March 2010	The company signed a patent authorization production contract with Chr. Hansen.
May 2010	Our strain "Lactobacillus paracasei GM080 (GMNL-32)" has been certified as a new dietary ingredient by the FDA.
June 2010	The Company invested in China and established a subsidiary, Zhangzhou Jingyue Trading Development Co., Ltd.
January 2011	The Company issued its first and second domestic guaranteed convertible bonds.
January 2011	The Company's shareholding in Medray Biotech Incorporation was reduced to 51% after the Company did not subscribe for the cash increase in its subsidiary Medray Biotech Incorporation in proportion to its shareholding.
December 2011	The paid-in capital after treasury stock reduction is NT\$526,133,480.
October 2012	Merged with our subsidiary Medray Biotech Incorporation, the paid-in capital after the merger is NT\$609,118,640.
January 2014	The Board of Directors of the Company approved the acquisition of 51% of the shares of White-Wood-House Foods Co., Ltd.
March 2014	The Company's Board of Directors approved the acquisition of 49% of White-Wood-House Foods Co., Ltd. and participation in its cash capital increase.
October 2014	Capital increase in cash, the paid-in capital after capital increase is NT\$889,118,640.
October 2014	Transferred investment in White-Wood-House and acquired 100% equity in White-Wood-House Foods Co., Ltd.
October 2016	The Board of Directors of the Company approved to invest and establish a plant in China.
May 2018	The Company's subsidiary White-Wood-House Foods Co., Ltd. ceased operations.
June 2018	The Company sold the shares of its subsidiary White-Wood-House Foods Co., Ltd.
August 2020	The paid-in capital after the capital reduction of treasury stock is NT\$878,483,640.
November 2020	The paid-in capital after the capital reduction of treasury stock is NT\$863,413,640.

III. Corporate Governance Report

1. Organization System

(1) Organization Structure



(2) Business of Major Departments

Major Departments	Main responsibilities of each department
Audit Office	Implement internal audits, internal control planning and provide system improvement suggestions.
Legal Affairs	Handle various legal, contractual, and intellectual property management matters of the company.
Mass Production Management Division	Quality verification and quality system establishment for raw materials, in-process products and finished products; Equipment management, warehousing management, general administration and environmental protection and industrial safety; Responsible for production scheduling and management, execution of production scheduling and process quality control.
Sales Department and Marketing Planning Department	Responsible for marketing product planning, market research, business development, and academic regulations.
Finance and Administration Department	Responsible for financial management, stock management, human resource management, procurement and information management.
Accounting Department	Responsible for accounting management, tax planning, and budget management.
R&D Department	Responsible for research and development of new strains, new product development and technical platform establishment, process development and functional test related operations.

2. Information on Directors, Supervisors, General Manager, Vice Presidents, Associates and Heads of All Departments and Branches

(1) Information of directors

Table 1

Information of directors (1)

March 31, 2023

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term	Date of initial appointment	Shares Held at the Time of Election		Number of Shares Held Now		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Main experience (education) (Note 1)	Concurrent Position in the Company and Other Companies at Present	Executive, Director or Supervisor who is Spouse or within the Second Degree of Kinship			Note (Note2)
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	R.O.C.	CHEN, KEN-TE	Male 61~70	109.06.30	112.06.29	94.06.30	2,362,823	2.66%	2,362,823	2.74%	2,507,676	2.90%	0	0.00%	Master of Arts, Yuan Ze University 4th~8th Legislators The 13th Speaker of Taoyuan County Council	Chairman of GenMont Biotech (China) Inc. Chairman of GenMont Biotech Inc.	—	—	—	—
Director	R.O.C.	HUANG, KUO-CHIEH	Male 51~60	109.06.30	112.06.29	103.06.30	9,118,000	10.25%	7,758,000	8.89%	0	0.00%	0	0.00%	Master of Public Relations and Advertising, Shih Hsin University	Director of GenMont Biotech (China) Inc. CEO of Youjun Construction Engineering Co., Ltd. Chairman of GenMont Biotech Inc.	—	—	—	—
Director	R.O.C.	CHEN, SHIH-KUN	Male 61~70	109.06.30	112.06.29	106.06.30	30,000	0.03%	30,000	0.03%	13,000	0.02%	0	0.00%	Master of Public Relations & Advertising, Shih Hsin University Chairman of Enlight Corporation	Chairman of the Frontier Investment Co., Ltd. Supervisor of Koto Construction Co., Ltd. Chairman of GenMont Biotech Inc.	—	—	—	—
Director	R.O.C.	YANG, TE-HUI	Male 61~70	109.06.30	112.06.29	95.06.30	1,583,792	1.78%	1,583,792	1.83%	0	0.00%	0	0.00%	Master of Public Relations and Advertising, Shih Hsin University	Chairman of GenMont Biotech Inc.	—	—	—	—
Director	R.O.C.	CHO, CHUAN-CHEN	Male 61~70	10—9.06.30	112.06.29	93.05.17	0	0.00%	0	0.00%	30,000	0.03%	0	0.00%	M.S., Graduate School of Accounting, National Chengchi University Ph.D. of Accounting, Xiamen University CPA, ShineWing Taiwan Director, Kaohsiung CPA Association of CPAs	Senior Partner of ShineWing Taiwan Supervisor of GenMont Biotech (China) Inc. Chairman of GenMont Biotech Inc.	—	—	—	—
Director	R.O.C.	LIN, I-HSIUNG	Male 51~60	109.06.30	112.06.29	100.06.30	10,000	0.01%	10,000	0.01%	0	0.00%	0	0.00%	Ph.D. Chemical Engineering, University of Pennsylvania, USA Senior Engineer, IBM	Director & General Manager of iDesyn Powerchip Corporation Chairman of GenMont Biotech Inc.	—	—	—	—

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term	Date of initial appointment	Shares Held at the Time of Election		Number of Shares Held Now		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Main experience (education) (Note 1)	Concurrent Position in the Company and Other Companies at Present	Executive, Director or Supervisor who Is Spouse or within the Second Degree of Kinship			Note (Note2)
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	R.O.C.	HUANG, TSE-JEN	Male 61~70	109.06.30	112.06.29	95.06.30	0	0.00%	0	0.00%	0	0.00%	0	0.00%	M.B.A. in finance, National Taiwan University of Science and Technology Director of Audit Department, KPMG Taiwan Partnership Accountant, Wiley & Company, Inc. Director of Top New & Co., CPAs	President of Shengxin & Associates, Inc. Independent Director, Audit Committee and Remuneration Committee of GenMont Biotech Inc. Independent Director and Remuneration Committee of Sunfon Construction Co., Ltd. Independent Director, Audit Committee and Remuneration Committee of Sunplus Technology Co., Ltd. Director of Playsee Inc. (Cayman Islands)	—	—	—	—
Independent Director	R.O.C.	LU, CHIH-FENG	Male 51~60	109.06.30	112.06.29	95.08.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Human Genetics and Molecular Biology, Johns Hopkins University, USA Postdoctoral Fellow, Johns Hopkins University, USA Postdoctoral Fellow, Yale University, USA	Assistant Professor, School of Medicine, Fu Jen Catholic University Independent Director, Audit Committee and Remuneration Committee of GenMont Biotech Inc.	—	—	—	—
Independent Director	R.O.C.	KAU, CHIH-PIN	Male 61~70	109.06.30	112.06.29	109.06.30	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D., Department of Philosophy, Iowa State University, Berlin, USA Member of the Advisory Committee of the Research and Examination Committee of the Executive Yuan Former National Congress Representative Seminar at the Civil Service Development Institute, DGPA, Executive Yuan and Central Police University	Lecturer of Extended Education Training Center of Central Police University Independent Director, Audit Committee and Remuneration Committee of GenMont Biotech Inc.	—	—	—	—

Note 1 : If you have worked for a certified public accounting firm or a related company during the preceding period, you should specify the title and responsibilities of the position you hold.

Note 2 : If the chairman of the board of directors and the president or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and countermeasures (such as increasing the number of independent directors and having a majority of directors who are not also employees or managers, etc.) should be explained.

Directors' Information (II)

March 31, 2023

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

Criteria Name	Professional Qualifications and Experience (Note1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
CHEN, KEN-TE	Master of Arts, Yuan Ze University 4th~8th Legislators The 13th Speaker of Taoyuan County Council Chairman of GenMont Biotech (China) Inc.	Not Applicable	None
HUANG, KUO-CHIEH	Master of Public Relations and Advertising, Shih Hsin University Director of GenMont Biotech (China) Inc. CEO of Youjun Construction Engineering Co., Ltd.	Not Applicable	None
CHEN, SHIH-KUN	Master of Public Relations & Advertising, Shih Hsin University Chairman of Enlight Corporation Chairman of the Frontier Investment Co., Ltd. Supervisor of Koto Construction Co., Ltd.	Not Applicable	None
YANG, TANG-HUI	Master of Public Relations and Advertising, Shih Hsin University	Not Applicable	None
CHO, CHUAN-CHE N	M.S., Graduate School of Accounting, National Chengchi University Ph.D. of Accounting, Xiamen University CPA, ShineWing Taiwan Director, Kaohsiung CPA Association of CPAs Senior Partner of ShineWing Taiwan Supervisor of GenMont Biotech (China) Inc.	Not Applicable	None
LIN, I-HSIUNG	Ph.D, Chemical Engineering, University of Pennsylvania, USA Senior Engineer, IBM Director & General Manater of iDesyn Powerchip Corporation	Not Applicable	None
HUANG, TSE-JEN	M.B.A. in finance, National Taiwan University of Science and Technology Director of Audit Department, KPMG Taiwan Partnership Accountant, Wiley & Company, Inc. Director of Top New & Co., CPAs President of Shengxin & Associates, Inc. Independent Director, Audit Committee and Remuneration Committee of GenMont Biotech Inc. Independent Director and Remuneration Committee of Sunfon Construction Co., Ltd. Independent Director, Audit Committee and Remuneration Committee of Sunplus Technology Co., Ltd. Director of Playsee Inc. (Cayman Islands)	Comply with Article 3 of the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be followed	2
LU, CHIH-FENG	Ph.D. in Human Genetics and Molecular Biology, Johns Hopkins University, USA Postdoctoral Fellow, Johns Hopkins University, USA Postdoctoral Fellow, Yale University, USA Assistant Professor, School of Medicine, Fu Jen Catholic University	Comply with Article 3 of the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be followed	None
KAO, CHIH-PIN	Ph.D., Department of Philosophy, Iowa State University, Berlin, USA Member of the Advisory Committee of the Research and Examination Committee of the Executive Yuan Former National Congress Representative Seminar at the Civil Service Development Institute, DGPA, Executive Yuan and Central Police University	Comply with Article 3 of the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be followed	None

2. The Diversification and Independence of the Board of Directors :

(1) The Diversification of the Board of Directors :

The directors of the Company, who have business judgment, management, leadership, crisis management, accounting and financial analysis skills, are all native males, aged 50 or older.

(2) The Independence of the Board of Directors :

The three independent directors of the Company, representing one-third of all directors, have obtained written declarations that they comply with Articles 2, 3 and 4 of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies and that there are no matters specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.

Note 1 : Professional Qualifications and Experience: Clearly state the professional qualifications and experience of individual Directors and supervisors. If he or she is a member of the Audit Committee and specializes in accounting or finance, it is required to clarify his or her accounting or finance background along with work experience, as well as explain whether he or she is involved in every paragraph of circumstance related to Article 30 in the Company Act.

Note 2 : Independent Director should definitely meet the condition for independence, including but not limited to the Director himself/herself, his/her spouse, relatives up to the second-degree of consanguinity, not serving as a Director, supervisor or employee in the Company or its affiliates; the number of shares and ratio held by the Director himself/herself, his/her spouse, relatives up to the second-degree of consanguinity (or in the name of someone else); whether he or she serves as a Director, supervisor or employee in a company which has a special relationship with the Company (please refer to Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies , Article 3 Paragraph 1 Subparagraph 5 to 8); the amount of remuneration over the past 2 years for the service provided to the Company or its affiliates in terms of enterprise and business, law, finance, accounting, etc.

Note 3 : Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

(2) Information on General Manager, Vice President, Associate, Heads of Departments and Branches

Table 1-1 Information of General Manager, Vice President, Associate, Heads of Departments and Branches March 31, 2023

Job title	Nationality	Name	Gender	Date of appointment to position (Note 1)	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks (Note 2)
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Name	Job title	Relationship	
CEO (General Manager)	R.O.C.	CHEN,YU-CHIN	Female	110/5/10	56,373	0.07%	0	0.00%	0	0.00%	B.S. in Business Administration and Finance, Indiana University, USA Director, White House Foods (Inc.) Director, Chien Tao Construction Co., Ltd.	None	CHEN, KEN-TE	Chairman	Father and Daughter	—
COO (Associate)	R.O.C.	CHEN,WEI-MIN	Male	109/11/12	0	0.00%	0	0.00%	0	0.00%	Chang Gung University - M.S. in Biochemistry and Biomedical Engineering Syngen Biotech - Research Center (January, 2008-March, 2014)	None	—	—	—	—
Financial Officer (Financial Administration Associate)	R.O.C.	YEH,TIEN-YU	Male	96/1/25	38,500	0.04%	0	0.00%	0	0.00%	Department of Accounting, National Cheng Kung University Vice Leader, Deloitte & Touche Firm Audit Supervisor, Chih-Kan Technology Co., Ltd.	None	—	—	—	—
R&D Division Associate	R.O.C.	TSAI,WAN-HUA	Female	108/6/28	2,000	0.00%	0	0.00%	0	0.00%	Ph.D., National Cheng Kung University - Graduate School of Basic Medical Sciences M.S., Institute of Biochemistry, National Cheng Kung University, College of Medicine Postdoctoral Researcher, National Health Research Institutes	None	—	—	—	—
Accounting supervisor (Accounting Manager)	R.O.C.	HUANG,HSIANG-CHUN	Female	110/8/6	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Cheng Kung University Assistant Manager, Motech Industries Inc.	None	—	—	—	—

Note 1 : CEO, CHEN, YU-CHIN arrived on September 3, 2018, and the Board of Directors approved the appointment of Vice CEO on November 9, 2018, and the Board of Directors approved the promotion of CEO on May 10, 2021.

COO, CHEN,WEI-MIN arrived on March 10, 2014 and was promoted to COO on November 12, 2020.

Head of Finance and Accounting, YEH,TIEN-YU arrived at the company on January 10, 2005, and the Board of Directors approved the appointment on January 14, 2005, and was promoted to the position of Assistant Director of Finance and Administration on January 25, 2007, and became the official Treasurer on September 30, 2012.

TSAI,WAN-HUA, Associate of Research and Development Department, arrived on September 15, 2014 and was promoted to Associate of Research and Development on June 28, 2019.

Accounting Manager HUANG, HSIANG-CHUN arrived on July 26, 2021 and the Board of Directors approved the appointment on August 06, 2021.

Note 2 : If the general manager or equivalent (top manager) and the chairman of the board of directors are the same person, spouses or relatives of each other, the reasons, reasonableness, necessity, and relevant information on countermeasures (for example, the number of independent directors should be increased and more than half of the directors should not be employees or managers, etc.) should be disclosed.

- (3) If the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and countermeasures shall be stated.

The Chairman of the Board of Directors and the President of the Company are close relatives of each other. Since the Company is a professional company in the research, development, production and sales of probiotics, the President of the Company has been familiar with the business operations of the Company during his service period and is most suitable for the Company at present. The Company will add one new independent director in the next election of directors.

3. Remuneration for directors, supervisors, general manager and vice president for the most recent year

(1) Remuneration of directors (including independent directors)

Table 1-2 (1-1) Remuneration of general and independent directors December 31, 2022; Unit: NT\$ thousand

Job title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income (Note 11)		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income (Note 10)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 11)
		Base compensation (A) (Note 2)		Retirement pay and pension (B)		Director profit-sharing compensation (C) (Note 3)		Expenses and perquisites (D) (Note 4)				Salary, rewards, and special disbursements (E) (Note 5)		Retirement pa and pension (F)		Employee profit-sharing compensation (G) (Note 6)						
		The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company		All consolidated entities (Note 7)		The Company	All consolidated entities (Note 7)	
																Amount in cash	Amount in stock	Amount in cash	Amount in stock			
Chairman	CHEN, KEN-TE	4,312	4,312	0	0	228	228	75	75	8.10%	8.10%	0	0	0	0	0	0	0	0	8.10%	8.10%	None
Director	HUANG, KUO-CHIEH	70	70	0	0	228	228	45	45	0.60%	0.60%	0	0	0	0	0	0	0	0	0.60%	0.60%	None
Director	CHEN, SHIH-KUN	70	70	0	0	228	228	60	60	0.63%	0.63%	0	0	0	0	0	0	0	0	0.63%	0.63%	None
Director	YANG, TE-HUI	70	70	0	0	228	228	75	75	0.65%	0.65%	0	0	0	0	0	0	0	0	0.65%	0.65%	None
Director	CHO, CHUAN-CHEN	70	70	0	0	228	228	75	75	0.65%	0.65%	0	0	0	0	0	0	0	0	0.65%	0.65%	None
Director	LIN, I-HSIUNG	70	70	0	0	228	228	60	60	0.63%	0.63%	0	0	0	0	0	0	0	0	0.63%	0.63%	None
Independent Director	HUANG, TSE-JEN	70	70	0	0	228	228	143	143	0.77%	0.77%	0	0	0	0	0	0	0	0	0.77%	0.77%	None
Independent Director	LU, CHIH-FENG	70	70	0	0	228	228	143	143	0.77%	0.77%	0	0	0	0	0	0	0	0	0.77%	0.77%	None
Independent Director	KAO, CHIH-PIN	70	70	0	0	228	228	143	143	0.77%	0.77%	0	0	0	0	0	0	0	0	0.77%	0.77%	None
1. Please describe the payment policy, system, criteria and structure for the remuneration of independent directors, and the relevance of the amount of remuneration to the responsibilities, risks and time commitment: Directors and supervisors of the Company are entitled to receive compensation in the form of fares and salaries, which are authorized to be determined by the Board of Directors based on the extent of their participation in and value of their contributions to the Company's operations and with reference to the industry standards.																						
2. Besides the disclosure in the table above, remuneration received by the directors of the Company for the most recent year for services provided (such as serving as non employee consultants for the parent company/all companies within the financial report/reinvestment business, etc.):0																						

Note 1 : The names of directors should be listed separately (corporate shareholders should list the names of corporate shareholders and their representatives separately), and the amounts paid to each director should be listed separately for general directors and independent directors, and the amounts paid to each director should be disclosed in a summary basis. If a director is also the president or vice president, he/she should fill in this table and the following table (3-1), or the following tables (3-2-1) and (3-2-2).

Note 2 : Directors' remuneration for the most recent year (including directors' salaries, bonuses, severance pay, bonuses and incentives, etc.).

Note 3 : The latest amount of directors' remuneration for the most recent year approved by the board of Directors.

- Note 4 : The latest annual business expenses of the directors (including car and horse expenses, special expenses, various allowances, dormitories, provision of vehicles, etc.). If housing, automobiles and other transportation or personal expenses are provided, the nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed. In addition, if a driver is provided, please include a note stating the compensation paid by the Company to the driver, but not included in the remuneration.
- Note 5 : The term refers to the most recent year in which the directors and concurrent employees (including concurrently serving as president, vice president, other managers and employees) received salaries, salary increments, severance pay, bonuses, incentives, car and horse expenses, special payments, allowances, dormitories, vehicles, and other in-kind provisions. When providing housing, automobiles, other means of transportation, or personal expenses, the nature and cost of the assets provided, actual or fair market value of rent, fuel and other payments should be disclosed. If a driver is provided, please include a note stating the compensation paid by the company to the driver, but not included in the remuneration. Salary expenses recognized under IFRS 2, "Share-based Payment", including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash capital increase, should also be included in the remuneration.
- Note 6 : The amount of employee remuneration (including stock and cash) received by the directors and concurrent employees (including concurrently serving as general manager, vice president, other managers and employees) in the most recent year should be disclosed as approved by the board of directors in the most recent year, and if the amount cannot be estimated, the proposed distribution amount for this year should be calculated in proportion to the actual distribution amount last year and should also be listed on Table 1-3.
- Note 7 : The total amount of remuneration paid by all companies (including the Company) in the consolidated report to the directors of the Company should be disclosed.
- Note 8 : The total amount of each remuneration paid by the Company to each director and the names of the directors are disclosed at the respective levels of attribution.
- Note 9 : The total amount of each remuneration paid to each director of the Company by all companies in the consolidated report (including the Company) should be disclosed, and the names of the directors should be disclosed at the respective level of attribution.
- Note 10 : Net profit after tax refers to the net profit after tax of the most recent year; IFRSs have been adopted, net profit after tax refers to the net profit after tax of the most recent year for individual or respective financial reports.
- Note 11 : a. The amount of remuneration received by the directors of the Company from the subsidiary or the parent company should be clearly stated in this column (if none, please enter "None").
- b. If a director of the Company receives remuneration from a subsidiary or a parent company, the remuneration received by the director of the Company from a subsidiary or a parent company should be included in Column I of the remuneration scale and the name of the column should be changed to "Parent Company and All Reinvestment Projects".
- c. Remuneration refers to the compensation, remuneration (including remuneration to employees, directors and supervisors) and business execution expenses received by the Company's directors in their capacity as directors, supervisors or managers of non-subsidiary companies or parent companies.
- *The disclosure of remuneration in this table is different from the concept of income under the Income Tax Act. Therefore, the purpose of this table is for information disclosure and not for taxation.

(2) Remuneration of the Supervisor
Not applicable.

(3) Remuneration for General Manager and Vice President

1. Remuneration for General Manager and Vice President :

(3-1) Remuneration for General Manager and Vice President

December 31, 2022; Unit: NT\$ thousand

Job title	Name	Salary(A) (Note 2)		Retirement Pension(B)		Bonuses and Premiums, etc. (C) (Note 3)		Amount of employee remuneration (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax net profit (Note 18)		Remuneration from re-invested businesses other than subsidiaries Note 9)
		The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company		All companies in the financial statements (Note 5)		The Company	All companies in the financial statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	CHEN,YU-CHIN	1,920	1,920	104	104	266	266	141	0	141	0	4.27%	4.27%	None

(3-2-2) Ranges of remuneration

Remuneration range for each general manager and vice president of the Company	Name of General Manager and Vice President	
	The Company(Note 6)	All companies in the financial statements (Note 7) E
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	CHEN, YU-CHIN	CHEN, YU-CHIN
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	—	—
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	—	—
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—
More than NT\$100,000,000	—	—
Total	1 people	1 people

- Note 1: The names of the general manager and vice president should be listed separately to disclose the amount of each benefit in aggregate. If the director is also the general manager or vice president, he/she should fill in this table and the above table (1-1), or (1-2-1) and (1-2-2).
- Note 2: Salaries, salary increments, and severance pay of the general manager and vice president for the most recent year are included.
- Note 3: The amount of bonuses, incentive payments, car and transportation expenses, special expenses, allowances, dormitories, vehicles and other in-kind payments for the president and vice president for the most recent year are included. In the case of housing, automobiles and other transportation or personal expenses, the nature and cost of the assets provided, actual or fair market value of rent, fuel and other payments should be disclosed. If a driver is provided, please include a note stating the compensation paid by the company to the driver, but not included in the remuneration. Salary expenses recognized under IFRS 2, "Share-based Payment", including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash capital increase, should also be included in the remuneration.
- Note 4: The amount of employee remuneration (including stock and cash) approved by the board of directors for the most recent year for the president and vice president should be included. If the amount cannot be estimated, the proposed distribution for this year should be calculated in proportion to the actual distribution last year and should also be included in Table 1-3.
- Note 5: The total amount of remuneration paid to the President and Vice President of the Company by all companies in the consolidated report (including the Company) should be disclosed.
- Note 6: The total amount of remuneration paid by the Company to each general manager and deputy general manager is disclosed in the vesting hierarchy for the general manager and deputy general manager.
- Note 7: The total amount of remuneration paid to each general manager and deputy general manager of the Company by all companies in the consolidated report (including the Company) should be disclosed, and the names of the general manager and deputy general manager should be disclosed in the vesting hierarchy.
- Note 8: The net profit after tax refers to the net profit after tax of the most recent year; if IFRSs have been adopted, the net profit after tax refers to the net profit after tax of the most recent year for individual or separate financial reports.
- Note 9: a. The amount of remuneration received by the general manager and vice president of the Company from the subsidiary or the parent company should be clearly stated in this column (if none, please enter "None").
- b. If the general manager and vice president of the Company receive remuneration from a subsidiary company or a parent company, the remuneration received by the general manager and vice president of the Company from a subsidiary company or a parent company should be included in column E of the remuneration scale, and the name of the column should be changed to "Parent Company and All Reinvestment Projects".
- c. Remuneration refers to the compensation, remuneration (including remuneration to employees, directors and supervisors) and business execution expenses related to the President and Vice President of the Company's role as a director, supervisor or manager of a business other than a subsidiary transferring to an investee company or a parent company.

* The disclosure of remuneration in this table is different from the concept of income under the Income Tax Act. Therefore, the purpose of this table is for information disclosure and not for taxation.

2.Name of manager and distribution of employee remuneration: The name of the manager and distribution of employee remuneration for the year 2022 are as follows.

Table 1-3

The name of the manager who distributes the employee's remuneration and the distribution

Unit: NT\$

March 31, 2023

	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Managers	General Manager	CHEN, YU-CHIN	0	495	495	0.87
	Operations Associate	CHEN, WEI-MIN				
	R&D Associate	TSAI, WAN-HUA				
	Financial Associate	YEH, TIEN-YU				
	Accounting Manager	HUANG, HSIANG-CHUN				

Note 1: The names and titles should be listed separately, and the remuneration distribution may be consolidated for disclosure.

Note 2: The latest amount of the manager's employee remuneration as passed by the Board of Directors (including shares and cash) in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year. Net profit after tax refers to the net after-tax profit of the individual company or the respective financial statement for the latest year.

Note 3: The definition of manager, as governed by the letter of the SFC on March 27, 2003 with a reference no. of Tai-Tsai-Cheng III 0920001301, is as follows:

(1) General Manager and equivalent.

(2) Vice General Manager and equivalent.

(3) Associate and equivalent.

(4) Head of financial department

(5) Head of accounting department.

(6) Other people who have the right to manage the Company's affairs and are the Company's authorized signatories.

Note 4: If the directors, general manager and vice president receive employee compensation (including stock and cash), they should fill out this table in addition to Table 1-2.

(4) Remuneration of the top five highest paid executives of TWSE/TPEX Listed Companies

(4-1) Remuneration of the top five highest paid executives of TWSE/TPEX Listed Companies

December 31, 2022 ; Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonus and special fees (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax net profit (%) (Note 8)		Remuneration from re-invested businesses other than subsidiaries or parent company (Note 9)
		The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company		All companies in the financial statements (Note 5)		The Company	All companies in the financial statements (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	CHEN,YU-CHIN	1,920	1,920	104	104	266	266	141	0	140.6	0	4.27	4.27	None
Associate	CHEN, WEI-MIN	1,827	1,827	82	82	195	195	105	0	105.4	0	3.88	3.88	None
Associate	TSAI, WAN-HUA	1,524	1,524	92	92	196	196	113	0	113.2	0	3.38	3.38	None
Associate	YEH,TIEN-YU	985	985	63	63	103	103	79	0	78.6	0	2.16	2.16	None
Manager	HUANG, HSIANG-CHUN	773	773	47	47	83	83	57	0	57.1	0	1.68	1.68	None

Note 1: The term "top five highest paid executives" refers to the managers of the Company. The criteria for the recognition of managers are based on the scope of "managers" as stipulated in the former Securities and Futures Commission of the Ministry of Finance's Tai-Tsai-Cheng III No. 0920001301 dated March 27, 2003. As for the "top five most highly compensated" calculation, the calculation is based on the total amount of salaries, retirement pensions, bonuses and special payments received by the manager from all companies in the consolidated financial statements, as well as the total amount of employee remuneration (i.e., the total of the four items A+B+C+D), and then ranked by the top five most highly compensated. If a director is also a former director, he/she should fill in this table and the above table (1-1).

Note 2: The salaries, job allowances and severance pay of the top five most highly remunerated executives in the most recent year are listed.

Note 3: The latest annual business execution expenses of the General Manager and the Deputy General Managers (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall also include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

Note 4: The amount of employee compensation (including stock and cash) approved by the board of directors for the top five most highly compensated executives in the most recent year is included. If the amount cannot be estimated, the proposed distribution for this year is calculated in proportion to last year's actual distribution and should also be listed in Table 1-3.

Note 5: The total amount of remuneration paid to the top five executives of the Company by all companies in the consolidated report (including the Company) should be disclosed.

Note 6: The net income after tax refers to the net income after tax of the most recent year of the parent company only financial statements or individual financial reports.

Note 7: a. This column should clearly state the amount of remuneration received by the Company's top five remuneration executives from the subsidiary or parent company (if none, please enter "none").

b. Remuneration refers to the compensation, remuneration (including remuneration to employees, directors and supervisors) and business execution expenses received by the Company's top five executives in their capacity as directors, supervisors or managers of the Company's non-subsidiary companies or parent companies.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

- (5) An analysis of the total remuneration paid to the Company's directors, supervisors, general manager, and vice president as a percentage of net income after tax for the last two years for the Company and for all consolidated companies, respectively. The Company's policy, criteria and mix of remuneration, the process of setting remuneration and its relationship to operating performance and future risks.

1. Payment by the Company is as follows :

Unit: NT\$ thousand

Year Item	2021	2022
Remuneration paid	12,141	10,174
Percentage of net income after tax	10.73%	17.86%

All corporate benefits in the consolidated statements of income are as follows :

Unit: NT\$ thousand

Year Item	2021	2022
Remuneration paid	12,141	10,174
Percentage of net income after tax	10.73%	17.86%

2. Policies, standards and packages of remuneration :

The remuneration paid by the Company includes travel expenses for board of directors' meetings (in accordance with Article 16 of the Company's Articles of Incorporation: All directors and supervisors shall pay travel expenses regardless of profit or loss, and the amount is authorized to be determined by the board of directors.) The remuneration for the Chairman, Vice Chairman, President and Vice President is paid in accordance with the general industry standard. As for the remuneration for the Directors and Supervisors, it is in accordance with Article 20 of the Company's Articles of Incorporation (please refer to page 47).

3. The relationship between the process of setting remuneration and operational performance and future risks. :

The payment of remuneration was approved by the board of directors and adjusted after considering the actual operating performance and assessing future risks.

4. Corporate Governance Status

(1) Operation of the Board of Directors.

Table 2

(1) Information on the operation of the Board of Directors

The Board of Directors held five (5) meetings in the most recent year and the attendance of the directors was as follows :

Title	Name (Note1)	Actual no. of meetings attended (B)	Number of Attendance by Proxy	Actual attendance rate (%) [B/A] (Note 2)	Note
Chairman	CHEN, KEN-TE	5	0	100.00%	
Director	HUANG, KUO-CHIEH	3	0	60.00%	
Director	CHEN, SHIH-KUN	4	1	80.00%	
Director	YANG, TE-HUI	5	0	100.00%	
Director	LIN, I-HSIUNG	4	0	80.00%	
Director	CHO, CHUAN-CHEN	5	0	100.00%	
Independent Directors	HUANG, TSE-JEN	5	0	100.00%	
Independent Director	LU, CHIH-FENG	5	0	100.00%	
Independent Director	KAO, CHIH-PIN	5	0	100.00%	

Other matters to be recorded :

1.If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the opinions of all independent Directors and the Company's handling of the opinions of the Independent Directors:

(1) Matters listed in Article 14-3 of the Securities Exchange Act :

There were no independent directors who had an adverse or qualified opinion for the year 2022 and up to the date of publication of the annual report.

(2) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.

2.For the implementation of the recusal of a director from an interest motion, the name of the director, the content of the motion, the reason for the recusal and the participation in voting should be stated: None.

3. Information on the periodicity and duration, scope, method and content of the evaluation of the self- (or colleague) evaluation by the board of directors shall be disclosed by the TWSE/TPEX listed company and the implementation of the board evaluation shall be listed in Table 2(2).

4.The goals of strengthening the functions of the Board of Directors (e.g., establishing an audit committee, enhancing the transparency of information, etc.) and the implementation status for the current and most recent years are evaluated :

(1) Strengthen the functions of the Board of Directors :

The Company has three independent directors, namely Mr. Huang, TSE-JEN, Mr. Lu, CHIH-FENG

and Mr. Kao, CHIH-PIN. The three independent directors attend the board of directors' meetings (including delegated attendance) well and provide good advice to the board of directors on the board of directors' meetings regarding the implementation of internal control system, business and financial issues with their professional abilities such as industry knowledge, accounting and financial analysis.

The Company has taken out a US\$3 million directors' liability insurance policy with Shinkong Insurance Co. In addition, during their term of office, members of the Company's Board of Directors attend continuing education courses covering topics related to corporate governance offered by institutions designated by the Listing Company's Directors and Supervisors Continuing Education Program.

(2) Enhance information transparency, etc.

The financial statements of the Company and its subsidiaries are regularly audited and certified by KPMG, and all information required by law is disclosed in a timely manner. We have designated a person to be responsible for the collection and disclosure of corporate information and established a spokesperson system to ensure that all material information is disclosed in a timely and appropriate manner for shareholders and interested parties to refer to the information related to the Company's financial operations.

Note 1: If a director or supervisor is a legal entity, please disclose the name of the corporate shareholder and of its representative.

Note 2: (1) If there is a director or supervisor leaving the Company before the end of the year, please indicate the date of departure in the note field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(2) If there is a director or supervisor election before the end of the year, please list both

the new and the old Directors and supervisors and indicate in the Remarks column whether the Director or supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(2) Implementation of the Board of Directors' evaluation

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	January 1, 2022 ~ December 31, 2022	Overall Board of Directors Functional Committees Board Members	Appointment of external professional organizations Internal Evaluation	1. Board Composition and Professional Development 2. Quality of Board decisions 3. Effectiveness of the Board's operation 4. Internal control and risk management 5. Level of board participation in corporate social responsibility. 6. Control of the company's objectives and tasks 7. Knowledge of directors' responsibilities 8. Participation in the operation of the company 9. Internal relationship management and communication 10. Selection of directors and professional and continuing education

(2) Operating status of the Audit Committee or Supervisors' participation in the Board of Directors

1. Operation of the Audit Committee is detailed in the following table :

Table 2-1-1

Information on the operation of the Audit Committee

The Audit Committee held five (5) meetings in the most recent year, and the independent directors attended the meetings as follows :

Title	Name (Note1)	Actual no. of meetings attended (B)	Number of Attendance by Proxy	Actual attendance rate (%) [B/A] (Note 1.Note 2)	Note
Independent Director	HUANG, TSE-JEN	5	0	100.00%	
Independent Director	LU, CHIH-FENG	5	0	100.00%	
Independent Director	KAO, CHIH-PIN	5	0	100.00%	
Other matters to be recorded : 1.If any of the following circumstances occurs in the course of the Audit Committee's operations, please indicate the date of the Audit Committee meeting, session number, contents of the motion, as well as independent Directors' objections, reservations, or important suggestions, resolutions of the Audit Committee, and the Company's handling of the Audit Committee's opinions (1) The matters listed in Article 14-5 of the Securities and Exchange Act.2022.3.9.2022.5.12.2022.3.9, 2022.5.12, 2022.5.27, 2022.8.8 and 2022.11.8 The Audit Committee discusses matters involving the directors' own interests, annual financial reports, amendments to the guidelines for the acquisition or disposal of assets, the Statement of Internal Control, the establishment or amendment of the internal control system, the annual audit plan, the appointment, dismissal or compensation of the certifying accountant, the appointment or removal of the head of finance, accounting or internal audit, and significant asset transactions, The appointment and removal of the head of finance, accounting or internal audit, and major asset transactions are discussed and approved by the audit committee and directors. (2) Other than the aforementioned matters, the board resolutions approved by more than two-thirds of the Directors that were not approved by the Audit Committee: None. 2.Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusal, and results of voting should be specified: None. 3.Communication between the independent directors and the head of internal audit and the accountant (should include the significant matters, methods and results of communication regarding the company's financial and business status) 1. The head of internal audit of the Company attends each audit committee to give an internal audit report and provide the quarterly audit results for the independent directors to understand the operation of the Company.					

Communication and Results :

Date	Communication between independent directors and internal auditors	Result
March 9, 2022	Highlights of Internal Control Amendment Motion Report on the execution of auditing operations from November 2022 to February 2022	Independent director knew
May 12, 2022	Report on the execution of audit operations in March and April 2022	Independent director knew
August 8, 2022	Highlights of the Company's important internal regulations amendment motion Report on the execution of auditing operations from May to July 2022	Independent director knew
November 8, 2022	Highlights of the Company's important internal regulations amendment motion Report on the execution of audit operations from August to October 2022	Independent director knew

2. The Company's accountants were present at the Audit Committee and communicated the matters and results :

Date	Communication between independent directors and internal auditors	Result
November 8, 2022	The accountant attended the audit committee to communicate with the independent director about the auditing situation	Independent director knew

4. The Audit Committee of the Company has approved the independence and appropriateness of the certified public accountants on May 12, 2022, and submitted the evaluation results to the Board of Directors on May 12, 2022, and assessed that the independence and appropriateness of the CPAs SU, YEN-TA and Chen, Kuo-Tsung of KPMG, who were appointed as the certified public accountants for this year's financial statements, are in good standing. The evaluation mechanism is as follows:

Evaluation Items	Evaluation Results
1. The CPA has no direct or significant indirect financial interest relationship with the Company.	■Yes □No
2. The CPA has no significant and close business relationship with the Company.	■Yes □No
3. The CPA did not have any potential employment relationship during the audit of the Company.	■Yes □No
4. The CPA has not made any monetary loans to the Company or its affiliates.	■Yes □No
5. The CPA has not received any gifts or special privileges of significant value from the Company or the Company's directors, supervisors or managers.	■Yes □No
6. The CPA has not performed visa services continuously for more than seven years.	■Yes □No
7. The CPA does not hold any shares of the Company.	■Yes □No
8. The CPA, his or her spouse or dependents, and the members of his or her audit team did not hold any positions as directors, officers, or persons with significant influence over the audit case during the audit period or within the last two years, and he or she has determined that he or she will not hold such positions in the future audit period.	■Yes □No
9. The CPA has complied with Statement of Ethics No. 10 on Standards of Independence and has obtained a "Statement of Independence" from the CPA.	■Yes □No

Note 1: If an independent Director resigns before the end of the year, the date of departure should be indicated in the Remarks column. The actual attendance rate (%) is calculated based on the number of Audit Committee meetings held and the actual number of meetings attended during the tenure of office.

Note 2: If there is an election of independent Directors before the end of the year, please list both the new and old independent Directors, and indicate in the Remarks column whether the independent Director is old, new or re-elected as well as the date of election. The actual attendance rate (%) is calculated based on the number of Audit Committee meetings held and the actual number of meetings attended during the tenure of office.

2. Supervisors' participation in the operation of the Board of Directors: Not applicable.

(3) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Table 2-2 Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation Item	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
	Yes	No	Abstract Illustration							
1.Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance best practice principles?	✓		The Company has followed the Corporate Governance Best Practice Principles.	The Company has established the Corporate Governance Best Practice Principles.						
2.The Company's shareholding structure and shareholders' equity (1) Has the Company set up internal operating procedures to handle shareholder proposals, doubts, disputes and litigation matters and followed the procedures? (2) Does the Company have a list of its major shareholders and the ultimate controllers of the major shareholders? (3) Has the Company established and implemented risk management and firewall mechanisms with its affiliates? (4) Has the Company set up an internal standard to prohibit the insiders’ use of private information to trade securities?		✓ ✓ ✓ ✓	(1) The head of the Financial Administration Department is responsible for handling shareholders' proposals or disputes and coordinating with relevant units of the Company for follow-up operations. (2) The Company has obtained the relevant lists and regularly tracks them during the monthly reporting of changes in directors' and supervisors' shareholdings. (3) The Company's operations are carried out in accordance with the internal control system and relevant operating rules, and risk control mechanisms and firewalls have been established between the Company and its affiliates. (4) The Company regularly promotes the regulations related to insider stock transactions.	No major differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies						
2.Composition and responsibility of the Board of Directors (1) Has the Board of Directors formulated a diversified approach and specific management goals, and implemented them? (2) Has the Company set up other types of functional committees voluntarily in addition to the Remuneration Committee and Audit Committee in accordance with the law? (3) Has the Company set up a performance appraisal method and assessment method for the Board of Directors, conducted an annual performance appraisal on a regular basis, submitted results of the performance assessments to the Board of Directors and used them as reference in determining compensation and nomination as well as additional term of office of individual Directors? (4) Does the Company regularly evaluate the independence of its certified public accountants?		✓ ✓ ✓ ✓	(1) Each of the directors of the Company has business judgment, management, leadership, crisis management, accounting and financial analysis skills, etc. All of them are native males and are over 50 years of age. (2) The Company has established a remuneration committee and an audit committee in accordance with the regulations. (3) The Company has established a procedure for self- or collegial evaluation by the Board and individual directors. (4) The Audit Committee of the Company has approved the independence and appropriateness of the certified public accountants on May 12, 2022, and submitted the evaluation results to the Board of Directors on May 12, 2022, and assessed that the independence and appropriateness of the CPAs SU, YEN-TA and Chen, Kuo-Tsung of KPMG, who were appointed as the certified public accountants for this year's financial statements, are in good standing. The evaluation mechanism is as follows: <table><tr><th>Evaluation Items</th><th>Evaluation Results</th></tr><tr><td>1. The CPA has no direct or significant indirect financial interest relationship with the Company.</td><td>■Yes □No</td></tr><tr><td>2. The CPA has no significant and close business relationship with the Company.</td><td>■Yes □No</td></tr></table>	Evaluation Items	Evaluation Results	1. The CPA has no direct or significant indirect financial interest relationship with the Company.	■Yes □No	2. The CPA has no significant and close business relationship with the Company.	■Yes □No	No major differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
Evaluation Items	Evaluation Results									
1. The CPA has no direct or significant indirect financial interest relationship with the Company.	■Yes □No									
2. The CPA has no significant and close business relationship with the Company.	■Yes □No									

Evaluation Item	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons														
	Yes	No	Abstract Illustration															
			<table><tr><td>3. The CPA has no potential employment relationship in the audit of the Company.</td><td>■Yes □No</td></tr><tr><td>4. The CPA has not made any monetary loans to the Company or its affiliates.</td><td>■Yes □No</td></tr><tr><td>5. The CPA has not received any gifts or special privileges of significant value from the Company or the Company's directors, supervisors or managers.</td><td>■Yes □No</td></tr><tr><td>6. The CPA has not performed visa services continuously for more than seven years.</td><td>■Yes □No</td></tr><tr><td>7. The CPA does not hold any shares of the Company.</td><td>■Yes □No</td></tr><tr><td>8. The CPA, his or her spouse or dependents, and the members of his or her audit team did not hold any positions as directors, officers, or persons with significant influence over the audit case during the audit period or within the last two years, and he or she has determined that he or she will not hold such positions in the future audit period.</td><td>■Yes □No</td></tr><tr><td>9. The CPA has complied with Statement of Ethics No. 10 on Standards of Independence and has obtained a "Statement of Independence" from the CPA.</td><td>■Yes □No</td></tr></table>	3. The CPA has no potential employment relationship in the audit of the Company.	■Yes □No	4. The CPA has not made any monetary loans to the Company or its affiliates.	■Yes □No	5. The CPA has not received any gifts or special privileges of significant value from the Company or the Company's directors, supervisors or managers.	■Yes □No	6. The CPA has not performed visa services continuously for more than seven years.	■Yes □No	7. The CPA does not hold any shares of the Company.	■Yes □No	8. The CPA, his or her spouse or dependents, and the members of his or her audit team did not hold any positions as directors, officers, or persons with significant influence over the audit case during the audit period or within the last two years, and he or she has determined that he or she will not hold such positions in the future audit period.	■Yes □No	9. The CPA has complied with Statement of Ethics No. 10 on Standards of Independence and has obtained a "Statement of Independence" from the CPA.	■Yes □No	
3. The CPA has no potential employment relationship in the audit of the Company.	■Yes □No																	
4. The CPA has not made any monetary loans to the Company or its affiliates.	■Yes □No																	
5. The CPA has not received any gifts or special privileges of significant value from the Company or the Company's directors, supervisors or managers.	■Yes □No																	
6. The CPA has not performed visa services continuously for more than seven years.	■Yes □No																	
7. The CPA does not hold any shares of the Company.	■Yes □No																	
8. The CPA, his or her spouse or dependents, and the members of his or her audit team did not hold any positions as directors, officers, or persons with significant influence over the audit case during the audit period or within the last two years, and he or she has determined that he or she will not hold such positions in the future audit period.	■Yes □No																	
9. The CPA has complied with Statement of Ethics No. 10 on Standards of Independence and has obtained a "Statement of Independence" from the CPA.	■Yes □No																	
4.Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer responsible for corporate governance-related matters (including but not limited to providing Directors and supervisors with required information to carry out their business, assisting Directors and supervisors with legal compliance, handling corporate registration and change of corporate registration-related matters, and preparing board and shareholders' meeting minutes)?	✓		The Company approved the appointment of Yeh, Tien-Yu as the Treasurer and Head of Corporate Governance on November 12, 2020.who is qualified to practice as an accountant and his main duties are: 1. Conduct meetings of the board of directors and shareholders in accordance with the law. 2. Prepare minutes of board and shareholders' meetings. 3. Assist directors and supervisors in their appointment and continuing education. 4. Provide directors and supervisors with information necessary for the execution of their business. 5. Assist directors and supervisors to comply with laws and regulations. 6. Other matters in accordance with the articles of incorporation or contract. The continuing education status in 2022 is as follows: This course is organized by the Accounting Research and Development Foundation (ARDF). 3 hours of self-prepared financial statements are devoted to the following topics: the equity method of investment transfer, 3 hours of ESG sustainability and risk management, and 3 hours of audit committee discussion on the proper exercise of independent directors' duties and responsibilities. 3 hours on the application of the "Business Judgment Rule" to economic crime cases and analysis of legal liability.	No major differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies														

Evaluation Item	Implementation Status (Note)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5.Has the Company established a communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up a page for these interested parties on the Company's website, and appropriately responded to them concerning important corporate social responsibility issues?	✓		The Company has set up a stakeholder area with contact information for the Company.	No major differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
6.Has the Company appointed a professional stock transfer agent to handle shareholder-related affairs?	✓		The Company appointed the stock transfer agent of SinoPac Securities.	No major differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
7.Information disclosure (1) Does the Company establish a Company website to disclose information on its finances, business, and corporate governance? (2) Does the Company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing the spokesman system, and posting the Company's corporate briefing process on the website, etc.)? (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second and third quarters and the monthly operations before the prescribed period?	✓ ✓	 ✓	(1) The Company has set up a stakeholder area. (2) The Company has designated the relevant departments to be responsible for the collection and disclosure of corporate information. (3)None.	(1)and(2) No major differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
8.Does the Company have other important information that can facilitate the understanding of its operations of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relationships, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	✓		1. Please refer to pages 35-36 for the rights of employees, employee care, investor relations, supplier relations, and interested parties. 2. The status of directors' and supervisors' continuing education has been published on the Market Observation Post System. 3. The recusal of a director from an interested party is regulated by Article 16 of the "Rules of Procedure of the Board of Directors". 4. The Company has taken out liability insurance for directors and supervisors since November 7, 2007.	No major differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
9.Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for items not yet improved. (If the company is not included in the appraisal, it is not necessary to fill in the information.) We have enhanced our corporate governance evaluation program to meet the corporate governance evaluation indicators as far as possible within the acceptable limits of the Company.				

Note: The operating status should be described in the Abstract Illustration field, regardless of whether "Yes" or "No" is checked.

(4) If the Company has a Remuneration Committee, please disclose its composition, duties and operation

1. The Company has established a Salary and Remuneration Committee in accordance with the regulations, consisting of three members, including Convenor, Huang, Tse-Jen, Member, Lu, Chih-Feng and Kao, Chih-Pin.

Table 2-2-1 (1) Member Information of the Salary and Remuneration Committee

March 31, 2023

Identity (Note 1)	Name	Qualifications	Independence Status (Note 3)	No. of Other Public Companies where the Individual Concurrently Serves as Member on Remuneration Committee
		Professional Qualifications and Experience (Note 2)		
Independent Director (Note)	HUANG, TSE-JEN	M.B.A., National Taiwan University of Science and Technology Director, Shengxin & Associates, Inc. Independent Director, Audit Committee and Remuneration Committee of Sunfon Construction Co. Independent Director, Audit Committee and Remuneration Committee of Sunplus Technology Co. Director of Framy Inc (Cayman)	Comply with Article 3 of the Rules Governing the Establishment and Compliance of Independent Directors of Public Companies.	2
Independent Director	LU, CHIH-FENG	Ph.D. in Human Genetics and Molecular Biology, Johns Hopkins University, USA Postdoctoral Fellow, Johns Hopkins University, USA Postdoctoral Fellow, Yale University, USA Assistant Professor, Department of Medicine, Fu Jen Catholic University	Comply with Article 3 of the Rules Governing the Establishment and Compliance of Independent Directors of Public Companies.	None
Independent Director	KAO, CHIH-PIN	Ph.D., Department of Philosophy, Iowa State University, Berlin, USA Member of the Advisory Committee of the Research and Examination Committee of the Executive Yuan Former National Congress Representative Lecturer, Center for Public Service Human Resource Development, Executive Yuan and Central Police University Lecturer, Central Police University Extension Education and Training Center	Comply with Article 3 of the Rules Governing the Establishment and Compliance of Independent Directors of Public Companies.	None

Note : Convener

Note 1: Please specify the relevant years of experience, professional qualifications and experience, and independence of each member of the Compensation Committee in the form, and if the member is an independent director, please note that he/she can refer to the relevant content in Table 1, Information of Directors and Supervisors (I) on page OO. If you are an independent director, please note that you are an independent director or other (if you are a convener, please add a note).

Note 2: Professional Qualifications and Experience: Specify the professional qualifications and experience of individual salary and remuneration committee members.

Note 3: Independence: The members of the Compensation Committee are independent, including but not limited to whether they are directors, supervisors or employees of the Company or its affiliates; the number and proportion of shares of the Company held by me, my spouse, or a relative within the second degree of consanguinity (or by using the name of another person); any director, supervisor or employee of a company with a specific relationship with the Company (refer to Article 6, Paragraphs 1, 5~8 of the Regulations Governing the Establishment and Exercise of Powers and Functions of Salary and Compensation Committees of Companies Listed on the Stock Exchange or Traded on the Stock Exchange); the amount of remuneration received for the provision of business, legal, financial and accounting services by the Company or its affiliates in the most recent two years.

Note 4: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

2. Operations of the Salary and Remuneration Committee, please refer to the following table :

Table 2-2-1 (2) Information on the operation of the Salary and Remuneration Committee

- i. There are three members of the Salary and Remuneration Committee of the Company.
 ii. Term of office: July 10, 2029 to June 29, 2023. The most recent annual Salary and Remuneration Committee held 2 meetings (A), and the qualifications and attendance of the members are as follows :

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	HUANG, TSE-JEN	2	0	100.00%	
Member	LU, CHIH-FENG	2	0	100.00%	
Member	KAO, CHIH-PIN	2	0	100.00%	
Other matters to be recorded : (1) If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Board of Directors as well as the Company's actions in response to the opinions of the Remuneration Committee (if remuneration approved by the Board is better than that proposed by the Remuneration Committee, for example) should be stated: None. (2) Regarding resolutions of the meeting of the Remuneration Committee, if there is any written record or statement pertaining to members' objections or reservations, the date and session of the Remuneration Committee meeting, contents of the proposal, the opinion of the said member, and the actions in response to the said opinion should be stated: None.					

(5) Implementation of the promotion of sustainable development and the differences and reasons for the rules of practice for sustainable development of TWSE/TPEX Listed Companies ; Companies that comply with certain conditions should disclose climate related information

Table 2-2-2 (5) Implementation of the promotion of sustainable development and the differences and reasons for the rules of practice for sustainable development of TWSE/TPEX Listed Companies

Promoting items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
1.Has the Company set up a sustainable development governance structure and a dedicated (or concurrent) sustainable development promotion unit which is authorized by the Board of Directors to be managed by high-level management and supervised by the Board of Directors?		✓	Not set up yet	Not set up yet
2.. Has the Company conducted risk evaluation for the environmental, social and corporate governance issues related to the operations of the Company based on the materiality principle, and formulated related risk management policies or strategies?(Note 2)		✓	Not set up yet	Not set up yet
3.Environmental issues (1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	✓		We have established a proper environmental management system, therefore, our environmental protection has been awarded the Model Environmental Protection Award in 2007 by STSP, and we have employed dedicated environmental safety personnel to maintain the environment.	There are no significant differences from the Code of Practice on Corporate Social Responsibility for TWSE/TPEX Listed Companies.
(2) Is the Company committed to improving the efficiency in the use of resources, and the use of recycled materials with low environmental impact?	✓		The current situation of the company is as follows: 1. Fermentation supernatant is developed into recycled products to reduce wastewater discharge. 2. Reuse RO wastewater for cleaning and gardening. 3. Use solar energy for boiler water preheating.	There are no significant differences from the Code of Practice on Corporate Social Responsibility for TWSE/TPEX Listed Companies.
(3) Does the Company assess the current and future potential risks and opportunities of climate change to the Company, and adopt corresponding measures?	✓		Energy saving and carbon reduction measures. 1. Turn off the lights manually. 2. Turn off the power switch when the computer is not in use. 3. Increase the air conditioning temperature, not less than 25 degrees Celsius. 4. Set up solar water heater for boiler refill, reduce gas consumption and greenhouse gas emissions. 5. Collect rainwater and use it for planting and spraying. 6. Shut down the air conditioning system in the clean room on holidays to save electricity. 7. Improve the freeze-crystal drying process, shorten the freeze-drying time to save electricity.	There are no significant differences from the Code of Practice on Corporate Social Responsibility for TWSE/TPEX Listed Companies.
(4) Has the Company calculated the greenhouse gas (GHG) emissions, water consumption and total weight of waste for the past two years, and formulated strategies for GHG emission reduction, water conservation and management of other forms of waste?		✓	Not implemented	Not implemented
4.Social issues (1) Has the Company formulated relevant management policies and	✓		The Company protects the rights and interests of its employees in accordance with the Labor Standards Law.	There are no significant differences from the Code of Practice on Corporate Social

Promoting items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
procedures in accordance with relevant laws and regulations and international human rights conventions?				Responsibility for TWSE/TPEX Listed Companies.
(2) Does the Company formulate and implement reasonable policies of staff welfare (including compensation, vacation and other welfares), and reflect the operating performance or achievement in the compensation of the employees properly?	✓		The Company protects the rights and interests of employees in accordance with the Labor Standards Law and determines the amount of year-end bonuses based on business performance.	There are no significant differences from the Code of Practice on Corporate Social Responsibility for TWSE/TPEX Listed Companies.
(3) Does the Company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?	✓		1.Set up dedicated units: According to Article 2 and Article 2-1 of the Occupational Safety and Health Management Regulations, the first provision. (Implementation content: allocation of Class A business supervisor and Class B manager, environmental and occupational safety and health management system planning, implementation, auditing and improvement) 2.Regular implementation of the operating environment monitoring and occupational safety and health education and training. According to Article 12 of the Occupational Safety and Health Act and the rules of occupational safety and health education and training. (Implementation content: according to the actual operating environment of the company to implement the necessary environmental monitoring and publication of environmental test reports, new personnel education and training, contractor education and training, and configuration of the relevant regulations operating supervisor) 3.Regular implementation of health inspection and risk assessment of work and environmental hazards According to the Occupational Safety and Health Law, Article 5, Article 6, Paragraph 3, Article 20, Paragraph 3, Article 21, Paragraph 3, and Article 22, Paragraph 4. (Implementation content: To perform annual medical examination, new employee medical examination and special operation medical examination to identify potential risks to workers and the environment, and to improve them.) 4.Fire prevention management and emergency response training. In accordance with the Fire Prevention Law and Article 21 of the Enforcement Rules of the Occupational Safety and Health Law. (Implementation content: To establish a fire protection plan and regular security inspection and reporting, and to conduct disaster emergency response training every six months to enhance personnel's ability to respond to disasters) 5. Establishment of special medical personnel and health management system. According to the regulations of labor health protection (Implementation: Health protection plan, human factors engineering, illegal aggression, maternity protection and abnormal work. Once a week, a nurse practitioner and once a quarter, an occupational medicine specialist will visit the factory to perform health management or work configuration operations to complete the health management system, evaluation of human factors engineering operations, maternal health protection, assessment of unlawful assaults, and adjustment of abnormal work assignments.)	There are no significant differences from the Code of Practice on Corporate Social Responsibility for TWSE/TPEX Listed Companies.

Promoting items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(4) Has the Company developed an effective training program for employees?	✓		We hold regular internal and external training for our employees.	There are no significant differences from the Code of Practice on Corporate Social Responsibility for TWSE/TPEX Listed Companies.
(5) Did the Company follow relevant laws and international codes regarding product/service, customer health, safety, customer privacy, marketing and labeling, as well as formulate related policies to protect the rights and interests of consumers and develop a complaint-handling procedure?	✓		The Company has a dedicated unit responsible for compliance with the regulations.	There are no significant differences from the Code of Practice on Corporate Social Responsibility for TWSE/TPEX Listed Companies.
(6) Did the Company formulate supplier management policies and require suppliers to follow relevant standards on environmental protection, occupational safety and health, or labor rights, as well as specify the implementation process?		✓	Not established yet	Not established yet
5. Did the Company follow internationally recognized guidelines in preparing and publishing reports; i.e., corporate social responsibility report to disclose non-financial information about the Company? Did the Company hire a third-party verification or assurance provider for such reports?		✓	Not compiled	Not compiled
6. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the prescribed code: not yet determined				
7. Other important information for understanding the implementation of sustainable development: None.				

Note 1: If "Yes" is checked for implementation, please specify the important policies, strategies and measures adopted and their implementation. If "No" is checked for implementation, please explain the differences and reasons in the "Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Listed Companies and Reasons for Differences" column and explain the plans for future implementation of relevant policies, strategies and measures.

Note 2: Materiality refers to environmental, social and corporate governance issues that have a significant impact on investors and other stakeholders of the Company.

Note 3: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

(6) Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

The Company operates under the following principles: 1. Avoid engaging in practices that violate unfair competition; 2. Meet tax obligations; 3. Anti-bribery and corruption and establish appropriate management systems; 4. Corporate contributions are made in accordance with internal operating procedures.

Table 2-2-4

(6) Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustrations	
1.Establishing ethical corporate management policies and measure (1) Does the Company develop business integrity policies to be passed by the Board, and express its commitment to the policies and practices of Ethical Corporate Management in its regulations and in the external documents, and do the Board of Directors and the management actively implement the business policies? (2) Has the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly adopted precautionary measures in respect of business activities with a high risk of dishonesty and at least include preventive measure in Article 7 (2) of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies? (3) Has the Company set up a program for the prevention of dishonesty as well as the procedures, conduct guidelines and a disciplinary and appeals system in various programs and implemented them?		✓ ✓ ✓	(1) The Company has not yet established a relevant policy and plan. (2) The Company has not yet established a relevant policy and plan. (3) The Company has not yet established a relevant policy and plan.	No code of ethics has been established.
2.. Implementation of Ethical Corporate Management (1) Does the Company assess the integrity record of its business partner, and stipulate the		✓	(1) If the Company learns of any dishonest behavior of the counterparty, it will cancel the transaction.	We have not yet established a dedicated unit, formulated relevant policies, and organized relevant education and

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustrations	
terms of conduct on integrity in the contract with the business partner? (2) Has the Company set up a dedicated (or concurrent) corporate integrity promotion unit under the Board of Directors which report to the Board of Directors on a regular basis (at least once a year) on supervising the implementation of the ethical corporate management policies and prevention programs? (3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them? (4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, which is checked by the internal auditing unit based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examine accordingly the compliance with the prevention programs or engage audited by external auditors? (5) Does the Company hold regular internal and external training on business integrity?		✓ ✓ ✓ ✓	(2) There is no dedicated unit. (3) There is no relevant policy in place. (4) The Company has established perfect internal controls and has dedicated auditors to ensure compliance. (5) The Company does not regularly conduct internal and external education and training on integrity management.	training.
3.Operation of the Company Reporting System (1)) Has the Company set up specific reporting and reward systems and a convenient reporting channel, and does the Company assign appropriate personnel to investigate the person being reported? (2) Has the Company set up standard investigation procedures, follow-up measures to be adopted after investigations of cases reported are completed and a related confidentiality mechanism for the matter being reported? (3) Does the Company take measures to protect the reporter from improper treatment?	✓ ✓	✓	Employees of the Company can report and file complaints through their immediate supervisors and take disciplinary actions against violations of integrity management in accordance with the Company's internal regulations.	Relevant systems, procedures and measures have not been established.
4.Strengthening of Information Disclosure Does the Company disclose the contents of Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?		✓	No information has been disclosed, but the Company conducts its business in good faith.	Not disclosed yet.
5.If the Company has its own Ethical Corporate Management Best Practice Principles in accordance with the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company does not have established the relevant codes.				
6.Other important information that will help to understand the operation of the Company's integrity: None.				

Note: The operating conditions should be described in the summary description field, regardless of whether "Yes" or "No" is checked.

(7) If a company has a code of corporate governance and related regulations, it should disclose how to inquire about them.

The Company has established a code of governance practices and has set up three independent directors and an audit committee, and has disclosed various information on the Market Observation Post System and the Company's annual report in accordance with the "Guidelines Governing the Preparation of Annual Reports by Public Companies" and other relevant laws and regulations for external inquiries.

(8) Other important information that is necessary to enhance the understanding of corporate governance operations may also be disclosed.

A description of other important information that is helpful in understanding the operation of corporate governance. :

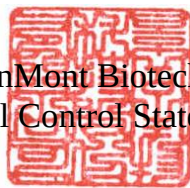
Social Responsibility Items	Implementation status			Specific description of the implemented situation or planning situation
	Not Implemented	Implemented	Under Planning	
1. Employee Benefits				
(1) Provide employees with adequate education and training		✓		The Company has established a training management procedure for its employees and implements the procedure to arrange for employee-related training.
(2) Provide employees with the right to fully reflect their opinions		✓		Regular or irregular quarterly labor-management meetings are held to provide a communication channel for employees to fully respond to their opinions.
(3) Others (such as occupational safety and health management system certified by OHSAS18001 or related organizations, provision of reasonable benefits and remuneration to employees, etc.)		✓		The company has set up a person to manage occupational safety and health, and regularly holds disaster prevention training. In addition, in order to improve the professional knowledge and skills of our employees, we provide subsidies to arrange relevant training to obtain relevant certifications, and if the relevant professional certifications are used by our company, we will provide appropriate incentives and rewards to encourage our employees. Due to the good management of occupational safety and health, the company was awarded the Model Industrial Safety Award in 2006 by the Southern Taiwan Science Park.
2. Employee Care				
(1) Ensure a safe working environment		✓		1. Train the field personnel to obtain relevant licenses. 2. Promote the independent management of safety and health, and implement zero-disaster operation on-site. 3. Conduct on-site hazard analysis to prevent possible hazards. 4. Implement the general knowledge of dangerous and hazardous substances to reduce occupational hazards. 5. Implement inspection of dangerous machinery and equipment. 6. Implementation of operating environment measurement to ensure a safe and secure environment. 7. Daily inspection of electrical switches by each department for safety (whether they are hot or not), and occasional spot checks by the general manager on the implementation of the inspection. 8. Send staff to attend safety and health training from time to time.
(2) Formulate written policies related to labor health and safety		✓		Develop labor safety work rules in accordance with labor safety and health regulations.
(3) Others (e.g., emphasis on physical and mental development of labor and family life, etc.)		✓		1. The Company's employees are entitled to general benefits such as labor insurance, health insurance, and pension benefits, in addition to the following benefits provided by the Company: group insurance, annual bonuses, dividend distribution, wedding and funeral subsidies, and education and training courses. 2. The Company has established an Employee Welfare Committee, which is composed of members elected by each department in proportion to the number of employees, and holds regular meetings and re-election of members. 3. Regular health check-ups are arranged for all employees. 4. Because of our good welfare system, we were awarded the Tainan County 2007 Excellent Labor Relations Enterprise Award and the 2008 National Friendly Workplace Award by the Council of Labor Affairs.
3. Investor Relationships				

Social Responsibility Items	Implementation status			Specific description of the implemented situation or planning situation
	Not Implemented	Implemented	Under Planning	
(1) Improve operational transparency		✓		1. The company announces monthly revenue information. 2. Immediate announcement of significant information. 3. Annual, semi-annual and quarterly financial reports and other related information. 4. In order to ensure that shareholders have the right to be fully informed, participate and decide on important matters of the Company, in addition to sending the annual report to shareholders before the annual shareholders' meeting, a spokesperson and a proxy spokesperson are designated to properly handle shareholders' suggestions, questions and disputes.
(2) Focus on Corporate Governance		✓		1. Establish and implement various internal control systems. 2. Establish various management processes and standards and implement them accordingly. 3. The directors meet regularly to plan and review operational matters and to study regularly. 4. The Company has taken out directors' liability insurance for directors and supervisors. 5. There are three independent directors.
(3) Other		✓		The Company treats all shareholders in a fair and open manner. In respect of shareholders' meetings, the Company convenes annual shareholders' meetings in accordance with the Company Law and relevant laws and regulations, and notifies all shareholders to attend shareholders' meetings in accordance with the relevant regulations, and encourages shareholders to actively participate in the election of directors and supervisors at shareholders' meetings or in motions to amend the Articles of Incorporation. The Company also provides shareholders with sufficient opportunities to ask questions or make proposals in order to achieve checks and balances, establishes rules and regulations for shareholders' meetings in accordance with the law, properly maintains minutes of shareholders' meetings, and fully discloses relevant information on the Market Observation Post System.
4. Supplier Relationships				
(1) Pay attention to the reasonableness of the purchase price		✓		The company regularly updates the vendor evaluation form, and is evaluated by the relevant units together.
5. Rights and Interests of Stakeholders				
(1) Respect for Intellectual Property Rights		✓		1. The Company respects intellectual property rights and complies with relevant laws and regulations. 2. Before researching and developing, we will check whether the intellectual property rights of others are involved and make appropriate countermeasures.
(2) Respect the relationship with customers (e.g., protect consumer rights, value product quality, safety and innovation, value and immediately handle customer complaints, provide complete product information, etc.)		✓		1. Establish and implement the customer appeal policy. 2. Apply for government food GMP certification. The above is to improve quality, ensure product safety and consumer health.
(3) Compliance with laws and regulations		✓		We strictly comply with various laws and regulations announced by the government such as the Company Act, the Food Sanitation Control Act, the Labor Standards Act, etc.
6. Other		✓		Since the Company was established, it has complied with the law and implemented corporate governance, established an effective internal control system, and introduced the independent director system to enhance the practical experience of the management team by relying on the professional experience of independent directors and supervisors with independent functions, and established rules and regulations for board of directors' meetings as well as taking out directors' and supervisors' liability insurance.

- (9) The status of implementation of the internal control system should disclose the following matters

Internal Control Statement

GenMont Biotech Inc.
Internal Control Statement



Date: March 13, 2023

Based on the results of the self-assessment, the Company's internal control system for the year 2022 is stated as follows :

- I. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
- II. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
- III. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: A. Control environment; B. Risk assessments; C. Control activities; D. Information and communication; and E. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
- IV. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
- V. Based on the results of the above evaluation, the Company believes that the internal control system (including the supervision and management of subsidiaries) as of December 31, 2022, including the understanding of the extent to which the operational effectiveness and efficiency objectives are achieved, the reporting is reliable, timely, transparent and in compliance with the relevant regulations and relevant laws and regulations, and the design and implementation of the internal control system is effective, which can reasonably ensure the achievement of the above goals.
- VI. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
- VII. This Statement was approved at the meeting of the Company's Board of Directors on March 13, 2023 with no Directors expressing dissent out of the 9 Directors in attendance.

GenMont Biotech Inc.

Chairman : CHEN, KEN-TE (Signature)



Deputy General Manager : CHEN, YU-CHIN (Signature)



2. Those who entrust CPAs to review the internal control system shall disclose the CPAs' audit report:

None.

(10) The Company and its internal personnel have been punished by law in the most recent year and as of the date of publication of the annual report, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on the shareholders' equity or the price of securities, the content of the punishment, the major deficiencies and improvements should be listed.

1. The Company and its internal personnel have not been subject to any other punishments in the most recent year and up to the date of publication of the annual report.
2. The Company shall punish its internal personnel for violation of the provisions of the internal control system: If the Company's managers or related personnel violate the norms of the internal control system, they shall be subject to the Company's reward and punishment regulations.

In the most recent year and as of the publication date of the annual report, the Company and its internal personnel have been punished according to law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the results of the punishment may have a significant impact on shareholders' rights and interests or securities prices. The content of the punishment, the main deficiencies and the improvement situation: None.

(11) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and up to the date of publication of the annual report.

Meeting Category	Date	Important Resolution Items
Board meeting	March.09.2022	(1) Remuneration to directors and employees for 2021. (2) Distribution of the Company's earnings for 2021. (3) The Company's Annual Report on Operations and Financial Statements for 2021. (4) Amendment to the Company's Articles of Incorporation. (5) Amendments to the Company's guidelines for the acquisition or disposal of assets (6) The convening of the 2022 Annual General Meeting of Shareholders. (7) The operation of shareholders' proposal rights. (8) The Company's "Statement of Internal Control System" for 2021.
Board meeting	May 12, 2022	Replacement of CPA
Shareholders' meeting	May 27, 2022	(1) Important resolution 1. Appropriation of earnings or appropriation of profits and losses: To approve the appropriation of the Company's earnings for 2021. (2) Important Resolution 2: Amendment of Articles of Incorporation: To approve the amendment of the Company's Articles of Incorporation. (3) Important resolution 3. Business report and financial statements and financial statements: To approve the Company's business report and financial statements for 2021. (4) Important Resolution 4. Election of Directors and Supervisors: None. (5) Important Resolution 5. Other Matters: To approve the amendment of the procedures for the acquisition or disposal of assets of the Company.
Board meeting	Autust 8, 2022	Second quarter financial statements were reported.
Board meeting	November 8, 2022	Third quarter financial statements were reported.
Board meeting	March 13, 2023	(1) Remuneration to directors and employees for 2022. (2) The distribution of the Company's earnings for 2022. (3) The Company's 2022 annual report of operations and financial statements. (4) Election of directors. (5) Release of the Company's new directors from the prohibition of competition. (6) To convene the 2023 Annual General Meeting of Shareholders. (7) The shareholders' right to make proposals and the right to nominate directors. (8) The "Statement of Internal Control System" of the Company for 2022.

- (12) In the most recent year and as of the publication date of the annual report, if the directors or supervisors have different opinions on the important resolutions passed by the Board of Directors, and there is a record or written statement, the main content:

None.

- (13) A Summary of Resignations and Dismissals of Chairman, General Manager, Accounting Manager, Financial Manager, Internal Audit Officer, Corporate Governance Officer, or Research and Development Officer during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report:.

None.

5. Information on CPA Professional Fees

- (1) The amount of audit fees and non-audit fees paid to the certified public accountants, their respective firms and affiliates, and the content of non-audit services (Table 2-4) shall be disclosed, and the following items shall be disclosed if any of the following occurs:

Table 2-4 Information on CPA Professional Fees (please fill in the amount)

Unit: NT\$ thousand

Accounting firm	CPA name	Audit period	Audit fee	Non-audit fee	Total	Remarks
PwC Taiwan	TIEN, CHUNG-YU	2022/01/01-2022/03/31	245	40	285	The non-audit fee is a correction fee for income tax of operating business in 2020.
	LIN, YUNG-CHIH	2022/01/01-2022/03/31				
KPMG Taiwan	SU, YEN-TA	2022/04/01-2022/12/31	1,330	200	1,530	Tax Certification Service NT\$180 thousand Full-time employee payroll certification for non-supervisory positions NT\$20 thousand
	CHEN, KUO-TSUNG	2022/04/01-2022/12/31				

Please describe the service content of the non-audit fees: (For example, tax certification, credit confirmation or other financial advisory services)

Note: If the Company changes its accountant or accounting firm during the year, please indicate the period of audit and the reason for the change in the remarks column and disclose the information of audit and non-audit fees paid in order. The non-audit fees should be accompanied by a description of the services provided.

1. If there is a change of the accounting firm, and in the year of the change the audit fee is lower than that in the previous year, please disclose the audit fees before and after the change and the reasons.

None.

If the audit fee is reduced by more than 10% over that in the previous year, please disclose the amount of audit fee reduced, the proportion and reason for the reduction:

None.

- (2) The term "audit fee" currently refers to the fee paid by the Company to the CPA for the audit, review and review of financial reports and financial projections.

6. Information on Replacement of CPAs

In consideration of the Company's business and management needs, the Board of Directors approved on May 12, 2022, a change in the firm of CPAs and CPAs chartered as SU, YEN-TA and CHEN, KUO-TSUNG accountants of KPMG, effective as of the second quarter of 2022.

Information on Replacement of CPAs (2)

(1) Former Accountants

Date of replacement	2022/05/12		
Reason for replacement and explanation	Evaluate the business and management needs of the company		
Indicate whether the appointment is terminated or not accepted by the appointor or accountant	Parties Situation	Accountant	Appointer
	Terminate the appointment voluntarily		✓
	No longer accept (continue) the appointment		
Opinions on audit reports issued within the most recent two years without qualification and reasons	None		
Any disagreement with the issuer	Yes		Accounting Principles and Practices
			Disclosure of Financial Reports
			Scope or Procedure of Audit
			Other
	No	✓	
	Explanation		
Other disclosures (The fourth point of the first item of the fifth paragraph of Article 10 of this Standard should be disclosed)	Not available		

(2) Successor Accountants

Name of Firm	KPMG Taiwan
Name of Accountant	SU, YEN-TA, CHEN, KUO-TSUNG
Date of Appointment	2022/06/02
Matters and results of consultation on the accounting treatment or accounting principles for specific transactions and on the possible issuance of financial statements prior to the appointment.	None
The successor accountant's written opinion on the matters on which the former accountant disagreed.	None

(3) The former accountant's letter of reply to the matters set out in paragraph 1 of subparagraph 5 of paragraph 10 and item 3 of item 2 of this Standard.

None.

7. Chairman, general manager, or manager in charge of financial or accounting matters of the Company who has worked for the firm of CPA or its affiliates within the last year shall disclose their names, titles and periods of employment with the firm of CPA or its affiliates. Affiliates of the CPA firm are those companies or organizations in which the CPA firm's accountants hold more than 50% of the stock or a majority of the board of directors, or those companies or organizations listed as affiliates in the CPA firm's published information.

None.

8. Changes in the shareholding of directors, supervisors, managers and substantial shareholders holding more than 10% of the shares and pledges of shares for the most recent year and up to the date of publication of the annual report

- (1) Changes in shareholdings of directors, supervisors, managers and major shareholders

Table 3 Changes in shareholdings of directors, supervisors, managers and major shareholders

Title	Name	2023		Current year as of March 31	
		Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)	Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)
Director	Huang Kuo-Chieh	100,000	0	0	0
Chairman	Chen Ken-Te		(362,745)	0	0

- (2) Information on related parties of the equity transfer

None

- (3) Information on the pledge of shares as a related party

None

9. Information on the top ten shareholders who are related parties or within the range of spouse or second degree of kinship

Table 3-1 9. Information on the top ten shareholders who are related parties

Date: April 1, 2023

Name (NOTE 1)	Own shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested party relationship (NOTE 3)		NOTE
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Name	Relationship	
Huang Kuo-Chieh	7,758,000	8.98%	0	0%	0	0%	Huang Kuo-Lung	Brother	
Hyder Asset Management Co., Ltd. Representative: Huang, Yu-Tang	7,159,000	8.29%	-	-	-	-	—	—	
Yu Zhan Investment Co., Ltd. Representative: Chen, Ying-Fang	4,365,000	5.05%	-	-	-	-	—	—	
Tsai, Hui-Min	2,507,676	2.90%	2,362,823	2.74%	0	0%	Chen Ken-Te	Spouse	
Chen Ken-Te	2,362,823	2.74%	2,507,676	2.90%	0	0%	Tsai, Hui-Min	Spouse	
Chuang, Hsiao-Chang	2,015,801	2.33%	60,263	0.07%	0	0%	Chuang, Ya-Hui	Brother and sister	
Chuang, Ya-Hui	1,773,952	2.05%	0	0%	0	0%	Chuang, Hsiao-Chang	Brother and sister	
Huang Kuo-Lung	1,757,000	2.03%	12,000	0.01%	-	-	Huang Kuo-Chieh	Brother	
Yang, Te-Hui	1,583,792	1.83%	0	0%	0	0%	—	—	
Tsai, Hui-Lin	1,533,974	1.78%	-	-	-	-	—	—	

Note 1: All top ten shareholders should be listed, and the names of corporate shareholders and representatives should be listed separately if they are corporate shareholders.

Note 2: The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of oneself, spouse, minor children or the use of others respectively.

Note 3: The shareholders listed in the previous section include both legal and natural persons, and the relationship between them should be disclosed in accordance with the Guidelines Governing the Preparation of Financial Statements by Issuers.

10. Total comprehensive shareholding ratio for the number of shares held by the Company, the Company's Directors, managers and the Company directly or indirectly controlled by the Company in the same investment business

Table 4 Consolidated shareholding ratio

Date : March 31, 2023 Unit: Share ; %

Re-invested businesses (Note)	The Company's investment		Investment by Directors, supervisors, managers or directly or indirectly controlled businesses		Total investment	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)
GenMont Biotech (China) Inc.	Not applicable (Note1)	85.00%	Not applicable (Note1)	0.00%	Not applicable (Note1)	85.00%

Note: Long-term investments accounted for by the equity method.

Note 1: Not applicable: Non-equity companies have not issued shares. The investment of King Yueh Company is expressed as a percentage of equity.

IV. Information on Capital Raising Activities

1. Capital and Shares

(1) Source of Capital

1. Source of Capital

The types of shares issued by the Company for the most recent year and up to the date of publication of the annual report are as follows.

Table 5 **Source of Capital** Unit: NT\$

Year Month	Par Value	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by Assets Other than Cash	Others
2021 July	10	100,000,000	1,000,000,000	86,371,364	863,713,640	Staff Warrant NT\$300,000	—	2021/7/29 South Commercial No. 1100021878

Note: The shareholders approved the amendment of the Articles of Incorporation on December 31, 2013, to increase the authorized capital to \$1.5 billion.

Note 1: The information for the current year as of the publication date of the annual report should be filled in.

Note 2: The capital increase should be annotated with the effective (approval) date and document number.

Note 3: The issuance of shares at a price lower than the par value should be marked in a prominent manner.

Note 4: If the shares are offset by monetary debts or technology, it should be stated and the type and amount of offset should be added.

Note 5: Private placements should be prominently marked.

March 31, 2023

Share Type	Authorized Capital			Note
	Issued shares (Note 1)	Un-issued Shares	Total (Note 2)	
Common Share	86,371,364 shares	63,628,636 shares	150,000,000 shares	

Note 1: The issued shares are listed shares.

Note 2: The shareholders approved the amendment of the Articles of Incorporation to increase the authorized capital to NT\$1.5 billion on December 31, 2013.

Information about the Shelf Registration System: None.

(2) Shareholder Structure

Table 6 **Shareholder Structure** April 1, 2023

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Foreigners	Total
Number of People	0	3	150	18,122	26	18,301
Number of Shares	0	38,000	13,380,117	72,040,725	912,522	86,371,364
Shareholding (%)	0.00%	0.04%	15.49%	83.41%	1.06%	100.00%

(3) Shareholding Distribution Status

1. Diversification of common stock ownership

Table 7 **Diversification of shareholding** April 1, 2023

Shareholding Tiers	No., of Shareholders	Number of Shares	Shareholding (%)
1 ~ 999	12,851	530,191	0.61%
1,000 ~ 5,000	4,403	8,298,428	9.61%
5,001 ~ 10,000	487	3,954,333	4.58%
10,001 ~ 15,000	156	2,022,540	2.34%
15,001 ~ 20,000	103	1,936,999	2.24%
20,001 ~ 30,000	101	2,688,638	3.11%
30,001 ~ 40,000	29	1,035,863	1.20%
40,001 ~ 50,000	31	1,431,700	1.66%
50,001 ~ 100,000	66	4,690,518	5.43%
100,001 ~ 200,000	22	3,299,986	3.82%
200,001 ~ 400,000	22	6,110,845	7.08%
400,001 ~ 600,000	4	1,942,590	2.25%
600,001 ~ 800,000	5	3,666,551	4.24%
800,001 ~ 1,000,000	6	5,268,000	6.10%
1,000,001 or more on its own Grading according to actual situation	15	39,494,182	45.73%
Total	18,301	86,371,364	100.00%

2. Diversification of the preferred shares: None

(4) List of major shareholders

Table 8 **List of major shareholders** April 1, 2023

Name of Major Shareholders	Number of Shares	Shareholding (%)
Huang, Kuo-Chieh	7,758,000	8.98%
Hyde Asset Management Co., Ltd.	7,159,000	8.29%
Yu Zhan Investment Co., Ltd.	4,365,000	5.05%
Tsai, Hui-Min	2,507,676	2.90%
Chen Ken-Te	2,362,823	2.74%
Chuang, Hsiao-Chang	2,015,801	2.33%
Chuang, Ya-Hui	1,773,952	2.05%
Huang, Kuo-Lung	1,757,000	2.03%
Yang, Te-Hui	1,583,792	1.83%
Tsai, Hui-Lin	1,533,974	1.78%

(5) The Share's Market Price, Net Worth, Earnings and Dividends for the Past Two Years

Table9 Market price, net worth, earnings and dividends per share

Unit : NT\$;Thousand share

Item		Year	2021	2022	Current year as of March 31, 2023 (Note 8)
Market price per share (Note 1)	Highest		29.20	31.05	26.00
	Lowest		19.70	21.00	23.00
	Average		23.75	24.72	24.46
Net worth per share (Note 2)	Before distribution		15.94	15.65	15.65
	After distribution		14.84	14.95	14.95
Earnings per share	Weighted average number of shares		86,357	86,371	86,371
	Earnings per share (Note3)	Before adjustment	1.31	0.66	
		After adjustment	—	—	—
Dividend per share	Cash dividend		1.1	0.7	—
	Bonus shares	By Retained earnings	—	—	—
		By Paid-in Capital	—	—	—
	Accumulated undistributed dividends (Note 4)		—	—	—
Investment return analysis	Price / Earnings Ratio (Note5)		18.13	37.45	37.06
	Price / Dividend Ratio (Note6)		21.59	35.31	—
	Cash dividend yield (Note 7)		4.63%	2.83%	—

* In the event of a capital distribution from earnings or capital surplus, information on the market price and cash dividends retroactively adjusted for the number of shares issued should be disclosed.

Note 1: The highest and lowest market prices of ordinary shares in each year; the average annual market price is calculated based on the annual turnover and volume.

Note 2: Based on the number of shares issued as of the end of the year, and in accordance with the Board of Directors or the resolution of the annual shareholders' meeting in the next year on earnings distribution.

Note 3: If there is a retroactive adjustment due to a bonus share placement, etc., the earnings per share before and after the adjustment should be shown.

Note 4: If the conditions of issuance of equity securities provide that unpaid dividends for the current year may be accumulated and paid in the year of earnings, the dividends accumulated and unpaid as of the current year should be disclosed separately.

Note 5: Price / Earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / Dividend ratio = average closing price per share for the year / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / Average closing price per share for the year.

Note 8: The net worth per share and earnings per share should be presented as of the most recent quarterly period audited (reviewed) by the accountants as of the publication date of the annual report; the remaining columns should be presented for the current year as of the publication date of the annual report.

(6) Company Dividend Policy and Implementation Status

1. Dividend policy as stipulated in the Company's Articles of Incorporation :

In accordance with the provisions of the Company's Articles of Incorporation :

If there is any surplus in the Company's annual financial statements, the Company shall first pay tax and make up for previous years' losses, then set aside 10% of the legal reserve and the special reserve set aside and reversed in accordance with the law, together with the accumulated undistributed earnings of the previous year, and distribute dividends to shareholders upon resolution of the shareholders' meeting, provided that the stock dividends shall not exceed 50% of the total dividends.

If the Company makes an annual profit, the remuneration of directors and employees shall be paid in the following manner, provided that if the Company has accumulated losses, it shall first retain the amount of the indemnity.

1. The remuneration of the directors shall not exceed 5%.

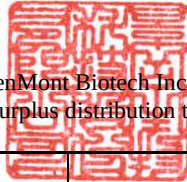
2. Staff remuneration is 2% to 10%.

The Company authorizes the Board of Directors, with the presence of at least two-thirds of the Directors and the resolution of a majority of the Directors present, to distribute dividends and bonuses, in whole or in part, in the form of cash payments, and to report the same to the shareholders' meeting.

2. Distribution of dividends proposed at the shareholders' meeting :

The board of directors resolved on March 13, 2023 to distribute the 2022 annual earnings as follows :

GenMont Biotech Inc.
2023 surplus distribution table



Unit: NTD

Item	Amount	
	Subtotal	Total
Retained surplus at the beginning of the period		1,315,372
Add: Net income after tax for 2022	56,978,725	
Add: Retained earnings adjustment for 2022 (Note)	661,004	
Less: Decrease in retained earnings due to cancellation of treasury stock (Note 2)	0	
Less: Adjustment to net equity resulting from new shares not subscribed by LTI in proportion to its shareholding (Note 3)	0	
Retained surplus at the end of the period		58,955,101
Less: 10% statutory surplus reserve	(5,763,973)	
Add: Reversal of special reserves	12,254,353	
Available surplus for distribution		65,445,481
Distribution items		
Dividend to shareholders (NT\$0.7 per share)	(60,459,954)	
Total distribution items		(60,459,954)
Accumulated earnings after distribution		4,985,527
Notes:		
Note: The actuarial gain or loss of the defined benefit plan was NT\$661,004.		
Note 2: The cancellation of treasury stock is offset against retained earnings of NT\$24,998,565 when the capital surplus from similar treasury stock transactions is not sufficient.		
Note 3: Retained earnings of NT\$3,173,989 from net equity reduction resulting from LTI's failure to subscribe for new shares in proportion to its shareholding.		
Chairman: Chen Ken-Te	Manager: Chen Yu Chin	Accounting Supervisor: Huang, Hsiang-Chun

3. Description of expected significant changes in dividend policy: None.

(7) Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per share

The Company has not allotted any bonus shares for distribution and it is not applicable.

(8) Remuneration Paid to Employees, Directors, and Supervisors

1. Percentage or range of remuneration paid to employees, directors and supervisors under the Articles of Incorporation :

In accordance with the Company's Articles of Incorporation, the percentage or range of remuneration for the Company's employees, directors and supervisors is described below.

If there is any surplus in the Company's annual financial statements, the Company shall first pay tax and make up for previous years' losses, then set aside 10% of the legal reserve and the special reserve set aside and reversed in

accordance with the law, together with the accumulated undistributed earnings of the previous year, and distribute dividends to shareholders upon resolution of the shareholders' meeting, provided that the stock dividends shall not exceed 50% of the total dividends.

If the Company makes a profit in a year, the remuneration of directors and employees shall be paid in the following manner. However, if the Company has accumulated losses, the Company shall first retain the amount to cover them.

(1) The remuneration of the directors shall not exceed 5%.

(2) The remuneration of employees is 2% to 10%.

The Board of Directors is authorized to distribute dividends and bonuses, in whole or in part, in the form of cash payments, with the presence of at least two-thirds of the directors and the resolution of a majority of the directors present, and to report such distribution to the shareholders' meeting.

2. The basis for the estimation of the amount of bonus of employees and Directors in the current period, and the accounting treatment if there is a difference between the actual employee bonus paid in shares or cash and the estimated amount :

(1) The basis for the estimation of remuneration to employees, directors and supervisors for the current period:

In accordance with the Company's Articles of Incorporation.

(2) The calculation of the number of shares and the actual amount of employee remuneration distributed by stock for the current period:

None.

(3) If there is a difference between the estimated amount and the accounting treatment: The change in accounting estimate is treated as a change in accounting estimate.

3. Remuneration distribution approved by the Board of Directors :

(1) The Board of Directors approved the proposed distribution of NT\$4,095,959 in cash or stock for employee remuneration and NT\$2,047,979 in director's remuneration for 2022.

(2) The difference between the above proposed distribution amount and the amount of employees' remuneration of NT\$4,095,959 and directors' remuneration of NT\$2,047,979 recognized as cash or stock distribution in the year of expense is NT\$0.

(3) The amount of employee remuneration proposed to be distributed in shares for 2022 as approved by the Board of Directors and its proportion to the aggregate amount of net income after tax and total employee remuneration in the individual or separate financial statements for the current period: None.

4. The actual distribution of remuneration to employees, directors and supervisors in the previous year (including the number of shares distributed, the amount and the price of the shares), and the difference between such distribution and the recognition of remuneration to employees, directors and supervisors, should be stated, together with the amount of the difference, the reasons for the difference and the handling of the situation. :

(1) After the resolution of the board of directors and the approval of the shareholders' meeting, the actual amount of employees' remuneration of NT\$7,727,330 and directors' remuneration of NT\$3,863,665 were distributed.

(2) The differences between the recognition of bonuses to employees and remuneration to directors and supervisors should be stated, the reasons for the differences and the circumstances under which they were handled:

The difference is the same as the proposed distribution approved by the initial board of directors.

(9) Repurchase of the Company's Shares

There were no repurchases of the Company's shares in the most recent year and up to the date of publication of the Company's annual report.

2. Corporate Bond

None.

3. Preferred Shares

None.

4. Overseas Depositary Receipts

None.

5. Employee stock option certificate

- (1) The outstanding employee stock option certificate of the Company as of the publication date of the annual report and their impact on shareholders' equity are as follows

Table 14 Employee stock option certificate March 31, 2023

Type of employee stock option certificate (Note 2)	1st (term) Employee stock option certificate (Note 5)
Effective Date of Filing	September 18, 2015
Issue (processing) date (Note 4)	October 1, 2015
Number of Units Issued	805,000
Number of units remaining to be issued	0
No. of shares issued for subscription as at the date of issue	0.90539%
Total ratio	8 years
Duration of subscription	Issue of new shares
Performance mode (Note 3)	The percentage of exercisable stock options (cumulative) during the granted period of the stock options Expiration of 2 years 10% Expiration of 3 years 50% Expiration of 25 years 100%
Restriction period and percentage (%)	52,500
Number of shares exercised	1,188,750
Amount of executed stock options	350,000
Number of outstanding stock options (Note 6)	NT\$20.7
Subscription price per share for unexecuted stock options	0.4052%
Number of outstanding warrants to	No significant effect

Note 1: Employee stock options include both public and private stock options in process. The public stock options in process refer to those that have been validated by the Board of Directors; the private stock options in process refer to those that have been approved by the Board of Directors.

Note 2: The number of columns will be adjusted according to the actual number of applications.

Note 3: Delivery of issued shares or issuance of new shares should be indicated.

Note 4: If the issuance (processing) dates are different, they should be filled in separately.

Note 5: Private placements should be marked in a prominent manner.

Note 6: Cancellation due to employee termination: 402,500 shares were cancelled in the first issuance.

(2) The manager and the top ten employees who have acquired employee stock options as of the publication date of the annual report

Table 15 Name, acquisition and subscription of the top ten employees who have acquired employee stock options and the top ten employees who have acquired stock options.

March 31, 2023

	Title (Note 1)	Name Number of shares subscribed (Note 3)		Ratio of the number of stock options acquired to the total number of shares issued (Note 3)	Executed (Note 3)				Not executed (Note 3)			
					Number of shares subscribed	Share Subscription Price	Amount of stock subscription	Ratio of the number of stock options to the total number of shares issued.	Number of shares subscribed	Share Subscription Price	Amount of stock subscription	Ratio of the number of stock options to the total number of shares issued.
Manager	CEO (General Manager)(Note 3)	LAI, WEI-KUANG	380,000	0.44%	0	Not executed yet	0	0.00%	120,000	20.7	2,484,000	0.1389%
	Deputy General Manager (Note 3)	WANG, MEI-LING										
	COO	CHEN, WEI-MIN										
	R&D Associate (Note 3)	CHEN, I-HSING										
	R&D Associate	TSAI, WAN-HUA										
	Finance and Administration Division Associate	YEH, TIEN-YU										
	Accounting Manager (Note 3)	WU, MEI-JUNG										
Staff (Note 2)	Manager	LI, SHUN-FA	305,000	0.353%	52,500	23.1 & 22.3	1,188,750	0.061%	170,000	20.7	3,519,000	0.1968%
	Manager	LIN, SHU-CHUAN										
	Assistant Manager	WU, JIAN-CHENG										
	Assistant Manager (Note 3)	LIN, HSIU-TUAN										
	Manager	TUNG, MENG-YUN										
	Assistant Manager	HSU, SHU-MIN										
	Fermentation Engineer (Note 3)	CHEN, SHENG-TE										
	Team Leader	LI, CHI-HENG										
	Team Leader	SU, CHIA-I										
	Team Leader	CHEN, SHIH-YU										
	Vice Team Leader	TING, HSUEH-MING										
	Deputy Engineer	CHEN, CHING-LUNG										

Note 1 : Including managers and employees (those who have left or died should be noted), individual names and titles should be disclosed, but the acquisition and subscriptions should be disclosed in aggregate.

Note 2 : The top ten employees who have acquired the stock options refer to the employees other than the manager.

Note 3 : Resigned

6. Restrictions on the issuance of new shares for employee rights

None.

7. Issuance of New Shares for Merger, Acquisition or Exchange of Other Companies' Shares

None.

8. Financing Plans and Implementation

As of the quarter prior to the publication date of the annual report, there were no previous issues or private placements of marketable securities that had not been completed or that had been completed within the last three years and the benefits of which had not been demonstrated.

V. Operations Profile

1. Business Content

(1) Business Scope

1. The main business of the Company is the research, development, manufacture and sale of functional probiotic products.
2. Business weighting :

Item	Share of 2022 Revenue (Consolidated)
Lactobacillus products for allergy regulation	42%
Dental Care	19%
Gastrointestinal Health Probiotic Products	13%
Improve Immunity Products	8%
Other(Note)	18%
Total	100%

Note: Other refers to milk powder, other lactic acid bacteria products, and raw materials for sale.

3. The current product (service) of the company: functional probiotic products.
4. New products (services) are planned to be developed :
Besides lactic acid bacteria products that help to regulate allergies, prevent the formation of body fat, bone health, gastrointestinal tract health, promote bowel movement, protect the liver, help to treat diabetes, oral and dental health, female intimate health, enhance immunity, reduce cholesterol, anti-inflammatory, anti-Helicobacter pylori, and help anti-cancer treatment, we also develop agricultural and livestock-related preparations (such as plant additives and feed additives to prevent piglets' diarrhea). We also develop agricultural and livestock related products (such as plant additives and piglet diarrhea feed additives). In

addition, we are also actively developing ingredients and functional confirmation for daily chemical products, such as scalp conditioning and skin care.

(2) Industry Overview

1. Industry overview and development

(1) Industry Status

Probiotics are defined as active microorganisms that contain sufficient amounts of bacteria to alter the host's gastrointestinal flora and produce health benefits, and that use substances in the intestine that cannot be digested or absorbed as food, fermenting them to produce beneficial intestinal substances and inhibiting the growth of bad bacteria. Broadly speaking, it can be defined as any live bacteria, whether single or mixed, that are used in humans or other animals to improve the balance of microorganisms in the intestine and are beneficial to the host. More than a hundred years ago, probiotics were proposed by Elie Metchnikoff, who believed that certain lactic acid bacteria present in fermented milk could inhibit harmful bacteria in the digestive tract and be beneficial to human health and life extension. However, it was not until as recently as 1965 that it was reintroduced by Lilly and Stilwell to refer to any substance or microorganism that could promote the balance of intestinal bacteria in all animals, including humans. As knowledge of small intestinal microorganisms and regulators continues to grow, there is more and more clinical trials and scientific evidence of the health benefits of probiotics. Studies by the Food and Agriculture Organization (FAO) and the World Health Organization (WHO) have reported that the benefits of probiotics include restoring healthy intestinal flora, stimulating mucosal immunity, and improving gastrointestinal discomfort, including those associated with the use of antibiotics, intestinal infections, and traveler's abdomen, The benefits of probiotics include restoring healthy intestinal flora, stimulating mucosal immunity and improving gastrointestinal discomfort, including problems associated with antibiotic use, intestinal infections and traveler's diarrhea, and improving genitourinary flora.

The company has focused on research and market development for the improvement of very common allergic diseases. Allergic diseases include allergic rhinitis, asthma, conjunctivitis and atopic dermatitis. Although allergen-specific hyposensitization therapy has been strongly advocated by allergy immunologists in recent years, some patients still have poor results and a small number of patients suffer from anaphylaxis, which is therefore quite controversial. However, it is expensive, costing about NT\$30,000 to NT\$100,000 for a year of treatment, which is not affordable to the general public or to universal health insurance.

Our products for the prevention and supplementation of allergic diseases are designed to balance the immune system and reduce allergic reactions through the intake of lactic acid bacteria with special functions. For allergic individuals, when allergens enter the body, they "overload" the body's immune system and trigger an immune response towards type II T helper cells, releasing intercellular interleukins and immunoglobulin E (IgE), which adheres to mast cells, causing them to release inflammatory mediators such as histamine, leukotriene, and prostaglandin. Leukotriene, Prostaglandin and Platelet Activating Factor (PAF) are released from mast cells, which further promote the development of inflammatory and allergic symptoms in the respiratory tract. In our research, we found that the supplementation of patented Lactobacillus can promote the activity of type 1 T-helper cells and balance the number of type 1 and type 2 T-helper cells. By taking a large amount of these lactobacilli, the activity of type 1 T-helper cells and type 2 T-helper cells are balanced and no allergic symptoms occur, thus achieving the goal of treating allergic diseases.

Besides allergy products, the company continues to develop other health care functions, such as anti-diabetes, anti-obesity, anti-three-high, anti-arthritis, immunity, intestinal health, bowel movement, women's intimate health, bone health, elderly health, and nutritional products to assist cancer patients. In the post-New Coronavirus era, the use of probiotics to prevent the occurrence of long new coronavirus is also an

emerging concept. The company is also actively developing post-biotic related products. For example: oral and dental health care, skin and scalp health care related products.... Over the years, we have received many health food certifications in China and one health food certification in China, and have patents from all over the world.

(2) Industry Development

The Company belongs to the biotechnology business and the industry in which it operates has the following characteristics :

A. High added value and long payback period

The biotechnology industry is a technology-intensive industry with high R&D investment costs, therefore, biotechnology companies attach great importance to patent applications, so "patents" are indispensable protection umbrellas for biotechnology companies, the more patents applied for, the more "patent barriers" can be laid down to prevent competitors from invading their technological fields to protect themselves, and the products developed by them also have higher added value and longer payback period due to patent protection.

B. Product development period is long, high demand for research and development expenses

The biotechnology industry is highly dependent on research and development, and biotechnology companies spend a lot of money on research, so the adequacy of the source of funds becomes the main factor for the continuation of the lifeline of the company.

C. Highly technology-intensive industry, high demand for professional manpower

Biotechnology is not a single technology, but an integration of a series of key technologies; many new biotechnologies are formed as a result of the needs of industry and the innovation of scientists. The integration of technologies between different disciplines is an inevitable trend. For example, the combination of biotechnology and electronics can lead to the development of sensors and biochips, making the biotechnology industry a highly technology-intensive industry. Besides, biotech companies inevitably have many technological R&D programs, so there is a high demand for professionals with a basic technical background to maintain the company's R&D and innovation capabilities.

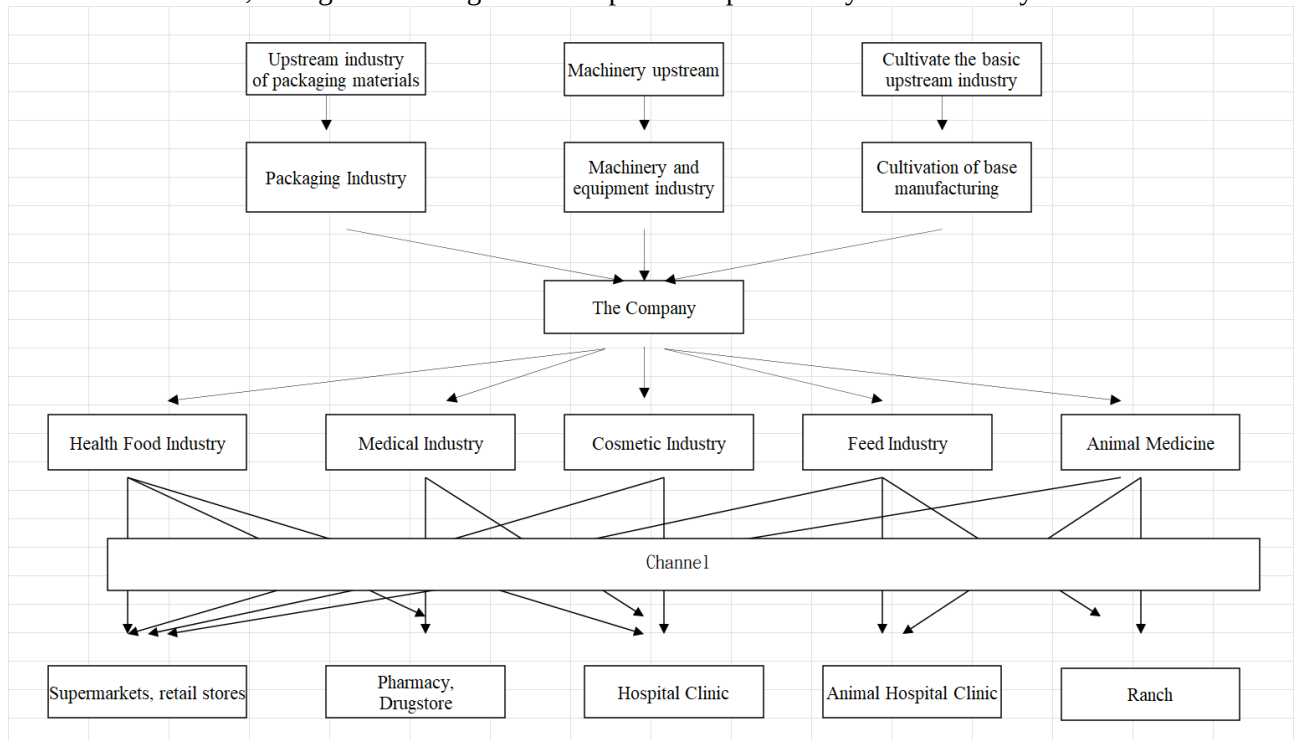
D. Strictly controlled by government

Biotechnology has a wide range of applications and has been developed in the fields of agriculture, food, medical, pharmaceutical and cosmetic, specialty chemicals, environmental protection, marine and energy, etc. Since most of them are closely related to people's livelihood, economy and health, governments of all countries attach great importance to the development of biotechnology industry and regulate it through legislative procedures. Therefore, the development of biotechnology industry is not only influenced by the policy regulation, but also guided by the future direction of biotechnology industry.

2. Relationship among the industry's up, mid and down streams

The upstream, midstream, and downstream of the Company's industry are related as shown in the figure below. Basically, the upstream raw materials can be divided into medium manufacturing industry such as soybean powder, yeast powder, glucose, minerals, laminated packaging bags, etc., and mechanical equipment such as automatic control fermentation tanks, continuous centrifuges, homogenizers, film concentration equipment, drying equipment, pure water manufacturing equipment, piping and tubing equipment, sterilization equipment, aseptic room equipment, air-conditioning equipment, laboratory research, testing and analysis equipment, genetic engineering, genetically engineered host cell manufacturing, bacteriophage or seed cell manufacturing, antigen and antibody manufacturing, cell strain manufacturing, etc. In the midstream industry, we are a manufacturer of health food ingredients, pharmaceutical ingredients, animal drug ingredients, and even cosmetic ingredients and feed ingredients. The downstream industry includes the health food industry, pharmaceutical industry, cosmetic industry, feed industry The downstream industries include the health food industry,

pharmaceutical industry, cosmetics industry, feed industry, etc., and the downstream industries can include pharmacies, drugstores, supermarkets, clinics, hospitals, animal clinics, ranches, etc. Once the upstream and downstream cooperation is successfully achieved, a long-term strategic alliance partnership is usually established by contract.



3. Product development trends

According to the concept of preventive health care, the market for functional foods with special functions will have certain potential in the future. Probiotics or postbiotics can be used as health food, prophylactic products, nutritional therapy or therapeutic supplement to ensure the health of the human body now and in the future. The future development trend of probiotics industry is as follows :

A. Screening for specific strains and continuous product innovation

Different strains are very different in anti-allergy, immunomodulatory and anti-metabolic diseases. Therefore, we need to use different experimental platforms to select new strains with new efficacy and launch different functional products to expand the market scale. We emphasize the concept of evidence-based medicine and the efficacy of our products through clinical trials to enhance the competitiveness of our products in the market.

B. Postbiotic Product Development

The application range of Postbiotics products is wider, and the application of the company's products is broadened from more aspects.

4. Product Competition :

Our company mainly focuses on allergy relief products, so we analyze the technical level of domestic and foreign allergy relief competition or alternative products to highlight the differentiation and prospect of our products:

Competitive or alternative product analysis

Product Category Comparative Items	Main Competitors			The company's supplemental allergy-regulating lactic acid bacteria products.
	Anti-trienolysin, antihistamine, steroids, bronchodilators and other drugs	Dwarf Lilyturf, Smoked Plum, Semen celosiae, Ephedrine and other plant-based herbs	Other supplemental allergy-regulating lactic acid bacteria products	
API	Chemical substances derived from fermentation or synthesis	Chemical substances from plant bodies	Lactic Acid Bacteria Bodies	Lactic Acid Bacteria Bodies
Core Functions	Interrupting the post-inflammatory pathway of the allergic reaction or reducing the inflammatory symptoms, which have already occurred and caused the patient pain.	Reduction of allergic immunoglobulins that sensitize the patient is not indicated when symptoms are already present and during an acute asthma attack. The composition of the traditional Chinese herbal formula is not necessarily effective, but requires a modified version with reduced prescriptions and dose adjustments to be effective.	Lack of rigorous clinical validation of effectiveness.	It can effectively improve the symptoms caused by various allergens (such as dust mites, pollen, hay, chemicals, etc.), including allergic asthma, allergic rhinitis, allergic sinusitis, allergic conjunctivitis, atopic dermatitis, allergic urticaria, allergic eczema, etc. It can be taken before the onset of allergy or to avoid the risk of disease in allergy sufferers to prevent the onset of symptoms and avoid suffering.
Additional Functions	None	None	Roughly the same as our products.	Inhibits bacteria, aids digestion, and prevents intestinal diseases.
Side effects	Anti-trienolysin is an age-restricted drug that interacts with other drugs to reduce its effectiveness. First-generation antihistamines have strong central nervous system sedation and anticholinergic effects; second-generation antihistamines have serious interactions with CYP3A4 inhibitors, causing severe irregular heartbeats. The side effects of steroids are more frequent. The most common side effects of type B bronchodilators are hand tremors, tachycardia, palpitations, and hypokalemia. A small number of patients who inhaled type B bronchodilators had bronchoconstriction instead.	The mechanism of action of most Chinese medicines is not clear, and the possible side effects are relatively unpredictable. Ephedrine has the function of bronchodilatation and relieving nasal congestion, but it has a wide range of action and stimulates the heart and blood vessels, making it easy to develop drug resistance.	None	None

(3) Overview of Technology and R&D

1. Technical level of the business operated :

Our company belongs to the pharmaceutical and biotechnology industry, and our main products are for the promotion of human health, and our current related technology levels are as follows :

- (1) We have a series of technology platforms that integrate various technologies, including strain identification, strain cultivation and domestication, efficacy platform establishment, high-density fermentation technology, powder freeze-drying and embedding technology, and product design, which is a technology-intensive industry type.
- (2) Our main core value is R&D and innovation, and we attach importance to intellectual property rights. At present, we submit patent applications to our own intellectual property office and foreign patent offices, and conduct patent application evaluation and strategy analysis, and have passed 170 patents worldwide.
- (3) Emphasize the integration of scientific research and industrial technology, and continue to publish R&D results in international journals.
- (4) The product is related to life and health and has a professional market, plus the quality requirements make it meet the food TQF specification, so the product is competitive in

the marketing channel and has market differentiation from other similar products.

- (5) The technology threshold is high, and it is not easy for related industries to imitate. Gen Mon has a unique probiotic research platform, and the relevant research technologies and results are accumulated over a long period of time. It is not easy for other companies to achieve the same results in a short period of time, and this is where Gen Mon differentiates itself from other companies in terms of technological competitiveness.

2. Overview of R&D :

All of the above products are produced and marketed with high efficiency and fast production process. Our products are functional lactic acid bacteria, including supplements to regulate allergies, prevent the formation of body fat, gastrointestinal tract health, oral and dental health, bone health, female intimate health, cholesterol reduction, liver protection, immunity, improve diabetes complications, promote intestinal peristalsis, assist in anti-cancer treatment and other functional products, and none of the above products will cause any adverse reactions to the human body and do not have any side effects, the effect is extensive and good.

All of the above-mentioned products are produced and marketed with high efficiency and rapid production methods, contributing to the flourishing of biotechnology research and development, production, marketing and peripheral industries (Information, R&D, design and manufacturing equipment).

Our products are developed through R&D, testing, manufacturing, and quality control technologies, including the continuous use of strain isolation/screening/identification technologies to develop new strains, and in vivo, in vitro, and human clinical trials to verify the efficacy of the strains. Besides, we have complete strain production and management technology, strain volume scaling and high-density culture technology, drying and preservation technology, stability testing technology, manufacturing process guidelines and chemical manufacturing control, etc., to continue to produce stable quality health products to maintain the company's position as a leader in functional probiotics.

3. R&D expenses for the most recent year and up to March 31, 2023 :

Unit: NT\$ thousand

Item \ Year	2022 (Consolidated)	Current year as of March 31, 2023 (Consolidated)
R&D expenses	59,411	Not applicable

4. Technology or products that have been successfully developed :

The results of the tests completed by the company and specific results of product development projects:

- (1) Published 53 articles in international literature.
- (2) Obtained 170 patents from various countries.
- (3) Obtained the certification of effective health food for "allergy adjustment", "immune regulation", "blood sugar regulation", "regulation of blood lipids", "prevention of body fat formation", "intestinal exercise", and "bone health".
- (4) Completed and conducted important domestic and international human clinical trials.

(4) Long-term and short-term business development plans

1..Short-term development plan

A. R&D and Production

- a. Improve R&D capacity (high yield, high bacteria count and good stability), purchase new high technology and high precision equipment to improve production rate, bacteria density, stable quality and zero pollution, so that the cost and quality far exceed the competition.

- b. Intensive review of production, sales and inventory to prevent the occurrence of stagnant materials.
 - c. Cycle review of production operation technology to eliminate blind spots that may cause quality variation, efficiency reduction and safety concerns.
- B. Quality
 - a. Prevent the recurrence of food safety incidents (e.g. plasticizers, cis-butenedioic acid, etc.) that are not strictly controlled by the government but have serious impact on the public health.
 - b. Evaluate the risks of the raw materials to be used and strengthen the inspection and traceability of the source and history of the raw materials already used.
 - c. Evaluate the background values of packaging materials and processes for plasticizers, western pharmaceutical ingredients, aluminum, heavy metals, yellow yeast toxins, cyanuric acid, heavy metals, pesticides, etc., and improve them.
- C. Marketing
 - a. Develop overseas (global and mainland China) access and customers actively.
 - b. Emphasize on the development and service of industrial and commercial customers.
 - c. Develop new products to meet customer demands and create added value for customers.
 - d. Deepen the product channels and plan to expand the feasibility of cross-domain cooperation from point, line to surface.
- D. Human Resources
 - a. Conduct internal staff education and training to improve the quality of employees.
 - b. Recruit excellent personnel in related industries.
- E. Research and Development
 - a. Develop new products with opportunities in accordance with the market trend to meet the market demand and expand the market share.
 - b. Continue to carry out basic R&D, process R&D, agent R&D, and technology innovation to create market demand.
 - c. Cooperate with teaching hospitals, academic institutions and research institutes actively to enhance R&D capabilities with external forces.
 - d. Conduct various health food certifications actively.
- F. Financial Management
 - a. Management and utilization of funds.
 - b. Implement the control of expense budget to reduce cost.
- 2. Medium and long term plans
 - A. Production and Quality Control

Enhance 6S activities and implement international food safety standards (GHP, ISO22000/HACCP).
 - B. Marketing

Expansion of export market aggressively.
 - C. Human Resources
 - a. Establish a rigorous and complete education and training system and actively train international talents.
 - b. Recruit the excellent marketing, R&D and quality control personnel continuously.
 - D. Research and Development

Continue to work on developing effective probiotic ingredients and products.
 - E. Financial Management

Long-term operational scale development is focused on internationalization and diversification, and various financial instruments are used to reduce financial costs to support operational requirement goals.

2. Market and Sales Overview

(1) Market analysis

1. Sales (provision) of main products (services) by region :

Unit: NT\$ thousand

Region	Sales in 2022	Percentage %
Import	211,271	70
Export	157,275	30
Total	368,546	100

2. Market share and future market supply and demand and growth :

(1) Market share :

The Company's current revenue is mainly derived from the sales of functional probiotic products. However, as there is no statistical information on the market of probiotic products, the Company's own estimation is that the market share of effective probiotics is approximately 50% to 60%.

(2) Future market supply and demand and growth :

As the global living environment improves and medical technology advances by leaps and bounds, the quality of human life in general is improving and the average life expectancy is increasing. The world's population has reached 8 billion people (as of November 2022, the United Nations Department of Economic and Social Affairs projects that the total population will still exceed 9 billion around 2037 and 10 billion around 2058).

As life expectancy increases and the birth rate decreases, the proportion of older people increases each year. Fred Pearce, an internationally renowned science writer, points out this alarming fact in his book *The Great Demographic Shock*. But as people around the world live longer, the United Nations estimates that the total number of people over 65 will double to 1.1 billion in the next 20 years, climbing to 13 percent of the total population. Population authorities including Harvard Law School Professor Michael Teitelbaum and Yale History Professor Jay Winter have also pointed out that more than half of the world's population lives in countries with aging populations. Taiwan is also included. Ted C. Fishman, author of *When the World Gets Old and Poor: The Global Impact of Population Aging*, says that population aging is sweeping the world: "There are fewer and fewer children and more and more elderly people, almost everywhere. (Source: *Farsighted Magazine* <http://www.gvm.com.tw/event/2015schroders/aging02.html>). For many developed or developing countries, the accompanying aging demographics have led to an increase in the number of people with chronic diseases, which has become a major concern for national health care spending and social welfare. Compared with pharmaceuticals, health food products have been gradually favored by governments and consumers with increasing awareness of personal health, because of their nutritional, health promotion and aging effects from the perspective of preventive medicine.

With the development of the human gut microbiome, many consumers around the world are aware of the impact of probiotic strains on human health and immunity, and the basis for selecting probiotic products has shifted from "probiotics" to the functionality of the strains. According to Frost & Sullivan's estimation, the annual compound growth rate of *Lactobacillus* is 5.8%. According to ZION Market Research, the probiotic industry in mainland China

has been growing at over 20% for three consecutive years and has huge market potential. It is estimated that by 2025, the global probiotics industry will be worth more than US\$77 billion, and China will account for more than 25% of the market.

The current market for probiotics is still dominated by products of the intestinal health category, and the efficacy of probiotic products is a new item that is emerging step by step.

3. Competitive niche and development prospect of favorable and unfavorable factors and countermeasures :

(1) Competitive niche :

a. R&D and Technology :

We have the technology for R&D, testing, manufacturing and quality control, including strain isolation/screening/identification technology, functional testing technology, strain production and strain database management technology, strain mass production and high density culture technology, viable strain isolation, drying and preservation technology, stability testing technology, bacterium count determination, manufacturing process control technology, human clinical testing technology We have a complete technology platform that supports each other to form a strong and favorable R&D productivity. These technologies can be used to continuously develop and produce stable health food products, and to sustain the isolation of more functional and effective strains to maintain a leading position in technology.

Regarding the health food certification of probiotic products, the Company has obtained health food certification for the products of allergy adjustment and immunity enhancement, dental health, intestinal health, blood sugar regulation, blood lipid regulation, body fat prevention, and bone health, etc. The probiotic products for allergy improvement have also obtained health food certification in China. Clinical trials on atopic dermatitis have been published in international journals and have confirmed the efficacy of the strains.

Therefore, the Company's technology has a competitive niche.

b. Products :

Our company uses a specialized technology platform to select functional probiotics and develop various health food products. The main function of our anti-allergy supplements is to regulate the immune function so that the body's immunity will proceed in a non-inflammatory path when stimulated by allergens, and to enhance immunity by adjusting the ecological environment in the intestine. According to the American Academy Allergy Asthma & Immunology, allergic diseases rank fifth in the U.S. and jump to third in the under-18 age group, and the Academy estimates that the U.S. allergy drug market is approximately \$7.9 billion a year. Therefore, the Company's anti-allergy probiotic products should have a competitive niche in the existing market for related products and new drug categories under development. All of our products have been developed under strict manufacturing processes and quality control systems, scientific validation of efficacy and pathways, complete safety testing and stable safety test data, and therefore, the quality and functionality of our products have been assured to a high degree.

c. Production :

The company not only has a well-equipped laboratory, but also has a high-density probiotic culture tank set for independent production. The probiotic culture site is equipped with a high-density probiotic culture tank set

that can be produced independently, and a mass-production grade continuous centrifuge and freeze dryer. Besides, we are equipped with drying machine, granulator, capsule filling machine, PTP capsule packaging machine, tablet machine, powder aluminum foil bag filling and packaging machine, color box packaging machine, etc. Our factory and equipment have obtained TQF certification.

Moreover, our company has a high performance process development team, which makes the process yield and density of bacteria reach international level, so we are fully competitiveness in production.

d. Operation :

Our company is a listed company with strict manufacturing process and quality control system, scientific validation of efficacy and transfer pathway, complete safety and toxicological testing and stable stability testing in product development. Generally speaking, the Company has a complete R&D (including strain isolation, strain identification, acclimatization, preservation, functional testing, mass production research, and product design), production (including mass production culture, drying, and preparation), quality control (GHP, ISO22000, and HACCP certification), marketing, and distribution system, and has a competitive niche for its operations.

(2) Favorable and unfavorable factors of current development prospect and countermeasures :

①Favorable factors

a. The biotechnology industry is a government incentive industry with a promising future.

Since biotechnology is a clear trend in the future, there are many government policies and preferential conditions to promote the growth of this industry, and since consumers' demand for health food is increasing, the Company will initially enter the market with health food, which is very promising in the future.

b. Biotechnology is still in its infancy, and there are many products that can be developed and patented, which have high potential for development.

The Company has currently patented a number of products and technologies (171 invention patents). As the Company's technology platform has a wide range of applications, there is a high degree of potential for new product development depending on market demand in the future.

c. Complete marketing channel layout

We continue to cooperate with professional organizations in the development of new products, and we also cooperate with major food manufacturers in the health food industry to enhance the added value of our products with our special functional lactic acid bacteria. In addition, due to the increasing popularity of our company, major companies in the industry have been cooperating with us to sell their products on an ODM basis. We have also cooperated with many major companies in China. The Company's marketing channels are still complete.

d. Excellent R&D capabilities

The key technology used in the development of new products is our own originality, which can ensure the mastery of effective technology. Since its establishment, the company has successfully developed a number of products and has applied for a number of health food certifications, demonstrating its superior research and development capabilities.

②Unfavorable factors and countermeasures

- a. The development of new efficacious health food products has experienced a long period of investment and capital requirements.

It usually takes a long R&D period from development to product launch and a long time to reach profitability. Regarding biotechnology development companies, in addition to seeking external capital support, they also need to think about revenue sources in the short to medium term to tide over the downturn before the products are launched.

Company's countermeasures :

We plan to use the revenue and profits generated from the health food products to support the research and development of new functional strains in order to strengthen the company's operating strength. In addition, we will establish a new project management process and knowledge management system to strengthen knowledge management and collaborate with research and academic institutions to shorten the development period.

(2) Important applications and production process of main products

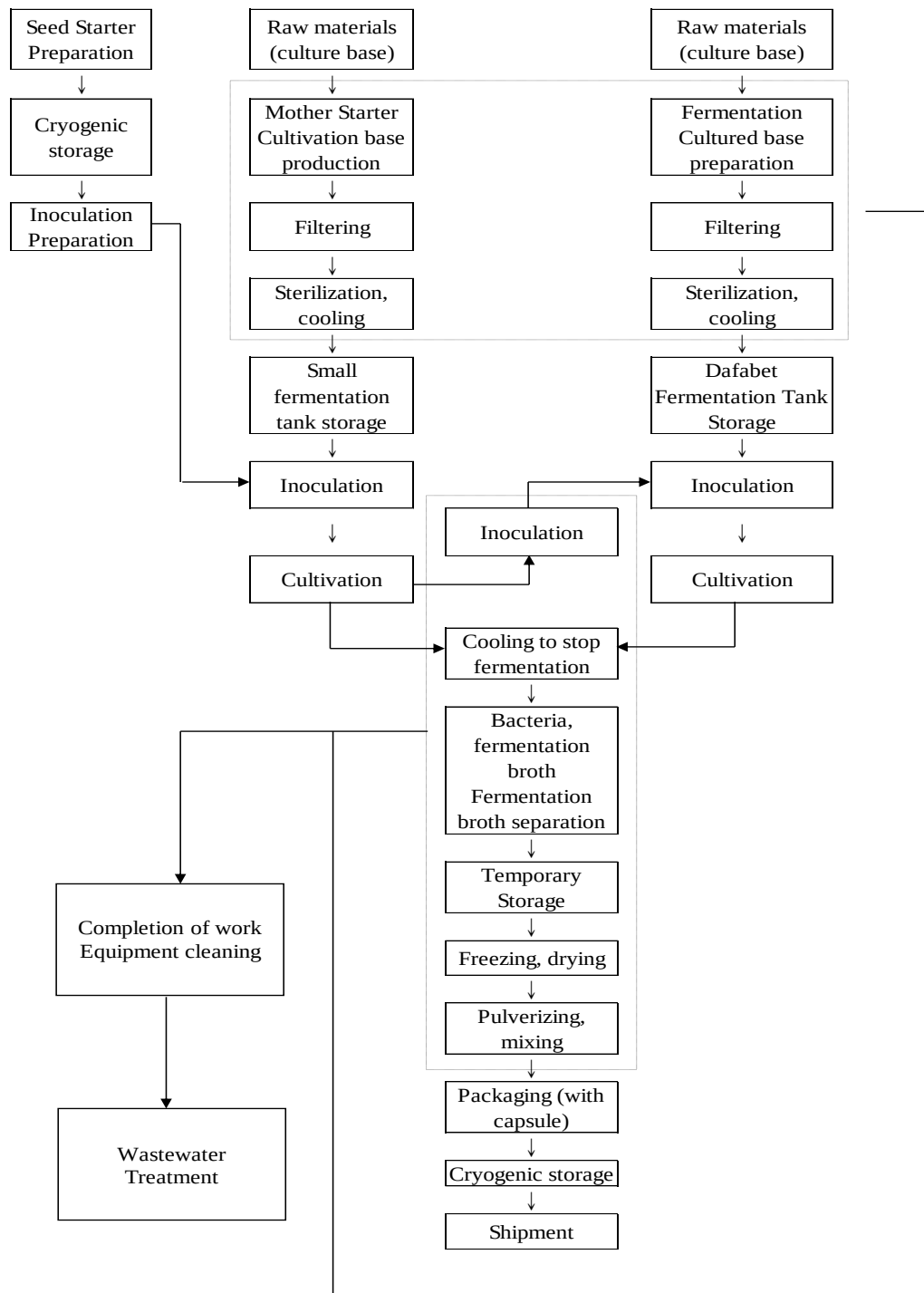
1. Important applications of main products :

Our main products and their important applications are described in the table below.

Product Name	Important applications or functions
Allergy and immunomodulatory products	Balance the immune system, reduce the production of inflammatory mechanisms, to achieve a complementary allergic body, and effectively reduce and prevent allergy symptoms.
Regulating blood sugar products	It has a complementary regulatory effect on high blood glucose values.
Non-Body Fat Forming and Lipid Regulating Products	It is not easy to form body fat and lower blood lipids.
Intestinal health products	Helps the digestive tract function and promotes peristalsis by adjusting the ecology of the intestinal flora with lactic acid bacteria.
Bone Health Products	Balances the activity of osteoclasts and osteoblasts, helping to slow down bone loss.
Dental Products	Helps to reduce the number of Streptococcus mutans in dental plaque.

2. The production process of the product :

Flow chart for manufacturing of bacterial powder products



(3) Supply of main raw materials

Our products are mainly fermented with our self-developed strains, and other additives are easily available and in normal supply.

(4) Customers who have accounted for more than 10% of the total amount of imports (sales) in any of the most recent two years

Table 16-1

Information on main suppliers for the recent two years

Unit: NT\$ thousand ; %

Item	2021 (Consolidated)				2022 (Consolidated)				For the first quarter ended March 31, 2023 (Consolidated)(Note 2)			
	Name	Amount	Percentage of Annual Net Purchases [%]	Relationship with Issuer	Name	Amount	Percentage of Annual Net Purchases [%]	Relationship with Issuer	Name	Amount	Percentage of net purchases for the previous quarter of the current year [%]	Relationship with Issuer
1	STBIO MEDIA	14,336	21.96	None	STBIO MEDIA	18,591	27.57	None	Not applicable			
2	CHEN DING	9,772	14.97	None	CHEN DING	8,011	11.88	None				
	Other	41,161	63.07		Other	40,839	60.55					
	Net Purchases	65,269	100.00		Net Purchases	67,441	100.00					

Note 1: The names of suppliers who have purchased more than 10% of the total amount of goods in the most recent two years and the amounts and percentages of their purchases are listed, except that the names of suppliers may not be disclosed due to contractual agreements or if the parties to the transactions are individuals and not related parties, they may be listed under the code.

Note 2: Financial information of companies whose shares are listed or traded on the stock exchange as of the date of publication of the annual report should be disclosed if it has been audited or reviewed by an accountant most recently.

The increase or decrease is described as follows: The decrease in purchases in 2022 compared to 2021 was due to a decrease in sales.

Table 16-2

Information on main sales customers for the recent two years

Unit: NT\$ thousand ; %

	2021 (Consolidated)				2022 (Consolidated)				For the first quarter ended March 31, 2023 (Consolidated)(Note 2)			
Item	Name	Amount	Percentage of Annual Net Purchases [%]	Relationship with Issuer	Name	Amount	Percentage of Annual Net Purchases [%]	Relationship with Issuer	Name	Amount	Percentage of net purchases for the previous quarter of the current year [%]	Relationship with Issuer
1	Company B	121,485	28.39	None	Company B	46,434	12.60	None	Not applicable			
2.		0	0		Company A	42,476	11.52	None				
	Other	306,444	Company B 1		Other	279,636	75.88					
	Net sales	427,929	100.00		Net sales	368,546	100.00					

Note 1: The names of customers who have sold more than 10% of the total amount of goods in the last two years and the amount and percentage of the sales are listed, except that if the names of customers are not disclosed due to contractual agreements or if the customers are individuals and not related parties, they may be listed under the code.

Note 2: Financial information of companies whose shares are listed or traded on the stock exchange as of the publication date of the annual report should be disclosed if they have been audited or reviewed by a certified public accountant most recently.

The increase or decrease is described as follows: The changes in the proportion of sales to main customers in the last two years are mainly due to the competitive situation and the adjustment of the sales strategy according to the cooperation with previous customers, and there are no significant abnormalities.

(5) Production value table for the last two years

Table 17 Production value table for the last two years

Unit: Thousands of pieces. ;

kg ; NT\$ thousand

Production Value Main Products (or department)	Year	2021			2022		
		Production capacity	Production volume	Production value (NT\$ thousand)	Production capacity	Production volume	Production value (NT\$ thousand)
Anti-allergy capsule (thousand pieces)		60,000	20,022	28,935	60,000	20,141	39,186
Anti-allergy liquid + powder (kg)		38,400	11,325	9,785	38,400	4,858	6,867
Colloidal health(thousand pieces)		Note 1	8,073	9,813	Note 1	6,377	10,431
Intestinal health bacteriological powder + bacteriological liquid(kg)		Note 2	1,327	5,646	Note 2	3,360	6,942
Lactobacillus product for non-body fat formation(thousand)		Note 1	1,114	1,164	Note 1	1,070	1,632
Lactobacillus non-fattening product(kg)		Note 2	1,733	2,816	Note 2	926	2,028
Dental health bacterium powder		Note 2	26,905	42,934	Note 2	36,832	18,040
Others		—	—	30,244	—	—	24,114
Total		—	—	131,337	—	—	109,240

Note 1: All capsule products share the same production capacity.

Note 2: The production capacity of all powder products is shared.

Analysis of changes: None.

(6) Sales volume value for the most recent two years

Table 18 Sales volume value for the most recent two years

Unit: Thousands of pieces ;

kg ; NT\$ thousand

Sales Volume Main Products	Year	2021 (Consolidated)				2022 (Consolidated)			
		Import		Export		Import		Export	
		Volume	Value (thousand)	Volume	Value (thousand)	Volume	Value (thousand)	Volume	Value (thousand)
Anti-allergy capsule (thousand pieces)		10,679	94,697	7,399	24,854	9,329	75,163	11,587	44,169
Anti-allergic bacteria liquid + bacteria powder (kg)		1,893	13,605	3,319	18,565	1,800	13,042	2,975.20	19,937
Colloidal health(thousand pieces)		5,874	26,153	96	345	5,753	29,244	595	2,713
Intestinal health liquid+bacterial powder(kg)		1,413	5,665	1,946	8,669	2,547	11,403	681	2,765
Lactobacillus capsule (thousand)		1,000	5,822	0	0	1,079	6,225	0	0
Lactobacillus acidophilus powder(kg)		68	387	1,626	7,031	69	565	838	3,478
Dental capsule(thousand pieces)		1,535	2,598	0.00	0	903	1,841	121	229
Dental health powder(kg)		27	338	89,597	155,168	25	272	36,850	67,834
Others		—	39,347	—	24,685	—	73,516	—	16,150
Total			188,612		239,317		211,271		157,275

Analysis of changes: None.

3. Number of employees, average years of service, average age and education distribution ratio

Table 19 Employee Information for the Past Two Years and as of the Publication of the Annual Report

Unit: People ; %

Year		2021	2022	Current year as of March 31, 2023
Number of employees	Sales Staff	32	24	21
	Technical Staff	66	58	60
	Administrative Staff	28	36	36
	Research and Development Staff	16	18	17
	Total	142	136	134
Average age		39	40	40
Average Length of Service		7.33years	7.82 years	7.85 years
Education Distribution Ratio %	PhD	1.40	1.40	1.49
	Master	25.35	26.47	26.87
	College	63.40	62.50	62.68
	High School	9.15	8.82	8.21
	Below High School	0.70	0.74	0.75

4. Environmental Expenditure Information

- (1) Losses suffered as a result of environmental pollution in the most recent year and up to the publication date of the annual report (including compensation and the results of environmental protection audits for violations of environmental laws and regulations, the date of the penalty, the penalty number, the provisions of the law violated, the content of the law violated, and the content of the penalty should be listed).

None.

- (2) Disclosure of current and potential future estimates and countermeasures. If the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.

None.

5. Labor Relations

- (1) The Company's various employee benefits measures, continuing education, training, and retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures

1. Employee welfare measures, further education, training :

The company's employees not only enjoy general benefits such as labor insurance, health insurance, and pension benefits, but also provide various benefits such as group insurance, annual bonus, dividend distribution, wedding and funeral subsidies, annual health checkups, and educational training courses.

The Company has established an Employee Welfare Committee in accordance with the law, which is composed of members elected by each department on a proportional basis and holds regular meetings and re-elects members. Also, the annual plan and other welfare measures are set every year.

2. Retirement system and its implementation :

The Company has a retirement plan in accordance with the Labor Standards Law and makes regular contributions to the labor retirement reserve as required by law.

The pension system under the Labor Pension Act is a defined contribution pension plan that contributes 6% of an employee's monthly salary to a personal account at the Bureau of Labor Insurance.

The pension system under the Labor Standards Law is a defined benefit pension plan. Employees' pension payments are calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company contributes 2% of employees' monthly salaries to the employees' retirement fund, which is deposited in the name of the Labor Pension Fund Supervisory Committee in the Bank of Taiwan. (The full amount is currently suspended)

3. The Company does not have a labor union, so in order to provide a proper channel for employees' opinions to be communicated, the Company may not only communicate through the formal organizational system or regular labor-management meetings, but also through the Employee Welfare Committee to achieve a two-way communication effect. In addition, an internal employee grievance system is established to protect the rights of individual laborers.
4. The company was awarded the "Tainan County 2007 Excellent Business Unit for Harmonious Labor Relations" by the Tainan County Government in 2007.
5. The company was awarded the "National Grade Excellent Workplace Friendly Business Unit" in 2008.

- (2) Losses suffered from labor disputes in the most recent year and up to the date of publication of the annual report (including labor inspection results in violation of the Labor Standards Law, which should include the date of sanction, the sanction number, the provision of the violation, the content of the violation, and the content of the sanction). Also the estimated amount of current and potential future losses and the countermeasures should also be disclosed.

The Company has not suffered any material losses from labor disputes in the recent year or as of the date of publication of the annual report.

6. Cyber Security Management

- (1) Describe the management structure of cybersecurity risk, cybersecurity policy, specific management plan and resources contributed to cybersecurity management, etc.
 1. Information system maintenance/change control procedures
 2. Information security incident notification procedure
 3. Information outsourcing control procedures
 4. Network security operation procedures
 - (1) Network Resource Management
 - (2) Network Security Management
 5. Computer safety operation procedures
 - (1) Computer system and physical device protection
 - (2) Password Security Management
 6. Security operating procedures for application systems
 - (1) Email Security
 - (2) Data Security and Backup
 7. Operations Management
 - (1) Abnormal event handling and disaster recovery plan
 8. Procedures for personnel safety operations
 - (1) Personnel Security Management
 - (2) Safety Awareness Training
 9. Legal compliance
 - (1) Comply with regulatory and contractual requirements.
 - (2) Adequate copyrights are purchased for the use of the software packages.
 - (3) We do not publish confidential, sensitive, or personal information without the consent of the individual concerned.
- (2) The loss, possible impact and measures taken in response to the significant cybersecurity incidents in the most recent year and up to the date of publication of the annual report. If the loss cannot be reasonably estimated, the fact that it cannot be reasonably estimated.

None.

7. Important Contracts

Table 20 **Important Contracts**

Contract Type	Counterparty	Contract Start and Ending Dates	Contents	Restricted clauses
Sales	A company in China	August 01, 2015~December 31, 2025	Sales of the China version of the health product eN-Lac® APF probiotic capsules	None
OEM	A company in China	August 01, 2020~July 31, 2021 (Contract can be extended for one year)	OEM of intestinal products	None
Sales	Uni-President Enterprises Corp	January 01, 2021~December 31, 2021 (The contract can be extended for two years)	Supply of GMNL32 bacteriological solution	None
Sales	Uni-President Enterprises Corp	January 01, 2021~December 31, 2021 (The contract can be extended for one year)	Sales of GMNL32 bacteriological powder	None
Sales	A company in China	April 01, 2021~March 31, 2022	Sales of bacterial powder	None
OEM	A company in Taiwan	May 01, 2021 ~ April 30, 2022 (Contract has to be extended for one year)	OEM of anti-allergy products	None
Sales	A company in China	August 01, 2021 ~ July 31, 2022 (Contract can be extended for one year)	Sales of GenMont Fungus Powder and Customized Products	None
Sales	Taiwan Sugar Corporation	September 17, 2021~ September 16, 2023	Sales of active lactic acid bacteria powder	None
OEM	Uni-President Enterprises Corp	January 01, 2022~December 31, 2023 (Contract can be extended for one year)	OEM of LP33 probiotic capsule	None
Sales	A company in China	April 01, 2022 ~ March 31, 2023	Sales of bacterial powder	None

VI. Financial Profile

1. Condensed financial information for the most recent five years

(1) Condensed Balance Sheets and Statements of Comprehensive Income Statement for the Most Recent Five Years

1. Condensed Balance Sheet :

(1) Condensed Balance Sheet - (Consolidated)

Table 22

Unit: NT\$ thousand

Item	Year	Financial information for the last five years (Note 1)					Financial Data as of March 31, 2023 (Note 3)
		End of 2018	End of 2019	End of 2020	End of 2021	End of 2022	
Current assets		1,113,738	683,762	595,940	580,792	521,502	Not applicable
Property, plant and equipment (Note 2)		352,684	685,820	856,773	982,463	1,049,260	
Intangible assets		9,288	116	252	333	238	
Other assets (Note 2)		182,604	201,459	159,858	134,445	124,808	
Total assets		1,658,314	1,571,157	1,612,823	1,698,033	1,695,808	
Current liabilities	Before distribution	91,761	88,307	94,957	139,169	160,777	
	After distribution	91,761	88,307	155,396	234,177	221,237	
Non-current liabilities		3,843	34,737	35,994	34,479	37,813	
Total liabilities	Before distribution	95,604	123,044	130,951	173,648	198,590	
	After distribution	95,604	123,044	191,390	268,656	259,050	
Interests attributable to parent company owner		1,490,710	1,384,962	1,329,276	1,376,440	1,351,325	
Capital stock		889,119	889,344	863,414	863,714	863,714	
Capital reserve		398,241	398,881	386,543	375,688	375,688	
Retained earnings	Before distribution	203,924	128,267	90,808	154,871	117,502	
	After distribution	70,556	58,009	41,593	59,863	57,042	
Other interests		-574	-31,530	-11,489	-17,833	-5,579	
Treasury stock		0	0	0	0	0	
Non-controlling interests		72,000	63,151	152,596	147,945	145,893	
Total equity	Before distribution	1,562,710	1,448,113	1,481,872	1,524,385	1,497,218	
	After distribution	1,429,342	1,377,855	1,421,433	1,429,377	1,436,758	

* If the Company prepares individual financial statements, it should also prepare individual condensed balance sheets and comprehensive income statements for the last five years.

Note 1: The financial information listed above has been audited (reviewed) and certified by an accountant.

Note 2: For those companies that have had their assets revalued during the year, the date of revaluation and the amount of revaluation increment should be indicated.

Note 3: For companies whose shares are listed or traded on the stock exchange as of the printing date of the annual report, if the most recent financial information has been audited or reviewed by a certified public accountant, it should also be disclosed.

Note 4: The above-mentioned post-appropriation figures are based on the resolutions of the board of directors or the shareholders' meeting of the following year.

Note 5: If the financial information has been notified by the competent authority that it should be corrected or restated, the corrected or restated figures should be presented, with the circumstances and reasons stated.

(2) Condensed Balance Sheet - (Parent Company Only) :

Unit: NT\$ thousand

Year Item		Financial information for the last five years (Note 1)					Financial Data as of March 31, 2023 (Note 3)
		End of 2018	End of 2019	End of 2020	End of 2021	End of 2022	
Current assets		900,982	514,766	347,948	469,311	462,936	
Property, plant and equipment (Note 2)		151,634	150,689	135,405	121,650	129,348	
Intangible assets		9,288	116	252	333	238	
Other assets (Note 2)		523,883	840,767	975,324	941,287	917,962	
Total assets		1,585,787	1,506,338	1,458,929	1,532,581	1,510,484	
Current liabilities	Before distribution	91,234	86,639	93,659	121,662	121,346	
	After distribution	91,234	86,639	154,098	216,670	181,806	
Non-current liabilities		3,843	34,737	35,994	34,479	37,813	
Total liabilities	Before distribution	95,077	121,376	129,653	156,141	159,159	
	After distribution	95,077	121,376	190,092	251,149	219,619	
Interests attributable to parent company owner		1,490,710	1,384,962	1,329,276	1,376,440	1,351,325	
Capital stock		889,119	889,344	863,414	863,714	863,714	
Capital reserve		398,241	398,881	386,543	375,688	375,688	
Retained earnings	Before distribution	203,924	128,267	90,808	154,871	117,502	
	After distribution	70,556	58,009	41,593	59,863	57,042	
Other interests		-574	-31,530	-11,489	-17,833	-5,579	
Treasury stock		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total equity	Before distribution	1,490,710	1,384,962	1,329,276	1,376,440	1,351,325	
	After distribution	1,357,342	1,314,704	1,268,837	1,281,432	1,290,865	

Note 1: The financial information listed above has been audited and certified by the accountant.

Note 2: For those companies that have revalued their assets during the year, the date of revaluation and the amount of revaluation increment should be indicated.

Note 3: Financial information of companies whose shares are listed or traded in securities dealers' offices as of the printing date of the annual report should be disclosed if they have been audited or reviewed by a certified public accountant most recently.

Note 4: The above-mentioned post-appropriation figures are based on the resolutions of the board of directors or the shareholders' meeting of the following year.

Note 5: If the financial information has been notified by the competent authority that it should be corrected or restated, the corrected or restated figures should be presented, with the circumstances and reasons stated.

2. Condensed Comprehensive Income Statement :

(1) Comprehensive Income Statement- Consolidated :

Unit: NT\$ thousand (except for earnings(loss) per share which is NT\$)

Item \ Year	Financial information for the last five years (Note 1)					Financial Data as of March 31, 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	406,532	346,244	325,191	427,929	368,546	Not applicable
Gross profit	277,547	229,701	215,390	299,326	256,717	
Operating income	122,205	77,623	71,014	125,039	61,970	
Non-operating income and expenses	1,698	-2,083	5,833	14,385	4,288	
Income from continuing operations before income tax	123,903	75,540	76,847	139,424	66,258	
Net income of continuing business units	98,098	57,235	60,215	109,601	47,461	
Loss of suspended business unit	59,528	0	0	0	0	
Net income (loss)	157,626	57,235	60,215	109,601	47,461	
Other comprehensive income, net of tax	-6,864	-33,377	20,883	-7,318	15,077	
Total comprehensive (loss) income	150,762	23,858	81,098	102,283	62,538	
Net income attributable to stockholders of the parent	158,019	57,451	60,884	113,132	56,978	
Net income attributable to non-controlling interests	-393	-216	-669	-3,531	-9,517	
Total comprehensive income attributable to stockholders of the parent	152,168	26,755	81,012	106,934	69,893	
Total comprehensive income attributable to non-controlling interests	-1,406	-2,897	986	-4,651	-7,355	
Earning (loss) per share	1.78	0.65	0.69	1.31	0.66	

* If the Company prepares individual financial statements, it should also prepare individual condensed balance sheets and consolidated statements of income for the last five years.

Note 1: The financial information listed above has been audited (reviewed) by a certified public accountant.

Note 2: The financial information of companies whose shares are listed or traded on the stock exchange as of the printing date of the annual report should be disclosed if they have been audited or reviewed by a certified public accountant most recently.

Note 3: Losses from discontinued operations are presented net of income taxes.

Note 4: If the competent authorities notify the Company that the financial information should be corrected or restated, the corrected or restated figures should be presented, with the circumstances and reasons stated.

(2) Comprehensive income statement - Parent Company Only :

Unit: NT\$ thousand (except for earnings(loss) per share which is NT\$)

Item \ Year	Financial information for the last five years (Note 1)					Financial Data as of March 31, 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	406,554	346,244	325,191	427,929	368,546	Not applicable
Gross profit	277,547	229,701	215,390	299,326	258,019	
Operating income	125,302	80,863	77,785	149,186	126,066	
Non-operating income and expenses	58,522	-5,107	-269	-6,231	-50,291	
Income from continuing operations before income tax	183,824	75,756	77,516	142,955	75,775	
Net income of continuing business units	158,019	57,451	60,884	113,132	56,978	
Loss of suspended business unit	0	0	0	0	0	
Net income (loss)	158,019	57,451	60,884	113,132	56,978	
Other comprehensive income, net of tax	-5,851	-30,696	20,128	-6,198	12,915	
Total comprehensive (loss) income	152,168	26,755	81,012	106,934	69,893	
Net income attributable to stockholders of the parent	158,019	57,451	60,884	113,132	56,978	
Net income attributable to non-controlling interests	—	—	—	0	0	
Total comprehensive income attributable to stockholders of the parent	152,168	26,755	81,012	106,934	69,893	
Total comprehensive income attributable to non-controlling interests	—	—	—	0	0	
Earning (loss) per share	1.78	0.65	0.69	1.31	0.66	

Note 1: The financial information listed above has been audited and certified by a certified public accountant.

Note 2: The financial information of companies whose shares are listed or traded on the stock exchange as of the printing date of the annual report should be disclosed if they have been audited or reviewed by a certified public accountant most recently.

Note 3: Losses from discontinued operations are presented net of income taxes.

Note 4: If the competent authority notifies the Company that the financial information should be corrected or restated, the corrected or restated figures should be presented, with the circumstances and reasons stated.

(2) Name of CPAs and Audit Opinions for the Last Five Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2022	KPMG Taiwan	SU, YEN-TA.CHEN, KUO-TSUNG	Unqualified opinion plus paragraphs on other matters
2021	PwC Taiwan	TIEN, CHUNG-YU. LIN, YUNG-CHIH	Unqualified opinion
2020	PwC Taiwan	LIN, YUNG-CHIH. TIEN, CHUNG-YU	Unqualified opinion
2019	PwC Taiwan	LIN, YUNG-CHIH. TIEN, CHUNG-YU	Unqualified opinion
2018	PwC Taiwan	LIN, YUNG-CHIH. TIEN, CHUNG-YU	Unqualified opinion

2. Financial Analyses for the Most Recent Five Years

Table 23 Financial Analysis -(Consolidated)

Analysis items (Note 2)		Financial Analyses for the Last Five Years (Note 1)					Financial Data as of March 31, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt ratio	5.77	7.83	8.12	10.22	11.71	Not applicable
	Long term funds to property, plant and equipment	444.18	216.22	177.16	158.66	146.29	
Solvency%	Current ratio	1,213.74	774.3	627.59	417.32	324.36	
	Quick ratio	1,145.12	677.73	538.74	342.59	281.57	
	Times interest earned (times)	Not applicable	98.35	96.34	183.02	88.76	
Operating Ability	Receivables turnover rate (times)	6.95	4.62	5.60	8.48	6.69	
	Average collection days for receivables	52.52	79.08	65.18	43.04	54.55	
	Inventory turnover rate (times)	3.21	2.72	2.71	3.04	2.24	
	Payables turnover rate (times)	11.81	15.15	14.55	13.69	8.68	
	Average days for sale	113.71	134.19	134.69	120.06	162.94	
	Property, plant and equipment turnover rate (times)	0.78	0.67	0.42	0.46	0.36	
	Total asset turnover rate (times)	0.3	0.21	0.20	0.26	0.22	
Profitability	Return on assets (%)	9.98	3.58	3.82	6.65	2.83	
	Return on equity (%)	10.75	3.8	4.11	7.29	3.14	
	Pre-tax income to paid in capital ratio (%) (Note 6)	20.77	8.49	8.90	16.14	7.67	
	Profit margin (%)	33.34	16.53	18.52	25.61	12.87	
	Earning (loss) per share (NTD)	1.78	0.65	0.69	1.31	0.66	
Cash Flow	Cash flow ratio (%)	61.06	84.38	124.55	80.23	85.80	
	Cash flow adequacy ratio (%)	27.15	27.6	34.24	35.71	36.27	
	Cash flow reinvestment ratio (%)	3.13	-3.41	2.71	2.80	2.33	
Leverage	Operating leverage	4.04	2.13	2.19	1.81	2.53	
	Financial leverage	1	1.01	1.01	1.01	1.01	

Please explain the reasons for the changes in each financial ratio for the last two years. (Changes of less than 20% are exempt from analysis)

1. The decrease in current ratio was mainly due to the decrease in cash and other assets.
2. Decrease in interest coverage multiple was mainly due to the decrease in net income before tax as a result of the decrease in revenue.
3. Decrease in accounts receivable turnover rate and increase in average collection days were mainly due to the decrease in revenue and increase in average accounts receivable balance from major customers in the manufacturing industry.
4. Decrease in inventory turnover rate and increase in average sales days were mainly due to the decrease in revenue and increase in average inventory balance as some raw materials had to be prepared in advance due to the production characteristics of the industry, order production requirements and the epidemic affecting global transportation.
5. Decrease in turnover rate of accounts payable was mainly due to the increase in average accounts payable balance as a result of the decrease in sales and increase in imports.
6. Decrease in turnover rate of property, plant and equipment was mainly due to decrease in revenue and increase in balance of property, plant and equipment.
7. Decrease in profitability indicators was mainly due to the decrease in operating income and net income after tax as a result of the decrease in revenue.
8. Increase in operating leverage was mainly due to the decrease in revenue.

* If the Company prepares individual financial reports, an analysis of the Company's individual financial ratios should be prepared separately.

Note 1: The above annual financial information has been audited and certified by a certified public accountant.

Note 2: Companies whose shares are listed or traded on the stock exchange should include the financial information for the current year ending one quarter prior to the date of the annual report.

Note 3: The following formula should be shown at the end of this annual report:

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets

(2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.

3. Operating capacity

(1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)

(2) Average cash recovery day = 365 / receivables turnover rate

(3) Inventory turnover rate = sales cost / average inventory

(4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)

(5) Days sales outstanding = 365 / inventory turnover rate

(6) Property, plant and equipment turnover rate = net sales / net average property, plant and equipment value

(7) Total asset turnover rate = net sales / average total assets

4. Profitability

(1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets

(2) Return on equity = after tax profit and loss / average equity

(3) Net profit rate = after tax profit and loss / net sales

(4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)

6. Leverage

(1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit

(2) Financial leverage = operating profit / (operating profit - interest expense)

Note 4: The above formula for calculating earnings per share should be measured with special attention to the following items:

1. The weighted-average number of common shares is used as the basis, not the number of shares outstanding at the end of the year.

2. The weighted-average number of shares should be calculated by taking into account the liquidity period of any cash capital increase or treasury stock transactions.

3. If there is a capital increase from earnings or capital surplus, the percentage of capital increase should be adjusted retroactively in the calculation of earnings per share for previous years and semiannual periods, without regard to the period of issuance of the capital increase.

4. If the preferred shares are non-convertible cumulative preferred shares, the dividends (whether or not paid) for the year should be deducted from net income after tax or increased by net loss after tax. If the preferred shares are non-cumulative, the dividends should be deducted from net income if there is any after-tax profit; if there is a loss, no adjustment is required.

Note 5: Cash flow analysis should pay special attention to the following when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflow from capital investments.
3. Increase in inventories is included only when the ending balance is greater than the opening balance and is calculated as zero if there is a decrease in inventories at the end of the year.
4. Cash dividends include cash dividends from common stock and preferred stock.
5. Gross property, plant and equipment represents the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer should classify operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, attention should be paid to their reasonableness and consistency.

Note 7: If the Company's stock has no par value or the par value per share is not NT\$10, the calculation of the ratio of paid-in capital should be based on the ratio of equity attributable to the owners of the parent company in the balance sheet.

Financial Analysis - Parent Company Only

Analysis items (Note 2)		Year	Financial Analyses for the Last Five Years (Note 1)					Financial Data as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022		
Financial Structure (%)	Debt ratio	6	7.65	8.89	10.19	10.54	Not applicable	
	Long term funds to property, plant and equipment	985.63	942.14	1,008.29	1,159.82	1,073.95		
Solvency%	Current ratio	987.55	594.15	371.51	385.75	381.50		
	Quick ratio	940.19	555.37	331.69	356.86	343.14		
	Times interest earned (times)	Not applicable	98.62	97.17	187.63	101.36		
Operating Ability	Receivables turnover rate (times)	6.26	4.62	5.60	8.49	6.69		
	Average collection days for receivables	58.34	79.07	65.19	43.02	54.55		
	Inventory turnover rate (times)	2.62	2.72	2.71	3.20	2.61		
	Payables turnover rate (times)	16.37	15.15	14.55	13.70	8.65		
	Average days for sale	139.31	134.19	134.59	114.20	139.96		
	Property, plant and equipment turnover rate (times)	2.72	2.29	2.27	3.33	2.94		
	Total asset turnover rate (times)	0.26	0.22	0.22	0.29	0.24		
	Profitability	Return on assets (%)	10.19	3.76	4.15	7.60		3.78
Return on equity (%))		11.18	4	4.49	8.36	4.18		
Pre-tax income to paid in capital ration (%) (Note 6)		20.67	8.52	8.98	16.55	8.77		
Profit margin (%)		38.87	16.59	18.72	26.44	15.46		
Earning (loss) per share (NTD)		1.78	0.65	0.69	1.31	0.66		
Cash Flow	Cash flow ratio (%)	136.92	141.85	122.31	119.19	96.45		
	Cash flow adequacy ratio (%)	254.5	193.61	174.07	177.54	144.12		
	Cash flow reinvestment ratio (%)	7.27	-0.64	2.73	5.72	1.33		
Leverage	Operating leverage	1.76	2.05	2.06	1.69	1.52		
	Financial leverage	1	1.01	1.01	1.01	1.01		
Please explain the reasons for the changes in each financial ratio for the last two years. (Changes of less than 20% are exempt from analysis)								
1. Decrease in interest coverage multiple was mainly due to the decrease in net income before tax as a result of the decrease in revenue. 2. Decrease in accounts receivable turnover rate and increase in average collection days were due to the decrease in revenue and increase in average accounts receivable balance from major customers in manufacturing industry. 3. Decrease in turnover rate of accounts payable was mainly due to the increase in average accounts payable balance as a result of the decrease in sales and increase in imports. 4. Increase in average sales days was mainly due to the decrease in revenue and the increase in average inventory balance due to the production characteristics of the industry, order production requirements and the impact of the epidemic on global transportation, which required some raw materials to be stocked in advance. 5. Decrease in profitability indicators compared to the previous period was mainly due to the decrease in operating profit and net income after tax as a result of the decrease in revenue. 6. Decrease in cash reinvestment ratio was mainly due to the decrease in operating cash flow and increase in cash dividends.								

Note 1: The annual financial information listed above was audited and certified by a certified public accountant.

Note 2: Companies whose shares are listed or traded on the stock exchange should include the financial information of the current year ending one quarter before the publication date of the annual report in the analysis.

3. Audit Report of the Supervisor or Audit Committee of the latest annual financial report

Audit Committee Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earnings Distribution Table for 2022. KPMG was retained to audit the Company's Financial Statements and the accountants Mr. Su, Yan-Da and Mr. Chen, Guo-Zong have issued an audited the report relating to the individual and consolidated Financial Statements.

The above Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee of the Company. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

2023 Annual Shareholders' Meeting

GenMont Biotech Inc.
Convener of the Audit Committee: Huang Tse-jen



March 13th, 2023

4. Financial report for the most recent year
Please refer to Appendix I.
5. Latest Individual Financial Statements Audited and Certified by CPAs:
Please refer to Appendix II.
6. If the Company and its affiliates encountered any financial difficulties in the most recent year and as of the date of publication of the annual report, please describe their impact on the financial status of the Company:
None.

VII. Review and analysis of financial status and financial performance and risk issues

1. Financial Status

The main reasons for the significant changes in assets, liabilities and equity in the last two years and their effects, and if the effects are significant, the future plan should be stated.

Competitive Analysis of Financial Status

Unit: NT\$ thousand

Item	Year	2022	2021	Difference	
				Amount	%
Current Assets		\$521,502	\$580,792	-\$59,290	-10.21%
Funds and investments		26,520	34,680	-8,160	-23.53%
Property, plant and equipment		1,049,260	982,463	66,797	6.80%
Intangible assets		238	333	-95	-28.53%
Other Assets		98,288	99,765	-1,477	-1.48%
Total Assets		\$1,695,808	\$1,698,033	-\$2,225	-0.13%
Current liabilities		160,777	139,169	21,608	15.53%
Other liabilities		37,813	34,479	3,334	9.67%
Total liabilities		\$198,590	\$173,648	\$24,942	14.36%
Capital stock		863,714	863,714	0	0.00%
Capital reserve		375,688	375,688	0	0.00%
Undistributed earnings		117,502	154,871	-37,369	-24.13%
Other		-5,579	-17,833	12,254	-68.72%
Non-controlling interests		145,893	147,945	-2,052	-1.39%
Total equity		\$1,497,218	\$1,524,385	-\$27,167	-1.78%
Change in earnings (Change of 20% and amount of change of at least NT\$10 million):					
1) Decrease in undistributed earnings is mainly due to the distribution of dividends greater than the decrease in net income for the period.					
2. Increase in other equity is due to the decrease in exchange loss on translation of financial statements of foreign operating companies.					

2. Financial Performance

Main reasons for significant changes in operating income, net operating profit and pre-tax net profit in the last two years, sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan:

(1) Financial Performance Comparison Analysis

Financial Performance Comparison Analysis

Unit: NT\$ thousand

	2022	2021	Increase (Decrease) Amounts	Change ratio (%)
Net Operating Income	368,546	427,929	-59,383	-13.88%
Operating Costs	111,829	128,603	-16,774	-13.04%
Gross Profit	256,717	299,326	-42,609	-14.23%
Operating Expenses	194,747	174,287	20,460	11.74%
Operating Income	61,970	125,039	-63,069	-50.44%
Non-operating income and expenses	4,288	14,385	-10,097	-70.19%
Income before tax	66,258	139,424	-73,166	-52.48%
Income tax expense (benefit)	18,797	29,823	-11,026	-36.97%
Gain (loss) from suspended division	0	0	0	0
Net income	47,461	109,601	-62,140	-56.70%

Analysis of the percentage changes in the last two years (changes of 20% and changes of NT\$10 million or more):

1. Decrease in operating income for the period was mainly due to the decrease in revenue and increase in depreciation expense of subsidiaries.
2. Decrease in non-operating income and expense was mainly due to the increase in loss on financial assets measured at fair value through profit or loss.
3. Decrease in income before income tax and net income for the period were mainly due to the decrease in operating income and increase in operating expenses of subsidiaries.
4. Decrease in income tax expense was mainly due to the decrease in net income before income tax and increase in unrealized investment loss.

(2) Expected sales volume for the coming year and the basis thereof

Please refer to page 2 of this manual.

3. Cash Flow

Unit: NT\$ thousand

Beginning cash balance	Net cash flow from operating activities throughout the year	Annual Cash Outflow Amounts	Cash Remaining Amounts	Corrective Measures for Cash Deficit	
				Investment ‘ Plan	Financial Plans
\$169,953	\$137,948	\$174,214	\$133,687	—	—
1. Analysis of changes in cash flow for the year: (1) Operating activities: Net cash inflow, mainly sales receipts. (2) Investing activities: Net cash outflow, mainly due to the decrease in financial assets measured at amortized cost and the acquisition of property, plant and equipment. (3) Financing activities: Cash dividends were paid. 2. Liquidity deficiency improvement plan: No cash deficiency, therefore, not applicable. 3. Cash flow analysis for the coming year (2023): (Individual)					
Beginning cash balance	Net cash flow from operating activities throughout the year	Annual Cash Outflow Amounts	Cash surplus (Deficit) forecast-	Corrective Measures for Cash Deficit	
				Investment ‘ Plan	Financial Plans
\$345,672(Note)	\$54,889	\$66,620	\$333,941(Note)	—	—
1. Analysis of changes in cash flows for the year: (1) Operating activities: The Company's revenue is expected to be sufficient to generate profits and is likely to remain stable, so a net cash flow inflow from operating activities is expected for the year. (2) Investing and financing activities: Capital expenditures and cash dividends are expected to generate a net cash outflow. 2. Remediation measures and liquidity analysis of projected cash shortage: None. Note: Including fixed deposits of more than three months.					

4. Impact of Major Capital Expenditure in the Past Year on the Financial Status

None.

5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year

(1) Reinvestment policy

The Company's decision-making authority will provide professional information based on operational needs or future growth of the Company, and the finance department will compile the information and provide it to the responsible officer for reference, and then execute it in accordance with the relevant regulations after the responsible officer agrees.

(2) Main reasons for profit or loss on reinvestment and improvement plans

The Company recognized an investment loss of \$53,932 thousand in 2022 for its investment in GenMont Biotech (China) Inc.. The above-mentioned investment in GenMont Biotech (China) Inc. in Mainland China is in the establishment stage of the company and therefore is not yet profitable.

(3) Investment plan for the coming year

None.

6. Risk Issues

(1) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future counter measures

1. Interest rate changes :

The Company has no borrowings in 2022 and is therefore not exposed to market interest rate fluctuations.

2. Exchange rate changes :

The Company's net exchange gain of \$10,447 thousand in 2022 represents 2.83% and 22.01% of the net operating income of \$368,546 thousand and the net income of \$47,461 thousand, respectively. The impact on the Company's profit or loss is described in Item 4 below.

3. Inflation :

Inflation in recent years has not had a significant impact on the Company's profit or loss. The Company will closely monitor the inflation situation in the future and adjust the selling price of products and the inventory of raw materials appropriately.

4. The Company's countermeasures against changes in interest rates and exchange rates :

- (1) We pay attention to the movements of major currencies in the international exchange market and changes in the international situation due to non-economic factors in order to keep abreast of exchange rate movements and to be able to respond to them in a timely manner.
- (2) The Company uses sales revenue in the same currency to cover purchase expenses as much as possible to achieve automatic hedging effect.
- (3) Future accounts receivable and accounts payable in foreign currencies will be hedged as necessary.
- (4) We obtain financial information and foreign exchange reports from financial institutions on a regular basis to make comprehensive judgments on trends in exchange rates and interest rates and to adjust our foreign exchange and capital strategies flexibly.
- (5) Pay attention to the future trend of interest rates and make timely use of various financing instruments in the capital market to reduce the cost of obtaining funds.

(2) The policies of engaging in high-risk, highly leveraged investments, capital goods with others, endorsement guarantees and derivative transactions, the main reasons for profits or losses and future countermeasures for the most recent year and up to the publication date of the annual report

The Company has not engaged in high-risk, high-leverage investments, lending of funds to others, endorsement and guarantee, or derivative transactions for the most recent year and as of the date of the annual report. If there is a need to enter into capital financing, endorsement and guarantee for others, or derivative transactions in the future due to business needs, the Company will follow the "Procedures for Acquisition or Disposal of Assets", "Procedures for Endorsement and Guarantee", and "Procedures for Lending of Funds to Others" established by the Company, and will announce all information in a timely and accurate manner in accordance with the law.

(3) Future research and development plans and estimated research and development expenses

As the material life of the society has improved, various civilized diseases have arisen, such as overweight, diabetes and other metabolic syndromes. In addition, with the advent of aging society, the prevention of aging-related diseases is also an important issue, such as: osteoporosis, dementia, cancer...etc. Nowadays, with the development of microbiology and immunology, our R&D department is developing products with high safety of Lactobacillus to regulate blood sugar, reduce body fat, anti-osteoporosis, anti-aging and assist in the treatment of research diseases. The research and development policy and the estimated investment in research and development are described below.

Research and Development Policy.

- (1) To develop new strains with opportunities in response to market trends.
- (2) Continuously carry out basic R&D, process R&D, formulation R&D, and technology innovation to create market demand.

- (3) Introduce the latest R&D technology and equipment.
- (4) Actively cooperate with teaching hospitals, academic and research institutions to enhance R&D capabilities with external forces.
- (5) Actively carry out various health food certifications.
- (6) Review the R&D operation techniques to eliminate the blind spots that may cause experimental failure, low efficiency and safety concerns.
- (7) Appropriately bring in potential R&D talents and strengthen the education and training of R&D personnel.

The estimated investment in research and development for 2023 is approximately \$34,852 thousand.

- (4) The impact of significant domestic and foreign policy and legal changes on the Company's financial operations in the most recent year and up to the date of publication of the annual report and countermeasures.

The Company's operations are carried out in accordance with the laws and regulations of the competent authorities, and there were no significant domestic or foreign policy and legal changes that affected the Company's finances and operations in the most recent year or as of the publication date of the annual report. Therefore, there is no significant impact on the Company due to changes in important domestic and foreign policies and laws, and the management of the Company will observe important domestic and foreign policies and legal changes in the future and propose timely and proactive planning and countermeasures.

- (5) The impact of technological changes (including information and communications security risks) and industry changes on the Company's financial operations for the most recent year and up to the publication date of the annual report and countermeasures

The biotechnology industry is an industry that is actively promoted by the government, and is characterized by high barriers to entry, long research and development cycles, high demand for professional technology, and high added value...etc. It is not easy to change too much in a short period of time, and the company has the intellectual property rights and professional research and development capabilities for its products. The Company has the intellectual property rights and professional research and development capabilities for its products; There is no significant impact on the Company's financial operations in the most recent year and as of the date of publication of the annual report.

- (6) The impact of the change in corporate image on corporate crisis management and the response measures for the most recent year and up to the publication date of the annual report

The Company has been upholding the principles of sustainable management and integrity since its inception, and has continued to strengthen its internal management, actively move into the international market and enhance its quality management capabilities. The Company has not experienced any corporate crisis due to the change of corporate image in the recent year or as of the date of publication of the annual report. In the future, the Company will continue to implement corporate governance requirements and seek and comply with expert advice in a timely manner in order to reduce the impact of such risks on the Company's financial operations.

- (7) Expected benefits, possible risks and responses to mergers and acquisitions for the most recent year and up to the date of publication of the annual report

There were no mergers and acquisitions in the most recent year or as of the publication date of the Company's annual report.

- (8) Expected benefits, possible risks and response measures for plant expansion for the most recent year and up to the date of publication of the annual report

The Company has not expanded its plants in the latest year or as of the publication date of the annual report.

- (9) Risks associated with the concentration of imports or sales for the most recent year and up to the date of publication of the annual report and countermeasures
1. Import risk: The Company has no concentration of imports and has a high selection of raw material importers.
 2. Risk of concentration of sales :
The Company's sales are currently concentrated in the top five customers, with the main products being oral protection, anti-allergy and gastrointestinal probiotics. Although there is a concentration of sales, the Company can still provide other sales channels and customers for similar products, and has developed other new sources of expansion to reduce the risk of concentration of sales.
- (10) The impact, risk and response to the significant transfer or replacement of shareholdings of directors, supervisors or substantial shareholders holding more than 10% of the shares of the Company in the most recent year and up to the date of publication of the annual report
There has been no significant transfer or change of ownership of the Company's directors, supervisors or substantial shareholders holding more than 10% of the shares in the most recent year and as of the publication date of the annual report.
- (11) The impact, risk and response to the change in operating right of the Company in the latest year and up to the date of publication of the annual report
None.
- (12) Litigation or non-litigation events in the most recent year and as of the date of publication of the annual report, which should include the major litigation, non-litigation or administrative disputes that have been determined or are still pending between the Company and its directors, supervisors, general managers, persons in charge of the substance of the litigation, major shareholders holding more than 10% of the shares, and affiliated companies, the outcome of which may have a significant impact on the shareholders' equity or the price of securities, and should disclose the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the major parties involved in the litigation, and the disposition of the case as of the date of publication of the annual report
None.
- (13) Other significant risks and contingencies for the most recent year and up to the date of publication of the annual report
Cybersecurity risk evaluation: The company prepares information security management rules, and regularly promotes and shares cybersecurity cases.

7. Other important matters

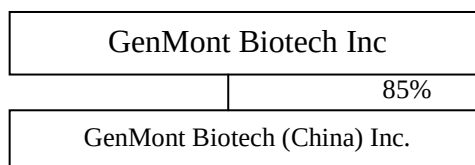
None. °

VIII. Special Disclosure

1. Information about the Company's Affiliates

(1) Organizational Chart of Affiliates

GenMont Biotech Inc.
Organizational Chart of Affiliates
2022



(2) The industries covered by the overall business of the affiliated companies. If the businesses of the affiliated companies are related to each other, the division of labor between them shall be stated.

All of our affiliates are engaged in the manufacture and sale of functional foods.

(3) Basic information on each affiliate

Basic information on each affiliate

Unit: NT\$ thousand

Company Name	Date Of Incorporation	Address	Paid-in Capital	Principal Business or Production Items
GenMont Biotech (China) Inc.	April 12, 2017	No.19, Guangyuan Road, Wuqing Development Zone, Tianjin	1,081,972	Manufacturing and sales of functional foods

(4) Those who are presumed to have a controlling and subordinate relationship in accordance with Article 369-3 of this Law

There is no presumption of control or affiliation with the same shareholders.

(5) The names of the directors, supervisors and general managers of the affiliated companies and their shareholdings or capital contributions to the companies

Information on directors, supervisors and general managers of affiliated companies

Unit: NT\$ thousand shares ; %

Company Name	Title (Note1)	Name or Representative	Shareholding (Note) (Note3)	
			Share	%
GenMont Biotech (China) Inc.	Director	GenMont Biotech Inc. Representative: CHEN, KEN-TE	Not applicable	85%
GenMont Biotech (China) Inc.	Director	GenMont Biotech Inc. Representative: HUANG, KUO-CHIEH	Not applicable	85%
GenMont Biotech (China) Inc.	Director	Mondo Beijing International Trade Co., Ltd. Representative:: LIU, CHUNG-I	Not applicable	15%
GenMont Biotech (China) Inc.	Supervisor	GenMont Biotech Inc. Representative: CHO, CHUAN-CHEN	Not applicable	85%

Note 1: If the affiliated company is a foreign company, please list its position as equivalent.

Note 2: If the investee company is a joint stock company, please fill in the number of shares and the percentage of shareholding; for others, please fill in the amount of capital and the percentage of capital contribution and specify.

Note 3: If the director or supervisor is a legal entity, please also disclose the relevant information of the representative.

- (6) The operating profile of the affiliates should describe the financial position and operating results of each affiliate.

Overview of the operations of the affiliates

Unit:NT\$ thousand

Company Name	Capital T	Total asse	Total liabilities	Net worth	Operating income	Operations Profit	Profit or loss for the period (after tax)	Earnings per share (NT\$) (after tax)
GenMont Biotech (China)Inc.	1,081,972	1,029,951	57,334	972,617	0	(64,096)	(63,449)	Not applicable

- (7) Consolidated Statements of Operations of Affiliated Companies, Consolidated Financial Statements of Affiliated Companies, and Related Party Reports for the most recent year

Please refer to Table 1.

2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report

None.

3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report

None.

4. Other Necessary Supplementary Notes

None.

IX . Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Law

None.

Table 1: Financial Statements for the most recent year

Independent Auditors' Report

To the Board of Directors of GenMont Biotech Inc.

Audit opinion

We have audited the consolidated balance sheets of GenMont Biotech Inc. and its subsidiaries (hereinafter referred to as “GenMont Group”) as of December 31, 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of GenMont Group as of December 31, 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. 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 GenMont Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (“the Norm”), and we have fulfilled our other responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of GenMont Group for the year ended December 31, 2022 based on our professional judgment. These matters have been covered during the audit of the overall consolidated financial statements and in forming the audit opinion. We will not express a separate opinion on these matters. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Inventory valuation

Please refer to Note 4(8) Inventories of the accompanying consolidated financial statements for accounting policies concerning inventory valuation, Note 5(1) for accounting estimates and assumption uncertainty pertaining to net realizable value, and Note 6(5) Inventories for details on net realizable value assessment.

Description of key audit matter:

Inventories of GenMont Group are stated at the lower of cost or net realizable value. The probiotic supplements manufactured and sold may become obsolescent or fail to meet the market demand due to factors such as changes in the market and shelf life. As a result, the risk of costs exceeding the net realizable value may arise. Hence, inventory valuation was considered one of the key audit matters in our audit of GenMont Group's consolidated financial statements.

Audit procedures:

Our main audit procedures for the aforementioned key audit matter included:

- Assessed whether inventory valuation was carried out in accordance with GenMont Group's existing accounting policies.
- Understood the net realizable value adopted by the management for the valuation and randomly selected original documents to test the reasonableness of the net realizable value of inventories.
- Reviewed the inventory aging report, analyzed changes in aging between two periods and randomly selected samples to verify the accuracy of the aging report.
- Examined the accuracy of inventory allowances in the past and compared the allowances of current and past periods to assess the appropriateness of estimates and assumptions concerning inventory allowances.
- Assessed the adequacy of GenMont Group's disclosures concerning inventory allowances.

2. Assessment on impairment of long-term non-financial assets

Please refer to Note 4(12) Impairment of non-financial assets of the accompanying consolidated financial statements for accounting policies concerning the assessment on impairment of long-term non-financial assets, Note 5(2) for relevant accounting estimates and assumption uncertainty, and Note 6(8) Property, plant and equipment for details on the impairment assessment of long-term non-financial assets.

Description of key audit matter:

The industry in which the GenMont Group operates is sensitive to market environment and the assessment on impairment of long-term non-financial assets is based on management's estimates of recoverable amount. As the assumptions of relevant assessments involve judgement of the management, the assessment on impairment of long-term non-financial assets was considered one of the key audit matters in our audit of GenMont Group's consolidated financial statements.

Audit procedures:

Our main audit procedures for the aforementioned key audit matter included:

- Assessed the reasonableness of assumptions adopted by the management in calculating the recoverable amount, including the main parameters such as cash flow projections and discount rates.
- Compared the future cash flows projected in the past with the actual results to examine the accuracy of estimates made by the management and conducted sensitivity analysis on key assumptions.
- Reviewed the adequacy of GenMont Group's disclosures concerning the assessment on impairment of long-term non-financial assets.
- Made enquiries with management to ensure that matters having significant influence on impairment assessment did not occur after the reporting date.

Other Matters

The consolidated financial statements of GenMont Group for the year ended December 31, 2021 were audited by other independent auditors with an unqualified opinion issued on March 9, 2022.

GenMont Biotech Inc. has prepared the parent company only financial statements for the year ended December 31, 2022, which we had audited and issued an unqualified opinion with Other Matters paragraph.

GenMont Biotech Inc. has prepared the parent company only financial statements for the year ended December 31, 2021, which other independent auditors had audited and issued an unqualified opinion.

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

The responsibilities of management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRICs, and SICs endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, management is also responsible for assessing the ability of GenMont Group in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the GenMont Group or cease the operations, or has no realistic alternative but to do so.

Those charged with governance of GenMont Group (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have exercised professional judgment and professional skepticism when carrying out auditing work according to the auditing standards. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute appropriate counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GenMont Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on GenMont Group's ability to continue as a going concern. If we are of the opinion that a material

uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need 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 result in GenMont Group ceasing to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within GenMont Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and execution of the audit and the preparation of an audit opinion on the GenMont Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures). From the matters communicated with governance bodies, we determine the key audit matters within the audit of GenMont Group's consolidated financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

March 13, 2023

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6(1))	\$ 133,687	8	\$ 169,953	10
Financial assets at amortized cost - current (Note 6(3))	267,256	16	251,776	15
Notes and accounts receivable, net (Note 6(4) & (18))	50,358	3	54,013	3
Other receivables	1,404	-	1,049	-
Inventories (Note 6(5))	55,304	3	37,064	2
Prepayments and other current assets	13,493	1	66,937	4
Total current assets	521,502	31	580,792	34
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 6(2))	26,520	2	34,680	2
Property, plant and equipment (Notes 6(8) & 8)	1,049,260	62	982,463	58
Right-of-use assets (Note 6(9))	63,973	4	62,649	4
Intangible assets	238	-	333	-
Deferred income tax assets (Note 6(14))	22,727	1	12,314	1
Prepayments for equipment (Note 6(8))	-	-	14,377	1
Net defined benefit assets - non-current (Note 6(13))	7,318	-	6,446	-
Other non-current assets (Note 6(8))	4,270	-	3,979	-
Total non-current assets	1,174,306	69	1,117,241	66
TOTAL	\$ 1,695,808	100	\$ 1,698,033	100

(Continued)

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

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - (Continued)
DECEMBER 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Note 6(18))	\$ 25,758	2	\$ 25,332	1
Notes and accounts payable	14,365	1	11,390	1
Other payables	79,655	4	56,531	3
Current income tax liabilities	28,436	2	33,821	2
Lease liabilities - current (Note 6(12))	1,060	-	2,112	-
Refund liabilities - current (Note 6(11) & (18))	11,503	1	9,983	1
Total current liabilities	160,777	10	139,169	8
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Note 6(14))	1,960	-	1,540	-
Lease liabilities - non-current (Note 6(12))	33,485	2	30,621	2
Guarantee deposits received	2,368	-	2,318	-
Total non-current liabilities	37,813	2	34,479	2
Total liabilities	198,590	12	173,648	10
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 6(15) & (16))				
Ordinary shares	863,714	51	863,714	51
Capital surplus	375,688	22	375,688	21
Retained earnings	117,502	6	154,871	10
Other equity	(5,579)	-	(17,833)	(1)
Total equity attributable to owners of the Company	1,351,325	79	1,376,440	81
NON-CONTROLLING INTERESTS (Note 6(7))	145,893	9	147,945	9
Total equity	1,497,218	88	1,524,385	90
TOTAL	\$ 1,695,808	100	\$ 1,698,033	100

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

(Concluded)

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Note 6(18))	\$ 368,546	100	\$ 427,929	100
Operating costs (Notes 6(5), (13) & (19) & 12)	111,829	30	128,603	30
Gross profit	256,717	70	299,326	70
Operating expenses (Notes 6(4), (12), (13) & (19), 7 & 12)				
Selling and marketing expenses	49,103	13	63,127	15
General and administrative expenses	88,021	24	82,338	19
Research and development expenses	59,411	16	25,524	6
Expected credit (gain on reversal) loss	(1,788)	-	3,298	1
Total operating expenses	194,747	53	174,287	41
Profit from operations	61,970	17	125,039	29
Non-operating income and expenses (Note 6(6), (12) & (20))				
Interest income	4,804	1	2,012	1
Other gains and losses	239	-	13,139	3
Finance costs	(755)	-	(766)	-
Total non-operating income and expenses	4,288	1	14,385	4
Profit before income tax	66,258	18	139,424	33
Less: Income tax expense (Note 6(14))	18,797	5	29,823	7
Net profit	47,461	13	109,601	26
Other comprehensive income (loss) (Note 6(14) & (15))				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plan	826	-	183	-
Less: Income tax related to items that will not be reclassified subsequently	165	-	37	-
	661	-	146	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	14,416	4	(7,464)	(2)
Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
	14,416	4	(7,464)	(2)
Other comprehensive income (loss), net of income tax	15,077	4	(7,318)	(2)
Total comprehensive income	<u>\$ 62,538</u>	<u>17</u>	<u>\$ 102,283</u>	<u>24</u>
Net profit attributable to:				
Owners of the Company	\$ 56,978	15	\$ 113,132	27
Non-controlling interests	(9,517)	(2)	(3,531)	(1)
	<u>\$ 47,461</u>	<u>13</u>	<u>\$ 109,601</u>	<u>26</u>
Total comprehensive income attributable to:				
Owners of the Company	\$ 69,893	19	\$ 106,934	25
Non-controlling interests	(7,355)	(2)	(4,651)	(1)
	<u>\$ 62,538</u>	<u>17</u>	<u>\$ 102,283</u>	<u>24</u>
Earnings per share (NT\$) (Note 6(17))				
Basic	<u>\$ 0.66</u>		<u>\$ 1.31</u>	
Diluted	<u>\$ 0.66</u>		<u>\$ 1.30</u>	

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

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

Item	Equity Attributable to Owners of the Company							Total Equity Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
	Retained Earnings						Other Equity			
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Operations			
Balance as of January 1, 2021	\$ 863,414	\$ 386,543	\$ 26,107	\$ 31,530	\$ 33,171	\$ 90,808	\$ (11,489)	\$ 1,329,276	\$ 152,596	\$ 1,481,872
Net income for the period	-	-	-	-	113,132	113,132	-	113,132	(3,531)	109,601
Other comprehensive income (loss) for the period	-	-	-	-	146	146	(6,344)	(6,198)	(1,120)	(7,318)
Total comprehensive income for the period	-	-	-	-	113,278	113,278	(6,344)	106,934	(4,651)	102,283
Appropriation and distribution of earnings										
Appropriation of legal reserve	-	-	3,280	-	(3,280)	-	-	-	-	-
Reversal of special reserve	-	-	-	(20,041)	20,041	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(49,215)	(49,215)	-	(49,215)	-	(49,215)
Cash dividends from capital surplus	-	(11,224)	-	-	-	-	-	(11,224)	-	(11,224)
Issuance of new shares for the exercise of employee share options	300	369	-	-	-	-	-	669	-	669
Balance as of December 31, 2021	863,714	375,688	29,387	11,489	113,995	154,871	(17,833)	1,376,440	147,945	1,524,385
Net income (loss) for the period	-	-	-	-	56,978	56,978	-	56,978	(9,517)	47,461
Other comprehensive income (loss) for the period	-	-	-	-	661	661	12,254	12,915	2,162	15,077
Total comprehensive income for the period	-	-	-	-	57,639	57,639	12,254	69,893	(7,355)	62,538
Appropriation and distribution of earnings										
Appropriation of legal reserve	-	-	11,328	-	(11,328)	-	-	-	-	-
Appropriation of special reserve	-	-	-	6,344	(6,344)	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(95,008)	(95,008)	-	(95,008)	-	(95,008)
Non-controlling interests	-	-	-	-	-	-	-	-	5,303	5,303
Balance as of December 31, 2022	\$ 863,714	\$ 375,688	\$ 40,715	\$ 17,833	\$ 58,954	\$ 117,502	\$ (5,579)	\$ 1,351,325	\$ 145,893	\$1,497,218

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

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Profit before income tax	\$ 66,258	\$ 139,424
Adjustments:		
Non-cash income and expense items		
Depreciation	50,320	21,040
Amortization	95	94
Expected credit (gain on reversal) loss	(1,788)	3,298
Net loss (gain) on financial assets at fair value through profit or loss	8,160	(9,350)
Interest expense	755	766
Interest income	(4,804)	(2,012)
Dividend income	-	(340)
Loss on disposal of property, plant and equipment	64	43
Gain on disposal of non-current assets held for sale	-	(3,781)
Prepayments for equipment and other non-current assets transferred to expenses	4,087	-
Unrealized gain on foreign currency exchange	(1,819)	-
Total non-cash income and expense items	<u>55,070</u>	<u>9,758</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Decrease (increase) in notes and accounts receivable	5,671	(14,962)
Decrease (increase) in other receivable	419	(494)
Increase in inventories	(18,213)	(2,278)
Decrease (increase) in prepayments and other current assets	54,066	(17,350)
Increase in net defined benefit assets - non-current	(46)	(24)
Decrease in other non-current assets	972	965
Total net changes in operating assets	<u>42,869</u>	<u>(34,143)</u>
Net changes in operating liabilities:		
Increase in contract liabilities	426	1,030
Increase in notes and accounts payable	2,975	4,004
(Decrease) increase in other payables	(113)	2,610
Increase in refund liabilities	1,520	4,119
Total net changes in operating liabilities	<u>4,808</u>	<u>11,763</u>
Total net changes in operating assets and liabilities	<u>47,677</u>	<u>(22,380)</u>
Total adjustments	<u>102,747</u>	<u>(12,622)</u>
Cash generated from operations	169,005	126,802
Interest received	4,038	2,012
Dividend received	-	340
Interest paid	(755)	(766)
Income tax paid	(34,340)	(16,730)
Net cash generated by operating activities	<u><u>137,948</u></u>	<u><u>111,658</u></u>

(Continued)

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

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	\$ (300,550)	\$ (585,141)
Disposal of financial assets at amortized cost	286,932	523,645
Disposal of investments accounted for using the equity method	-	3,537
Proceeds from disposal of non-current assets held for sale	-	21,981
Acquisition of property, plant and equipment	(71,185)	(116,220)
Proceeds from disposal of property, plant and equipment	243	-
Acquisition of intangible assets	-	(175)
Decrease in other non-current assets	604	23
Decrease (increase) in prepayments for equipment	252	(721)
Net cash used in investing activities	<u>(83,704)</u>	<u>(153,071)</u>
Cash flows from financing activities:		
Increase in guarantee deposits received	50	-
Repayment of lease principal	(1,430)	(1,597)
Distribution of cash dividends	(95,008)	(60,439)
Exercise of employee share options	-	669
Changes in non-controlling interests	5,303	-
Net cash used in financing activities	<u>(91,085)</u>	<u>(61,367)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>575</u>	<u>(2,113)</u>
Net decrease in cash and cash equivalents	<u>(36,266)</u>	<u>(104,893)</u>
Cash and cash equivalents at beginning of period	<u>169,953</u>	<u>274,846</u>
Cash and cash equivalents at end of period	<u><u>\$ 133,687</u></u>	<u><u>\$ 169,953</u></u>

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

(Concluded)

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History and Organization

GenMont Biotech Inc. (the “Company”) was incorporated on December 6, 2000 in accordance with the Company Act of the Republic of China and merged the subsidiary, Medray Biotech Incorporation, on September 30, 2012. The registered address of the Company is No. 8, Nanke 7th Rd., Shanhua Dist., Tainan City, Taiwan (R.O.C.) The Company and its subsidiaries (collectively referred to as the “Group”) mainly engage in the research, development, manufacturing and selling of a variety of probiotic supplements.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 were approved and authorized for issue in the board of directors’ meeting on March 13, 2023.

3. Newly Issued or Revised Standards and Interpretations

(1) Impact of adopting newly issued or revised standards and interpretations endorsed by the Financial Supervisory Commission (FSC)

The Group has adopted the newly amended International Financial Reporting Standards (IFRSs) below since January 1, 2022. The adoption of these IFRSs does not have a significant impact on the consolidated financial statements.

- Amendments to International Accounting Standards (IAS) 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(2) Impact of not yet adopting IFRSs endorsed by the FSC

Possible impact of newly amended IFRSs which will take effect for annual periods beginning on January 1, 2023 is as follows:

A. Amendments to IAS 1 “Disclosure of Accounting Policies”

Key amendments include:

- Entities shall disclose their material accounting policies instead of their significant accounting policies;
- Accounting policies associated with immaterial transactions and other events or conditions are considered immaterial and are not required to be disclosed; and
- Not all accounting policies associated with material transactions and other events or conditions are material to the Company’s financial statements.

The Group is currently assessing and reviewing its account policies to be disclosed in the financial statements in order to comply with the amendments.

B. Others

The newly amended standards below are not expected to have a significant impact on the consolidated financial statements.

- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

(3) Newly issued or revised standards and interpretations not yet endorsed by the FSC

The Group expects the newly issued or amended standards below, which have yet to be endorsed by the FSC, would not have a significant impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 16 “Rules for Sale and Leaseback Transactions”

4. Summary of Significant Accounting Policies

Significant account policies adopted for the preparation of the consolidated financial statements are summarized below. Unless otherwise stated, the following accounting policies have been applied consistently throughout periods covered by the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed and issued into effect by the FSC (collectively referred to as the “IFRSs endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

Except for major balance sheet items set out below, the consolidated financial statements have been prepared on a historical cost basis:

- (a) Financial assets at fair value through profit or loss which are measured at fair value, and
- (b) Net defined benefit assets which are measured at the fair value of the pension fund assets less the present value of the defined benefit obligations.

B. Functional currency and presentation currency

Functional currencies of entities within the Group are the currencies used by the principal economic environment in which the entities operate. The consolidated financial statements are presented in the Company’s functional currency, New Taiwan Dollar. Figures expressed in New Taiwan Dollar are shown in thousands of New Taiwan Dollars.

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

Entities within the consolidated financial statements include the Company and entities controlled by the Company (i.e., subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated from the date the Group obtains control, and remain consolidated until the date that such control ceases. All intra-group transactions, balances and unrealized gains and losses resulting from intra-group transactions are eliminated in full for the preparation of consolidated financial statements. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

The financial statements of the subsidiaries are adjusted to be in line with the accounting policies used by the Group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The difference between the adjustments to NCIs and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it derecognizes the assets (including goodwill) and liabilities of the subsidiary and the carrying amount of NCIs on the date it loses control. It remeasures the fair value of investment retained on the date it loses control. Gain (loss) on the disposal is the difference between: (a) the sum of the fair value of the consideration received and the fair value of investment retained on the date it loses control and (b) the sum of the assets (including goodwill) and liabilities of the subsidiary and the carrying amount of NCIs on the date it loses control. All amounts previously recognized in other comprehensive income in relation to the subsidiaries are accounted for on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

B. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements are listed as follows:

Investor	Subsidiary	Business	Ownership Percentage		Note
			2022.12.31	2021.12.31	
The Company	GenMont Biotech (China) Co., Ltd. (GenMont (China))	Manufacturing and selling of functional foods	85%	85%	Major subsidiary

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

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are initially recognized at the rates of exchange prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the translation are recognized in profit or loss, except for the following circumstances where they are recognized in other comprehensive income:

- Equity instruments designated as at fair value through other comprehensive income;
- Financial liabilities designated as hedges of net investments in a foreign operation where the hedges are effective; or
- Qualifying cash flow hedges where the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill arising from the acquisition and fair value adjustments, are translated into New Taiwan

Dollars using the rates prevailing at the reporting date, and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income.

When the disposal of a foreign operation results in a loss of control, joint control or significant influence, the cumulative exchange differences associated with the foreign operation is reclassified to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative exchange differences is re-attributed to the NCIs. In the partial disposal of an associate or a joint venture that includes a foreign operation, the proportionate share of the cumulative exchange differences is reclassified to profit or loss.

For monetary receivables or payables of a foreign operation without a settlement plan and are not likely to be settled in the foreseeable future, the foreign exchange gains or losses are deemed as a part of the net investment in the foreign operation and recognized in other comprehensive income

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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 which meet the aforementioned definitions and are held to fulfill short-term cash commitments instead of for investment or other purposes are recognized as cash equivalents.

(7) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms of the instruments. Financial assets (except for accounts receivables without a significant financing component) or financial liabilities are initially measured at fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Accounts receivables without a significant financing component are initially recognized at transaction prices.

A. Financial assets

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

On initial recognition, financial assets are classified as measured at amortized cost or at fair value through profit or loss. Only when the Group changes the business model for managing the financial assets would financial assets affected be reclassified on the first day of the reporting period following the change.

(a) Financial assets at amortized cost

Financial assets which satisfy conditions below and are not designated as at fair value through profit or loss are measured at amortized cost:

- the objective of the business model for holding the financial asset is to collect its contractual cash flows, and
- cash flows generated on specified dates pursuant to the contractual terms are solely payments of principal and interest on the outstanding principal.

Such assets are subsequently measured at amortized cost, which is the amount initially recognized plus or minus the cumulative amortization calculated using the effective interest method, and adjusted for loss allowance, if any. Interest income, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Upon derecognition, the gains or losses are recognized in profit or loss.

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

Financial assets not measured at amortized cost nor at fair value through other comprehensive income are presented as financial assets at fair value through profit or loss, which include derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets which satisfy the conditions to be measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Those financial assets are subsequently measured at fair value and the gains or losses arising (including dividends or interests received on such financial assets) are recognized in profit or loss.

Financial assets held for trading and ones managed and assessed for performance on fair value basis are measured at fair value through profit or loss.

(c) Impairment of financial assets

The Group recognizes loss allowance for financial assets at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivables, other receivables and refundable deposits) at an amount equal to expected credit losses.

Loss allowance of the following assets is measured at an amount equal to 12-month expected credit losses while all other assets are measured at an amount equal to lifetime expected credit losses:

- Debt securities determined to have low credit risk at the reporting date; and
- Other debt securities and bank deposits whose credit risk (i.e., the risk of default during the expected life of financial instruments) has not increased significantly since initial recognition.

For accounts receivables, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses refer to expected credit losses arising from all possible default events during the expected life of financial instruments. 12-month expected credit loss refers to expected credit losses arising from possible default events of financial instruments during the 12-month period (or a shorter period if the expected life of the financial instruments is less than 12 months) after the reporting date.

The maximum period for the measurement of expected credit loss is the longest contract term where the Group is exposed to credit risk.

When determining whether the credit risk has increased significantly since initial recognition, the Group takes into account reasonable and supportable information (i.e., information obtained without undue cost or effort), including qualitative and quantitative information, and performs analysis based on the Group's past experience, credit assessment and forward-looking information.

For time deposits, the Group deals only with financial institutions that are rated the equivalent of investment grade or higher. Thus, the Group is deemed to have low credit risk.

Where the contractual payments have become overdue or the debtors are not likely to fulfill their obligations and make the payments in full, the credit risks of such financial assets are considered to have increased significantly or a default has occurred.

Expected credit loss is the probability-weighted estimate of credit losses during the expected life of financial instruments. Credit losses are measured as the present value of all cash shortfalls, i.e., the difference between the contractual cash flows and the cash flows the Group expects to receive.

The Group assesses whether financial assets at amortized cost are credit-impaired at each reporting date. When one or more events with adverse impact on the estimated future cash flows of financial assets have occurred, the financial assets are deemed as credit-impaired. Evidence of financial assets with credit impairment includes the following observable data:

- The borrower or the issuer has suffered significant financial difficulties;
- A breach of contract, such as delinquencies or past due for over one year;
- Concessions that would not otherwise have given by the Group due to economic or contractual reasons relating to the financial difficulties of borrower;
- The borrower is likely to declare bankruptcy or engage in other financial reorganization activities; or
- The disappearance of an active market for the financial assets due to financial difficulties

When the recovery of financial assets cannot be reasonably expected, the Group directly writes off the gross carrying amount of such financial assets in part or in full, depending on the circumstance. The Group assesses the timing and amount of the individual write-off based on whether a recovery can be reasonably expected. The Group does not expect a significant reversal of the amount written off. However, financial assets written off can still be subject to enforcement activities in order to comply with the Group's recovery procedures for overdue receivables.

(d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the asset have expired, or the Group has transferred the financial asset as well as substantially all the risks and rewards associated with the ownership of the asset, or the Group has not transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control over the asset.

When the Group engages in a transfer of financial asset, if it has retained substantially all the risks and rewards of the asset transferred, the asset would continue to be recognized on the balance sheets.

B. Financial liabilities and equity instruments

(a) Classification of liability and equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

(b) Equity instruments

Equity instruments are contracts that represent residual interests after the Group deducts all of its liabilities from its assets. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issuance costs.

(c) Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss. Financial liabilities held for trading, derivative instruments and financial liabilities designated as at fair value through profit or loss upon initial recognition are classified as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value with related gains or losses, including interest expenses, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Upon derecognition, all gains and losses are also recognized in profit or loss.

(d) Derecognition of financial liabilities

Financial liabilities are derecognized when the obligations of the liabilities are discharged, cancelled or expired. Financial liabilities are also derecognized when their terms are modified and the cash flows as a result of the modification are significantly different from the original cash flows. New financial liabilities would be recognized at fair value based on the modified terms.

Upon derecognition, the difference between the carrying amount and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset with the net amount presented on the balance sheets only when the Group has a current and legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(8) Inventories

Inventories are valued at the lower of cost or net realizable value. Costs include expenses incurred for acquiring the inventories, production or process costs, and other costs incurred for bringing them to their present location and condition. Costs are calculated using the weighted average model. The costs of finished goods and work in progress include manufacturing overheads allocated based on normal operating capacity.

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

(9) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment are stated at cost (including capitalized borrowing costs), net of accumulated depreciation and accumulated impairment, if any.

Significant parts of property, plant and equipment with different useful lives are accounted for as a separate item (main component) of the property, plant and equipment.

Gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

B. Subsequent costs

Expenditures incurred after initial recognition are capitalized only when future economic benefits associated are likely to flow to the Group.

C. Depreciation

Depreciation is calculated by deducting the residual value of the asset from its cost and recognized in profit or loss on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives for the current and comparative periods are as follows:

(a) Buildings	2~50 years
(b) Machinery and equipment	2~15 years
(c) Transportation equipment	4~8 years
(d) Office equipment	2~7 years
(e) Miscellaneous equipment	2~10 years

The depreciation methods, useful lives and residual values of property, plant and equipment are reviewed on each reporting date with necessary adjustments.

(10) Leases

On the dates the contracts are established, the Group assesses whether the contracts are (or contain) leases. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as (or contains) a lease.

The Group being a lessee

On the commencement date, the Group recognizes right-of-use assets and lease liabilities for all leases. The right-of-use assets are initially measured at cost which includes the initial measurement amount of lease liabilities, adjusted for lease payments made on or before the commencement date, initial direct costs incurred by the lessee, and estimated costs for the lessee to dismantle and remove the underlying asset and restore its original location or to restore the underlying asset to the conditions required by the lease terms and conditions, less any lease incentives received.

The right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date to the end of underlying assets' useful lives or the end of lease terms, whichever is earlier. In addition, the Group regularly assesses the right-of-use assets for impairment and accounts for impairment loss incurred. When the lease liabilities are remeasured, the right-of-use assets are adjusted accordingly.

On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments. If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the incremental borrowing rate of the Group would be used. In general, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities are as follows:

- A. Fixed payments, including in-substance fixed payments;
- B. Variable lease payments that are determined by an index or a rate and the initial measurement adopts the index or rate as at the commencement date;
- C. Amounts expected to be paid under residual value guarantees; and
- D. The exercise price of a purchase option if the Group is reasonably certain to exercise the option or the penalties to be paid when it is reasonably certain that the lessee will exercise the option to terminate the lease.

After the commencement date, lease liabilities are measured using the effective interest method and remeasured when one of the following situations occurs:

- A. Changes in the index or rate used to determine the lease payments resulting in changes in future lease payments;
- B. Changes in the amount expected to be paid under residual value guarantees;
- C. Changes in the evaluation of purchase options;
- D. Changes in the assessments on whether the extension or termination option will be exercised, which lead to changes in the assessment of lease period;
- E. Changes in the assets, scope or other terms of the lease.

When the lease liabilities are remeasured due to changes in the index or rate used to determine the lease payments, amount of residual value guarantees, and assessment on purchase, extension or termination option as stated above, corresponding adjustments shall be made to the carrying amount of the right-of-use assets, or in profit and loss if the carrying amount of the right-of-use assets has been reduced to zero.

As for lease modifications which narrow the lease scope, the carrying amount of the right-of-use assets would be reduced to reflect the partial or full termination of leases and the differences between the decrease in the right-of-use assets and the remeasurement of lease liabilities are recognized in profit or loss.

The Group presents the right-of-use assets which do not qualified as an investment property and lease liabilities as separate line items on the balance sheets.

For contracts that contain lease and non-lease components, the Group allocates the consideration in the contracts to individual lease component on the basis of the relative stand-alone price. However, for the leases of land and buildings, the Group elects not to distinguish the non-lease component and accounts for both lease and non-lease components as a single lease component.

For short-term leases or leases of low value assets such as the leases for meeting rooms, warehouses and other equipment, the Group elects not to recognize the right-of-use assets and lease liabilities. Instead, it adopts the straight-line basis to recognize the lease payments associated with those leases as expenses during the lease terms.

(11) Intangible assets

A. Recognition and measurement

Other than goodwill, intangible assets with finite useful lives are measured at cost, net of accumulated amortization and accumulated impairment.

B. Subsequent expenditures

Expenditures incurred after initial recognition are capitalized only when they can increase the future economic benefits of a particular asset. All other expenses are recognized in profit or loss as incurred, including internally generated goodwill and brands.

C. Amortization

Intangible assets of the Group are costs for computer software acquisition. Amortization is calculated by deducting the residual value of the assets from cost and recognized in profit or loss on a straight-line basis over the estimated useful lives (2 to 6 years) of the assets from the date the assets are available for use.

The amortization methods, useful lives and residual values of intangible assets are reviewed by the Group on each reporting date with necessary adjustments.

(12) Impairment of non-financial assets

The Group assesses the carrying amount of its non-financial assets (other than inventories and deferred income tax assets) to determine whether there is any indication of impairment on each reporting date. If any such indication exists, the Group would estimate the recoverable amount of the assets.

For the purpose of impairment testing, assets are grouped into the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows of other assets or groups of assets.

The recoverable amount is the higher of the fair value net of costs of disposal or value in use of the asset or cash-generating unit (CGU). When assessing the value in use, estimated future cash flows are discounted to their present value by a pre-tax discount rate, which shall reflect the current market assessments on the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized when the recoverable amount of an asset or a CGU is lower than its carrying amount.

Impairment losses are recognized immediately in profit or loss. They are allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

For non-financial asset other than goodwill, the reversal of previously recognized impairment loss is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

(13) Revenue recognition

Revenue from contracts with customers

Revenues are measured by the considerations the Group expects to be entitled to in exchange for goods or services transferred to the customers. The Group recognizes revenues when it satisfies performance obligations by transferring the control over the goods or services to the customers. Details on main revenue items are set out below:

A. Sale of goods

The Group manufactures and sells a variety of probiotic supplements. It recognizes revenue when the control over the products has been transferred, i.e., when the products are delivered to customers and the customers have full control over the channels and prices for selling the products. Also, there is no unfulfilled obligations which may affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to specific locations, the risks of obsolescence and loss have been transferred to customers and the customer has accepted the products in accordance with the sales contracts, or the acceptance provisions have lapsed, or the Group has objective evidence that all acceptance criteria have been satisfied.

The Group often offers sales allowances and discounts to customers based on the cumulative sales volume over a 12-month period. The Group recognizes revenue based on the contract prices, net of estimated allowances and discounts. Sales allowances and discounts are estimated by the expected value method based on past experience, and revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur. As of the reporting date, refund liabilities are recognized for the amounts expected to be paid to customers due to allowances and discounts in relation to sales made. The average collection terms for sales are set between 30 to 180 days, which are consistent with the industry practices; thus, financing elements are not included.

The Group recognizes accounts receivable when products are delivered as the Group then has an unconditional right to collect the considerations.

B. Financing component

The Group expects the time between transferring goods and services to customers for contracts with customers and receiving payments for such goods and services to be less than one year. Thus, the Group does not adjust the transaction prices for the time value of money.

(14) Employee benefits

A. Defined contribution plans

Obligations for contributions to the defined contribution plans are recognized as an expense when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

B. Defined benefit plans

The Group's net obligations in respect of defined benefit plans are calculated separately for each of the plan by discounting the amounts of future benefits earned by employees in the current or prior periods, net of the fair value of any plan assets.

Defined benefit obligations are calculated by qualified actuaries annually using the projected unit credit method. When the outcome may be beneficial to the Group, the asset recognized is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plans. When calculating the present value of economic benefits, the minimum funding requirements shall be considered.

Remeasurements of the net defined benefit liabilities, which include actuarial gains and losses, the return on plan assets (excluding interest) and changes to the effect of the asset ceiling (excluding interest), are recognized immediately in other comprehensive income and accumulated in retained earnings. The Group determines the net interest expense (income) of the net defined benefit liabilities (assets) by using the net defined benefit liabilities (assets) and discount rate at the beginning of the annual period. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When plans are amended or curtailed, the resulting changes in benefits that relate to past service costs or the gains or losses on curtailment are recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of defined benefit plans when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed when services provided. Liabilities are recognized if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee and the obligation can be estimated reliably.

(15) Share-based payment transactions

The fair value of equity settled share-based payment arrangements as of the grant date is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards satisfying the service and non-market vesting conditions. The amount ultimately recognized is based on the number of awards which meet the service and non-market vesting conditions on the vesting date.

As for the non-vesting conditions of share-based payment awards, they are reflected in the fair value measurement of the share-based payment on the grant date and no true-up is required for the differences between expected and actual outcomes.

The grant date of the Group's share-based payments is the date when the Group and its employees have reached a consensus on the subscription price and the number of shares for the subscription.

(16) Income tax

Income tax includes both current income tax and deferred income tax, which shall be recognized in profit or loss except for ones associated with business combinations or items recognized directly in equity or other comprehensive income.

Current income tax includes the expected tax payables or receivables calculated on the taxable profits (losses) for the year and any adjustment to the tax payables or receivables of prior years. The amount of current income tax payables or receivables are the best estimates of the amount expected to be paid or received based on the tax rates that have been enacted or substantively enacted as of the reporting date.

Deferred income tax is the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases at the reporting date. Deferred income tax is recognized for all taxable temporary differences, except:

- A. Where the taxable temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- B. Where the taxable temporary differences are associated with investments in subsidiaries, associates and joint ventures and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future; and
- C. Where the taxable temporary differences arise from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized. The reductions may be reversed when it has become probable that there may be sufficient taxable profit available.

Deferred income tax is measured at tax rates that are expected to be applied to the reversal of temporary differences based on tax rates enacted or substantively enacted as of the reporting date.

Deferred income tax assets and liabilities are offset only when the following conditions are met:

- A. A legally enforceable right exists to set off current income tax assets against current income tax liabilities, and
- B. The deferred income tax assets and the deferred income tax liabilities relate to income tax levied by the same taxation authority on either:
 - (a) The same taxable entity; or
 - (b) Different taxable entities which intend to settle current income tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period where significant amounts of deferred income tax assets or liabilities are expected to be recovered or settled, respectively.

(17) Earnings per share

The Group discloses the Company's basic and diluted earnings per share for ordinary shareholders. Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, including share options granted to employees and employee compensation which may be distributed in the form of share.

(18) Operating segments

Operating segments are components of the Group. They engage in operating activities which may generate revenues and incur expenses (including income and expenses associated with transactions with other components of the Group). Business performance of all operating segments are regularly reviewed by the chief business decision maker of the Group in order to make decisions on resource allocation and assess performance. Each operating segment has its own standalone financial information.

5. Significant Accounting Judgments and Major Sources of Estimation and Uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions which would affect the adoption of accounting policies as well as the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from the estimates.

Management continues to review the estimates and fundamental assumptions. Changes in accounting estimates are recognized in the period of change as well as future periods which are affected.

The Group may face economic uncertainties due to Covid-19, natural disasters, the Russo-Ukrainian War and inflation. Such events may have significant impact on the Group's accounting estimates listed below as these estimates involve future projections.

Accounting policies which involve significant judgement and have significant effect on amounts recognized in the consolidated financial statements are ones associated with the determination of lease term.

When determining the lease term, it shall be the non-cancellable period together with periods covered by an option to extend the lease where the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the lessee is reasonably certain not to exercise that option. When the Group assesses whether

the lessee would exercise the aforementioned options, it would consider all relevant facts and circumstances which would generate economic incentives to the lessee. The lease term is reassessed when a significant event or a significant change in circumstances occurs, that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an option or not to exercise an option after the commencement date. Changes in the assessment of lease term would lead to remeasurement of lease liabilities and adjustments to the right-of-use assets. Please refer to Note 6(9) and (12) for details.

Assumptions and estimation uncertainties which have significant risks of resulting in material adjustments to the carrying amounts of assets in the following financial year and are updated to reflect the impact of Covid-19 pandemic are set out below.

(1) Inventory valuation

As inventories are valued at the lower of cost or net realizable value, the Group assesses the value of inventories for normal loss, obsolescence and unavailability of market prices on the reporting date and writes down the cost of inventories to net realizable value. Inventory assessment is mainly based on future product demand within a specific time horizon. Thus, significant changes may arise due to market demand and shelf life. Please refer to Note 6(5) for details on inventory evaluation.

(2) Assessment on impairment of long-term non-financial assets

During the assessment on asset impairment, the Group shall rely on subjective judgment and determine the recoverable amount of specific asset group based on the use pattern and industry characteristics. Changes in estimates due to changes in economic status and corporate strategies may lead to significant impairment loss in the future. Please refer to Note 6(8) for the assessment method and key assumptions applied for the recoverable amount of the long-term non-financial assets.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 1,089	\$ 924
Checking and demand deposits	132,598	169,029
Cash and cash equivalents on the consolidated statements of cash flows	\$ 133,687	\$ 169,953

Please refer to Note 6(21) for disclosures on foreign currency risk and sensitivity analysis of the Group's financial assets.

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

	December 31, 2022	December 31, 2021
Financial assets mandatorily at fair value through profit or loss - non-current		
Shares listed on Taipei Exchange (TPEX)	\$ 26,520	\$ 34,680

Please refer to Note 6(20) for remeasurements at fair value recognized in profit or loss.

Please refer to Note 6(21) for market risk information.

The aforementioned financial assets were not pledged.

(3) Financial assets at amortized cost

	December 31, 2022	December 31, 2021
Time deposits with maturities of more than three months	\$ 267,256	\$ 251,776

Upon assessment, such assets are held to collect its contractual cash flows at maturity and the cash flows generated are solely payments of principal and interest on the outstanding principal. Thus, they are recognized as financial assets at amortized cost.

Please refer to Note 6(21) for credit risk information.

The aforementioned financial assets were not pledged.

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable - from operation	\$ 7,293	\$ 8,767
Accounts receivable - at amortized cost	45,024	49,018
Less: Loss allowance	(1,959)	(3,772)
Net	\$ 50,358	\$ 54,013

The Group adopts the simplified approach for the estimation of expected credit losses for all notes and accounts receivables, i.e., the use of lifetime expected credit loss. For measurement purpose, notes and accounts receivables are grouped based on their common credit risk characteristics which represent the customers' abilities to meet all payment obligations according to the contracts. Forward-looking information has been taken into consideration.

Analysis on the expected credit losses of notes and accounts receivables from customers in the manufacturing industry was as follows:

	December 31, 2022	
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate
Not past due	\$ 25,509	0%~0.54%
1 to 30 days	7,795	6.12%

(Continued)

	December 31, 2022		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
31 to 60 days	\$ 4,779	11.28%	\$ 539
61 to 90 days	29	44.44%	12
91 to 120 days	-	70.85%	-
Over 121 days	40	100%	40
	\$ 38,152		\$ 1,196
			(Concluded)

	December 31, 2021		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 33,735	0%~0.27%	\$ 86
1 to 30 days	1,136	0.81%	9
31 to 60 days	5,783	11.86%	686
61 to 90 days	85	40.08%	34
91 to 120 days	-	67.29%	-
Over 121 days	193	100%	193
	\$ 40,932		\$ 1,008

Analysis on the expected credit losses of notes and accounts receivables from customers in the retailing industry was as follows:

	December 31, 2022		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 11,571	0%~0.21%	\$ 13
1 to 90 days	1,981	1.60%	32
Over 91 days	613	100%	613
	\$ 14,165		\$ 658

	December 31, 2021		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 13,768	0%~0.29%	\$ 22
1 to 90 days	2,446	2.18%	54
Over 91 days	639	100%	639
	\$ 16,853		\$ 715

Movements in the loss allowances of notes and accounts receivables were as follows:

	Years Ended December 31	
	2022	2021
Beginning balance	\$ 3,772	\$ 732
Impairment loss (reversed) recognized	(1,788)	3,298
Write off	(25)	(258)
Ending balance	\$ 1,959	\$ 3,772

The aforementioned financial assets were not discounted nor pledged as collateral.

(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 27,643	\$ 17,725
Work in progress	14,561	9,908
Finished goods	13,100	9,431
	\$ 55,304	\$ 37,064

Details of the Group's operating costs were as follows:

	Years Ended December 31	
	2022	2021
Transfers from inventories sold	\$ 110,107	\$ 129,774
Gain on reversal of inventory valuation loss	(1,815)	(3,347)
Unallocated manufacturing overhead	3,197	1,501
Inventory losses from obsolescence	487	833
Gain on physical inventory	(147)	(158)
Total	\$ 111,829	\$ 128,603

The Group's inventories were not pledged.

(6) Non-current assets held for sale

The Group entered into a real estate sales contract with a non-related party on September 22, 2021 to sell the land and ancillary buildings at the Jioujie Section, Pingtung City (originally recognized as investment property) for NT\$21,981 thousand. Thus, relevant assets were reclassified from investment property to non-current assets held for sale, net of NT\$18,200 thousand in the third quarter of 2021. The transfer of ownership was completed in the fourth quarter of 2021 and the gain on disposal of non-current assets held for sale of NT\$3,781 thousand was recognized under other gains and losses of non-operating income and expenses.

- (7) Material non-controlling interests of subsidiary
Non-controlling interests of subsidiary that were material to the Group were as follows:

Subsidiary	Main Operation Location (Country of Registration)	% of Ownership and Voting Rights of Non-controlling Interests	
		December 31, 2022	December 31, 2021
GenMont (China)	Mainland China	15%	15%

Summarized financial information of the aforementioned subsidiary was set out below. The financial information was prepared in accordance with the IFRSs endorsed by the FSC and reflected the Group's fair value adjustments and adjustments for differences in accounting policies as at the acquisition date. Intra-group transactions were not eliminated in the amounts presented.

Summarized financial information of GenMont (China):

	December 31, 2022	December 31, 2021
Current assets	\$ 76,469	\$ 126,891
Non-current assets	953,482	892,327
Current liabilities	(57,334)	(32,917)
Net assets	\$ 972,617	\$ 986,301
Ending balance of non-controlling interests	\$ 145,893	\$ 147,945

	Years Ended December 31 2022	2021
Operating revenue	\$ -	\$ -
Net loss	\$ (63,449)	\$ (23,539)
Other comprehensive income (loss)	14,416	(7,464)
Total comprehensive income (loss)	\$ (49,033)	\$ (31,003)
Net loss attributable to non-controlling interests	\$ (9,517)	\$ (3,531)
Total comprehensive income (loss) attributable to non-controlling interests	\$ (7,355)	\$ (4,651)

	Years Ended December 31 2022	2021
Cash generated by (used in) operating activities	\$ 20,913	\$ (61,301)
Cash used in investing activities	(60,363)	(88,357)
Cash generated by financing activities	35,349	-
Effect of exchange rate changes	846	(1,693)
Decrease in cash and cash equivalents	\$ (3,255)	\$ (151,351)
Dividends paid to non-controlling interests	\$ -	\$ -

- (8) Property, plant and equipment
Movements in the costs and accumulated depreciation of the Group's property, plant and equipment for the years ended December 31, 2022 and 2021 were as follows:

						Unfinished Construction and Equipment Awaiting Acceptance		
	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment		Total	
Costs:								
Balance as of January 1, 2022	\$ 168,740	\$ 212,519	\$ 4,579	\$ 5,294	\$ 11,715	\$ 858,618	\$1,261,465	
Additions	30,506	28,793	-	897	310	33,766	94,272	
Disposals	(1,240)	(1,074)	(498)	(591)	(434)	(307)	(4,144)	
Reclassification	682,149	149,395	1,321	10	7,443	(831,875)	8,443	(Note 1)
Effect of exchange rate changes	(2,246)	(541)	12	19	(16)	15,033	12,261	
Balance as of December 31, 2022	\$ 877,909	\$ 389,092	\$ 5,414	\$ 5,629	\$ 19,018	\$ 75,235	\$1,372,297	
Balance as of January 1, 2021	\$ 168,407	\$ 210,627	\$ 4,587	\$ 3,979	\$ 11,788	\$ 720,569	\$1,119,957	
Additions	333	3,133	-	1,048	-	126,553	131,067	
Disposals	-	(2,070)	-	(61)	(70)	-	(2,201)	
Reclassification	-	828	-	328	-	16,604	17,760	(Note 2)
Effect of exchange rate changes	-	1	(8)	-	(3)	(5,108)	(5,118)	
Balance as of December 31, 2021	\$ 168,740	\$ 212,519	\$ 4,579	\$ 5,294	\$ 11,715	\$ 858,618	\$1,261,465	

						Unfinished Construction and Equipment Awaiting Acceptance		
	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment		Total	
Accumulated depreciation:								
Balance as of January 1, 2022	\$ 106,044	\$ 155,181	\$ 3,058	\$ 4,249	\$ 10,470	\$ -	\$ 279,002	
Depreciation	25,142	21,025	651	574	553	-	47,945	
Disposals	(1,240)	(1,074)	(498)	(591)	(434)	-	(3,837)	
Reclassification	-	(1,673)	-	-	1,673	-	-	
Effect of exchange rate changes	(66)	(20)	10	6	(3)	-	(73)	
Balance as of December 31, 2022	\$ 129,880	\$ 173,439	\$ 3,221	\$ 4,238	\$ 12,259	\$ -	\$ 323,037	
Balance as of January 1, 2021	\$ 101,405	\$ 145,526	\$ 2,662	3,700	\$ 9,891	\$ -	\$ 263,184	
Depreciation	4,639	11,682	400	610	649	-	17,980	
Disposals	-	(2,027)	-	(61)	(70)	-	(2,158)	
Effect of exchange rate changes	-	-	(4)	-	-	-	(4)	
Balance as of December 31, 2021	\$ 106,044	\$ 155,181	\$ 3,058	4,249	\$ 10,470	\$ -	\$ 279,002	
Carrying amount:								
December 31, 2022	\$ 748,029	\$ 215,653	\$ 2,193	1,391	6,759	\$ 75,235	\$1,049,260	
January 1, 2021	67,002	65,101	\$ 1,925	279	1,897	\$ 720,569	\$ 856,773	
December 31, 2021	\$ 62,696	57,338	\$ 1,521	1,045	1,245	\$ 858,618	\$ 982,463	

Note 1: Reclassified to other non-current assets of NT\$3,374 thousand and transferred in from prepayments for equipment of NT\$11,817 thousand.

Note 2: Transferred in from prepayments for equipment.

Please refer to Note 8 for details on property, plant and equipment pledged as collateral.

The Group performed impairment testing on December 31, 2022 as there was indication of impairment. As the recoverable amount of property, plant and equipment of CGUs were higher than their carrying amount, impairment loss was not recognized.

As for key assumptions in the estimation of recoverable amount, the discount rate was based on the weighted-average cost of capital of the industry and it was 7.56% for 2022. Cash flow estimates were based on the 10-year financial budget approved by the management. Figures used in the key assumptions represented the management's evaluation of future trends in the industry while taking into account historical data from both internal and external sources.

(9) Right-of-use assets

Movements in the costs and accumulated depreciation of land and buildings leased by the Group were as follows:

	Land	Buildings	Total
Costs of right-of-use assets			
Balance as of January 1, 2022	\$ 68,874	\$ 3,333	\$ 72,207
Variable lease payments	3,242	-	3,242
Effect of exchange rate changes	493	-	493
Balance as of December 31, 2022	\$ 72,609	\$ 3,333	\$ 75,942
Balance as of January 1, 2021	\$ 69,124	\$ 3,333	\$ 72,457
Effect of exchange rate changes	(250)	-	(250)
Balance as of December 31, 2021	\$ 68,874	\$ 3,333	\$ 72,207
	Land	Buildings	Total
Accumulated depreciation of right-of-use assets			
Balance as of January 1, 2022	\$ 7,362	\$ 2,196	\$ 9,558
Depreciation	1,616	759	2,375
Effect of exchange rate changes	36	-	36
Balance as of December 31, 2022	\$ 9,014	\$ 2,955	\$ 11,969
Balance as of January 1, 2021	\$ 5,108	\$ 1,438	\$ 6,546
Depreciation	2,267	758	3,025
Effect of exchange rate changes	(13)	-	(13)
Balance as of December 31, 2021	\$ 7,362	\$ 2,196	\$ 9,558
Carrying amount:			
December 31, 2022	\$ 63,595	\$ 378	\$ 63,973
January 1, 2021	\$ 64,016	\$ 1,895	\$ 65,911
December 31, 2021	\$ 61,512	\$ 1,137	\$ 62,649

Based on the 2022 impairment testing for assets, the Group did not have to recognize impairment loss as the recoverable amount of CGUs' right-of-use assets exceeded the carrying amount. Please refer to Note 6(8) Property, plant and equipment for key assumptions used in the estimation of recoverable amount.

(10) Short-term borrowings

	December 31, 2022	December 31, 2021
Unused line of credit	\$ 50,000	\$ 50,000

Please refer to Note 8 for details on assets pledged as collateral for bank borrowings.

(11) Refund liabilities

	December 31, 2022	December 31, 2021
Refund liabilities - current	\$ 11,503	\$ 9,983

Refund liabilities are recognized for the amounts expected to be paid to customers due to returns as well as allowances and discounts in relation to sales made. Based on past records of sales returns as well as allowances and discounts, the Group expects such liabilities to take place mainly in the year of sales or the following year.

(12) Lease liabilities

Carrying amount of lease liabilities was as follows:

	December 31, 2022	December 31, 2021
Current	\$ 1,060	\$ 2,112
Non-current	\$ 33,485	\$ 30,621

Please refer to Note 6(21) Financial instruments for maturity analysis.

Amounts recognized in profit or loss were as follows:

	Years Ended December 31 2022	2021
Interest expense of lease liabilities	\$ 755	\$ 766
Expenses relating to short-term leases or leases of low value assets	\$ 461	\$ 452

Amounts recognized in statements of cash flows were as follows:

	Years Ended December 31 2022	2021
Total cash outflows of leases	\$ 2,646	\$ 2,815

A. Leases of land and buildings

The Group leases land and building for offices, factories and warehouses. Lease terms range between one to fifty years. Some leases contain the option to extend the lease term. When the Group is not reasonably certain that it would exercise the option to extend the lease term, payments associated with the extension period covered by the option would not be included in the lease liabilities.

B. Other leases

The Group leases meeting rooms, other equipment and some warehouses with a term of less than one year. Such leases are classified as short-term leases or leases of low value assets. The Group elects to adopt the exemption rule and not to recognize relevant right-of-use assets and lease liabilities.

(13) Employment benefits

A. Defined benefit plan

The reconciliation of the present value of the defined benefit obligations and fair value of plan assets of the Group was as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 2,835	\$ 2,918
Fair value of plan assets	(10,153)	(9,364)
Net defined benefit assets	\$ (7,318)	\$ (6,446)

For the defined benefit plan, the Group makes contributions to the pension fund deposited with the Bank of Taiwan. Pursuant to the Labor Standards Act, pension benefits are calculated based on the number of units earned during the years of service and the average monthly salaries of the six months before retirement.

Contributions deposited by the Group in the pension fund account with the Bank of Taiwan have been sufficient for a suspension of contributions. Pursuant to the “Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds”, the Group has been approved by the pension fund supervisory committee to suspend the contributions from July 1, 2022 to June 30, 2023 on June 17, 2022 and has obtained the approval letter from the Southern Taiwan Science Park Bureau on June 23, 2022.

(a) Composition of plan assets

The pension fund under the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”). According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, the minimum earnings from the fund are guaranteed to be no less than the earnings attainable from local banks' two-year time deposits.

As of December 31, 2022 and 2021, the balances of the Group's pension fund accounts with the Bank of Taiwan amounted to NT\$10,153 thousand and NT\$9,364 thousand, respectively. Information concerning the use of funds, including the fund yields and asset allocation, is available at the Bureau's official website.

(b) Movements in the present value of defined benefit obligations

Movements in the present value of the Group's defined benefit obligations were as follows:

	Years Ended December 31	
	2022	2021
Defined benefit obligations as of January 1	\$ 2,918	\$ 3,295
Benefits paid by the plan	-	(364)
Current service costs and interests	19	14
Remeasurement of net defined benefit assets	(102)	(27)
Defined benefit obligations as of December 31	\$ 2,835	\$ 2,918

(c) Movements in the fair value of plan assets

Movements in the fair value of the Group's defined benefit plan assets were as follows:

	Years Ended December 31	
	2022	2021
Fair value of plan assets as of January 1	\$ 9,364	\$ 9,534
Interest income	65	38
Benefits paid	-	(364)
Remeasurement of net defined benefit assets	724	156
Fair value of plan assets as of December 31	\$ 10,153	\$ 9,364

(d) Expenses recognized in profit or loss

Details of deductions in expenses for the years ended December 31, 2022 and 2021 were as follows:

	Years Ended December 31	
	2022	2021
Net interests on net defined benefit assets	\$ (46)	\$ (24)
Deductions in general and administrative expense	\$ (46)	\$ (24)

- (e) Actuarial assumptions
- Principal actuarial assumptions used in determining the present value of the defined benefit obligations as at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.40%	0.70%
Expected rate of salary increases	2.00%	2.00%

The Group's contributions to the defined benefit plan within one year after the reporting date of 2022 amounted to NT\$0 thousand. The weighted-average duration of defined benefit plan was 12 years.

- (f) Sensitivity analysis
- The impact of movements in the principal actuarial assumptions on the present value of the defined benefit obligations as of December 31, 2022 and 2021 was as follows:

	Impact on Defined Benefit Obligation	
	0.25% Increase	0.25% Decrease
December 31, 2022		
Discount rate	\$ (78)	\$ 81
Expected rate of salary increases	73	(71)
December 31, 2021		
Discount rate	\$ (87)	\$ 91
Expected rate of salary increases	82	(79)

The sensitivity analysis above was based on the impact of changes in a single assumption while all other assumptions remain constant. In practice, it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method adopted for the sensitivity analysis is consistent with the calculation of net pension liabilities on the balance sheets.

The method and assumptions adopted for the preparation of sensitivity analysis in the current period were the same as the ones for the prior period.

B. Defined contribution plan

For the defined contribution plan, the Company makes monthly contributions equal to 6% of each employee's monthly salary to the employees' individual pension accounts at the Bureau of Labor Insurance pursuant to the Labor Pension Act. Other than the contributions of a fixed amount to the Bureau of Labor Insurance under the plan, the Company has no legal or constructive obligations to make additional payments.

The Company's pension expenses under the defined contribution plan amounted to NT\$4,177 thousand and NT\$4,316 thousand for the years ended December 31, 2022 and 2021, respectively, which have been contributed to the Bureau of Labor Insurance.

The subsidiary, GenMont (China), adopts the defined contribution plans pursuant to local laws and regulations. Its pension expenses amounted to NT\$554 thousand and NT\$455 thousand for the years ended December 31, 2022 and 2021, respectively.

(14) Income tax

A. Income tax expense

Details of the Group's income tax expense were as follows:

	Years Ended December 31	
	2022	2021
Current income tax expense		
Current period	\$ 28,774	\$ 33,913
Adjustments on prior years	181	350
	<u>28,955</u>	<u>34,263</u>
Deferred income tax benefit		
Origination and reversal of temporary differences	\$ (10,158)	\$ (4,440)
Income tax expense	<u>\$ 18,797</u>	<u>\$ 29,823</u>

B. Income tax expense recognized in other comprehensive income

	Years Ended December 31	
	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	<u>\$ 165</u>	<u>\$ 37</u>

C. Income tax expense recognized directly in equity amounted to NT\$0 thousand for the years ended December 31, 2022 and 2021.

D. The reconciliation of income tax expense and income before tax was as follows:

	Years Ended December 31	
	2022	2021
Income before tax	\$ 66,258	\$ 139,424
Income tax expense at the statutory rate of the Company	\$ 13,252	\$ 27,885
Dividend income	-	(68)
Unrealized loss (gain) on financial assets at fair value through profit or loss	1,632	(1,870)
Adjustments on prior years	181	350
Non-deductible expenses	1,809	2,743
Others	1,923	783
Income tax expense	\$ 18,797	\$ 29,823

E. Deferred income tax assets and liabilities

Movements in the deferred income tax assets and liabilities recognized by the Group were as follows:

Deferred income tax assets:

	Unrealized Investment Loss	Refund Liabilities	Inventory Loss Allowance	Others	Total
Balance as of January 1, 2022	\$ 6,783	\$ 1,997	\$ 919	\$ 2,615	\$ 12,314
Credit (debit) profit or loss	10,787	304	(363)	(315)	10,413
Balance as of December 31, 2022	\$ 17,570	\$ 2,301	\$ 556	\$ 2,300	\$ 22,727
Balance as of January 1, 2021	\$ 2,782	\$ 1,173	\$ 1,588	\$ 2,217	\$ 7,760
Credit (debit) profit or loss	4,001	824	(669)	398	4,554
Balance as of December 31, 2021	\$ 6,783	\$ 1,997	\$ 919	\$ 2,615	\$ 12,314

Deferred income tax liabilities:

	Defined Benefit Plan	Unrealized Exchange Gain	Total
Balance as of January 1, 2022	\$ 1,413	\$ 127	\$ 1,540
Debit (credit) profit or loss	8	247	255
Debit (credit) other comprehensive income	165	-	165
Balance as of December 31, 2022	\$ 1,586	\$ 374	\$ 1,960
Balance as of January 1, 2021	\$ 1,370	\$ 19	\$ 1,389
Debit (credit) profit or loss	6	108	114
Debit (credit) other comprehensive income	37	-	37
Balance as of December 31, 2021	\$ 1,413	\$ 127	\$ 1,540

F. The assessment of income tax returns

As of December 31, 2022, the Company's income tax return was assessed and approved up to 2020.

(15) Share capital and other equity

As of December 31, 2022 and 2021, the authorized capital amounted to NT\$1,000,000 thousand with a par value of NT\$10 per share. The said capital was ordinary shares with 86,371 thousand shares issued.

A. Issuance of ordinary shares

The Company issued 30 thousand ordinary shares for employee share options at NT\$22.3 per share in 2021. Proceeds from shares issued of NT\$669 thousand had been collected in full. The Company recognized ordinary share capital of NT\$300 thousand and capital surplus - premium from share issuance of NT\$369 thousand. Capital surplus - employee share option reclassified to capital surplus - premium from share issuance amounted to NT\$287 thousand.

B. Capital surplus

Details of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Premium from share issuance	\$ 360,871	\$ 360,871
Employee share options	3,500	3,596
Expiring share options	11,317	11,221
	\$ 375,688	\$ 375,688

According to the Company Act, capital surplus shall first be used to offset a deficit. Next, the realized capital surplus may be distributed as stock dividends or cash dividends by the original ownership percentage of shareholders. The so-called realized capital surplus includes income derived from issuance of new shares at a premium or income from endowments received by the Company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus transferred to capital is limited to 10% of the Company's paid-in capital annually.

The Company resolved to distribute capital surplus of NT\$11,224 thousand as cash dividends (NT\$0.13 per share) in the shareholders' meeting on July 30, 2021.

C. Retained earnings

In accordance with the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit together with any undistributed earnings from the previous year shall then be resolved in the shareholders' meeting for distribution of bonus to shareholders. However, stock dividends shall not exceed 50% of the total dividends. On May 27, 2022, the shareholders' meeting resolved to authorize the board of directors to distribute dividends and bonus or the legal reserve and capital surplus, in whole or in part, in the form of cash with the consent of majority of attending directors which represents more than two-third of all directors and report such distribution to the shareholders' meeting.

(a) Legal reserve

According to the Company Act, if the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash upon a resolution of the shareholders' meeting.

(b) Special reserve

The FSC stipulates that for the distribution of distributable earnings, the Company shall set aside a special reserve equivalent to the net debit balance of other shareholders' equity from the net income of the current period plus items other than net income for the period that are included in the undistributed earnings of the period and the undistributed earnings of prior periods. For deductions to other shareholders' equity of prior periods, special reserve appropriated from the undistributed earnings of prior periods shall not be distributed. If the deductions to other shareholders' equity are reversed in later periods, the amount of the subsequent reversals may be distributed as earnings.

(c) Earnings distribution

Dividends to owners of the Company in the 2021 and 2020 earnings distribution proposals approved in the shareholders' meetings on May 27, 2022 and July 30, 2021, respectively, were as follows:

	Years Ended December 31			
	2021		2020	
	Dividend Payout Ratio (NT\$)	Amount	Dividend Payout Ratio (NT\$)	Amount
Dividends to ordinary shareholders:				
Cash	\$ 1.10	\$ 95,008	\$ 0.57	\$ 49,215

Cash dividends to owners of the Company in the 2022 earnings distribution proposal approved in the board of directors' meeting on March 13, 2023 were as follows:

	Year Ended December 31, 2022	
	Dividend Payout Ratio (NT\$)	Amount
Dividends to ordinary shareholders:		
Cash	\$ 0.70	\$ 60,460

(d) Other equity (net of tax)

	Exchange Differences on Translation of Foreign Operations
Balance as of January 1, 2022	\$ (17,833)
Exchange differences on translation of the net assets of foreign operations	12,254
Balance as of December 31, 2022	\$ (5,579)
Balance as of January 1, 2021	\$ (11,489)
Exchange differences on translation of the net assets of foreign operations	(6,344)
Balance as of December 31, 2021	\$ (17,833)

(16) Share-based payments

Employee share options

- A. The Company formulated a compensatory employee share option plan in 2015 where compensation cost was estimated using the fair value method and the Black-Scholes Model was adopted to estimate the fair value of share options on the grant date. The number of options, exercise price, vesting conditions and

assumptions were set out as follows:

Grant date	2015.10.1
Number of options granted	805,000 shares
Exercise price	The closing price of ordinary shares on the issue date of NT\$24.4 (adjusted for changes in the ordinary shares of the Company by specific formulas)
Vesting conditions	10% vested after 2 years; 50% vested after 3 years and 100% vested after 5 years
Expected price volatility	37.90%~41.78%
Risk-free rate	0.97%~1.11%
Expected term	5~6.5 years
Weighted-average fair value of share options	NT\$8.46, NT\$8.83 and NT\$10.42 after 2, 3 and 5 years, respectively

- B. Compensation costs of the aforementioned employee share option plan calculated by the fair value method amounted to NT\$0 thousand for the years ended December 31, 2022 and 2021.

	Years Ended December 31			
	2022		2021	
	Weighted-average Exercise Price (NT\$)	No. of Options	Weighted-average Exercise Price (NT\$)	No. of Options
Outstanding as of January 1	21.7	360,000	22.3	445,000
Options exercised	-	-	22.3	(30,000)
Options expired	21.7	(10,000)	22.3	(55,000)
Outstanding as of December 31	20.7	350,000	21.7	360,000
Exercisable as of December 31	20.7	350,000	21.7	360,000

(17) Earnings per share (EPS)

The calculation of basic and diluted EPS was as follows:

		For shares: In thousand shares	
		Years Ended December 31	
		2022	2021
Basic EPS			
Net income attributable to ordinary shareholders of the Company		\$ 56,978	\$ 113,132
Weighted average no. of ordinary shares outstanding		86,371	86,357
Basic EPS (NT\$)		\$ 0.66	\$ 1.31
Diluted EPS			
Net income attributable to ordinary shareholders of the Company		\$ 56,978	\$ 113,132
Weighted average no. of ordinary shares outstanding		86,371	86,357
Effect of dilutive potential ordinary shares			
Employee share options		57	32
Compensation to employees		232	352
Weighted average no. of ordinary shares outstanding (diluted)		86,660	86,741
Diluted EPS (NT\$)		\$ 0.66	\$ 1.30

(18) Revenue from contracts with customers

A. Disaggregation of revenue

		Years Ended December 31	
		2022	2021
Main geographical markets			
Taiwan		\$ 211,271	\$ 188,612
Mainland China		112,572	197,549
Others		44,703	41,768
		\$ 368,546	\$ 427,929
Years Ended December 31			
		2022	2021
Main products:			
Selling of functional foods		\$ 368,546	\$ 427,929

B. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivables	\$ 7,293	\$ 8,767	\$ 7,846
Accounts receivables	45,024	49,018	35,235
Less: Loss allowance	(1,959)	(3,772)	(732)
Total	\$ 50,358	\$ 54,013	\$ 42,349

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	\$ 25,758	\$ 25,332	\$ 24,302
Refund liabilities	\$ 11,503	\$ 9,983	\$ 5,864

Please refer to Note 6(4) for disclosures on notes and accounts receivables as well as relevant impairment.

The beginning balances of contract liabilities reclassified to revenue amounted to NT\$18,233 thousand and NT\$15,647 thousand for the years ended December 31, 2022 and 2021, respectively.

Movements in contract liabilities mainly come from the timing difference between the time when the Group transfers goods or services to its customers and satisfies its performance obligations and the time when customers make the payments.

(19) Compensation to employees and remuneration to directors

Pursuant to the Company's Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall be between 2% and 10% of the balance and the remuneration to directors shall not be higher than 5% of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors.

The Company accrued NT\$4,096 thousand and NT\$7,727 thousand as compensation to employees and NT\$2,048 thousand and NT\$3,864 thousand as remuneration to directors for the years ended December 31, 2022 and 2021, respectively. The amounts accrued were calculated by multiplying the net profit before income tax, compensation to employees, and remuneration of directors of respective periods by the accrual rates stated in the Company's Articles of Incorporation and recognized as operating costs or operating expenses for the respective years. If the actual payments in the following year differ from the accrued amounts, the difference is recognized as a change in the accounting estimate in profit or loss of the following year. For the years ended December 31, 2022 and 2021, there was no difference between the accrued amounts and the amounts approved by the board of directors. Relevant information is available at the Market Observation Post System website.

(20) Non-operating income and expenses

A. Interest income

Details of interest income for the years ended December 31, 2022 and 2021 were as follows:

	Years Ended December 31	
	2022	2021
Interests on bank deposits	\$ 4,804	\$ 2,012

B. Other gains and losses

Details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	Years Ended December 31	
	2022	2021
Net loss on disposal of property, plant and equipment	\$ (64)	\$ (43)
Gain on disposal of non-current assets held for sale	-	3,781
Foreign exchange gain (loss)	10,447	(1,347)
(Loss) gain on financial assets at fair value through profit or loss	(8,160)	9,350
Dividend income	-	340
Others	(1,984)	1,058
Total	\$ 239	\$ 13,139

C. Finance costs

Details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

	Years Ended December 31	
	2022	2021
Interest expense on lease liabilities	\$ (755)	\$ (766)

(21) Financial instruments

A. Credit risk

(a) Maximum exposure to credit risk

Carrying amount of financial assets represented the maximum credit risk exposure of the Group.

(b) Credit risk concentration

As the Group has a vast customer base and does not transact with any single customers in particular; thus, there is no significant credit risk concentration for accounts receivables. To lower the credit risk, the Group also regularly reviews the financial status of customers. However, customers are not required to provide collateral in general.

(c) Credit risk of receivables

Please refer to Note 6(4) for credit risk exposures of notes and account receivables as well as the provision of loss allowance.

Financial assets at amortized cost and other receivables are financial assets with low credit risk. Thus, their loss allowance equals 12-month expected credit loss. For the years ended December 31, 2022 and 2021, there was no provision nor reversal of loss allowances.

B. Liquidity risk

The table below shows the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1~2 Years	2~5 Years	Over 5 Years
December 31, 2022						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 94,020	\$ 94,020	\$ 94,020	\$ -	\$ -	\$ -
Lease liabilities	34,545	48,955	1,790	1,380	4,141	41,644
Guarantee deposits received	2,368	2,368	-	-	2,368	-
	\$ 130,933	\$ 145,343	\$ 95,810	\$ 1,380	\$ 6,509	\$ 41,644
December 31, 2021						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 67,921	\$ 67,921	\$ 67,921	\$ -	\$ -	\$ -
Lease liabilities	32,733	39,826	2,836	2,441	6,097	28,452
Guarantee deposits received	2,318	2,318	-	-	2,318	-
	\$ 102,972	\$ 110,065	\$ 70,757	\$ 2,441	\$ 8,415	\$ 28,452

The Group does not expect the cash flows in the maturity analysis would occur significantly earlier or at significantly different amounts.

C. Foreign currency risk

(a) Exposure to foreign currency risk

Details of the Group's exposure to significant foreign currency risk were as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,499	30.71	\$ 46,046	\$ 293	27.68	\$ 8,110
EUR	546	32.72	17,868	437	31.32	13,687
RMB	52,805	4.408	232,762	22,018	4.345	95,668
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	-	-	-	73	31.05	2,268
EUR	546	32.72	17,868	437	31.32	13,687

(b) Sensitivity analysis

Foreign currency risk of the Group mainly comes from cash and cash equivalents, financial assets at amortized cost and accounts receivables denominated in foreign currencies which lead to exchange rate gains or losses upon translation. As of December 31, 2022 and 2021, for a 1% depreciation or appreciation of New Taiwan Dollar against foreign currencies (US dollar, Eur and Renminbi), while all other factors remain constant, the net income would increase or decrease by NT\$2,231 thousand and NT\$812 thousand, respectively. The analysis of both periods adopted the same basis.

(c) Foreign exchange gains or losses of monetary items

Information on the exchange rates for translating the foreign exchange gains or losses (including both realized and unrealized) of the Group's monetary items to the Group's functional currency was as follows:

	Years Ended December 31			
	2022		2021	
	Foreign Exchange Gain (Loss)	Average Exchange Rate	Foreign Exchange Gain (Loss)	Average Exchange Rate
NTD	\$ 9,959	-	\$ (1,307)	-
RMB	488	4.422	(40)	4.3402
	\$ 10,447		\$ (1,347)	

D. Interest rate risk

The Group was not exposed to interest rate risk as it did not have financial liabilities at floating rates.

E. Other price risk

The impact of changes in the prices of equity securities (both periods adopted the same basis and assumed other variable factors had remained constant) on the comprehensive income as of the reporting date was as follows:

	Years Ended December 31			
	2022		2021	
	Other Comprehensive Income, Net of Tax	Net Income (Loss)	Other Comprehensive Income, Net of Tax	Net Income (Loss)
Price of Securities on the Reporting Date				
3% increase	\$ -	\$ 636	\$ -	\$ 832
3% decrease	\$ -	\$ (636)	\$ -	\$ (832)

F. Fair value information

(a) Types and fair value of financial instruments

Financial assets at fair value through profit or loss were measured at fair value on a recurring basis. The carrying amounts and fair values of all types of financial assets and liabilities, including information on fair value hierarchy, were presented below. However, financial instruments not measured at fair value with carrying amounts being reasonable estimates of the fair value and lease liabilities are not required to be disclosed.

		December 31, 2022				
		Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
TPEX-listed shares		\$ 26,520	\$ 26,520	\$ -	\$ -	\$ 26,520
Financial assets at amortized cost						
Cash and cash equivalents		\$ 133,687	\$ -	\$ -	\$ -	\$ -
Financial assets at amortized cost - current		267,256	-	-	-	-
Notes and accounts receivables		50,358	-	-	-	-
Other receivables		1,404	-	-	-	-
Refundable deposits		729	-	-	-	-
		<u>\$ 453,434</u>				
Financial liabilities at amortized cost						
Notes and accounts payables		\$ 14,365	\$ -	\$ -	\$ -	\$ -
Other payables		79,655	-	-	-	-
Lease liabilities		34,545	-	-	-	-
Guarantee deposits received		2,368	-	-	-	-
		<u>\$ 130,933</u>				
		December 31, 2021				
		Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
TPEX-listed shares		\$ 34,680	\$ 34,680	\$ -	\$ -	\$ 34,680
Financial assets at amortized cost						
Cash and cash equivalents		\$ 169,953	\$ -	\$ -	\$ -	\$ -
Financial assets at amortized cost - current		251,776	-	-	-	-
Notes and accounts receivables		54,013	-	-	-	-
Other receivables		1,049	-	-	-	-
Refundable deposits		2,833	-	-	-	-
		<u>\$ 479,624</u>				
Financial liabilities at amortized cost						
Accounts payables		\$ 11,390	\$ -	\$ -	\$ -	\$ -
Other payables		56,531	-	-	-	-
Lease liabilities		32,733	-	-	-	-
Guarantee deposits received		2,318	-	-	-	-
		<u>\$ 102,972</u>				

The Group uses observable inputs of the market whenever possible for asset and liability measurements. The level of fair value hierarchy is determined based on the inputs used in the valuation techniques as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 inputs are not based on observable market data (i.e., unobservable inputs) for an asset or liability.

- (b) Fair value valuation techniques for financial instruments not measured at fair value

The Group's financial instruments not measured at fair value are financial assets and liabilities at amortized cost. Except for ones with short maturities or with carrying amount approximate future receipts and payments, whose fair value is estimated using the carrying amount as of the balance sheet date, the methods and assumptions for fair value evaluation were as follows:

The fair value of instruments with quoted prices from transactions or market makers is measured based on the recent transaction prices and quoted prices. If market prices are not available, the fair value is measured using the discounted cash flows.

- (c) Fair value valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial instruments with quoted prices in an active market is based on the quoted prices. The market prices announced by the main exchange centers or the exchange center of central government bonds serve as the basis for the fair value of the listed equity instruments and debt instruments with quoted prices from an active market.

If the market quotes of financial instruments from the Taiwan Stock Exchange, brokers, underwriters, industrial trade unions, pricing service agencies or competent authorities can be frequently obtained on time, and the prices represent the actual and frequent transactions at arm's length, then the financial instruments are deemed to have quoted prices in an active market. If the conditions above cannot be met, the market is deemed inactive. In general, wide bid-ask spread, significant increases in bid-ask spread or extremely low trading volume are all indicators of an inactive market.

TPEX-listed shares held by the Group are financial assets with standardized terms and conditions and an active market. Their fair value is determined by market quotes.

- (d) For the years ended December 31, 2022 and 2021, there was no transfer between different levels of the fair value hierarchy.

(22) Financial risk management

A. Overview

The Group is exposed to the following risks due to its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents the Group's exposures to the risks above as well as the Group's objectives, policies and procedures of risk measurement and management. For more information on the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Financial risk management structure

The board of directors takes full responsibility on setting up and monitoring the Group's risk management structure. It also instructs the chairman's office to be responsible for developing and controlling the risk management policies of the Group.

The Group's financial risk management policy aims to identify and analyze the financial risks faced by the Group, assess the impact of such risks and implement policies to avoid the risks. The policy is reviewed regularly to reflect changes in the market status and the Group's operation. Through internal controls such as training and procedures, the Group is committed to develop a disciplined and constructive control environment for all employees to understand their roles and obligations.

The Group's Audit Committee oversees how the management monitors the Group's compliance with the financial risk management policy and procedures. The Committee also reviews the adequacy of financial risk management structure pertaining to risks encountered. The internal auditors assist the Audit Committee with being in the supervisory role. These personnel perform both regular and ad hoc reviews on financial risk management controls and procedures and report the outcome to the Audit Committee.

C. Credit risk

Credit risk refers to the risk that a customer or a counterparty of financial instrument would default on its contractual obligations, resulting in financial losses to the Group. The risk mainly stems from the Group's receivables from customers and investments in securities.

(a) Accounts and other receivables

The Group's exposure to credit risk is influenced mostly by the status of individual customer. However, the management also considers the demographics of the customer base, including the default risk of the industry and country in which the customers operate, as these factors may affect credit risk.

The Group has established credit policy where each new customer is subject to credit review before it is given the standard payment and delivery terms and conditions. Reviews performed by the Group would include external ratings, if possible, and in some circumstance, bank references. Credit limits

are established for each customer and reviewed regularly. Customers failing to meeting the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group has set up a loss allowance account to reflect the estimated losses incurred in respect of accounts and other receivables as well as investments. The main components of the allowance account are a specific loss component relating to individually significant exposures, and a collective loss component for losses incurred in similar asset groups but not yet identified. The collective loss allowance is determined based on the historical payment records of similar financial assets.

(b) Investments

The credit risk of bank deposits and other financial instruments is measured and monitored by the finance department of the Group. As the Group only deals with financial institutions and corporations with a credit rating of investment grade or above, there was no significant credit risk.

(c) Guarantees

As of December 31, 2022 and 2021, the Group did not provide financial guarantees nor endorsements.

D. Liquidity risk

Liquidity risk is the risk of the Group failing to fulfill its obligations of settling its financial liabilities by cash or other financial assets. The Group's liquidity management approach thrives to ensure that it has sufficient liquidity to pay for liabilities when they are due under both normal and stressed circumstances to avoid unacceptable losses or the risk of damaging the Group's reputation.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, would affect the Group's income or the value of financial instruments held. The objective of market risk management is to control the market risk exposures within an acceptable range while optimizing investment returns.

(a) Foreign currency risk

The Group is exposed to foreign currency risk arising from sales and business transactions denominated in currencies other than the Group's functional currency. Such transactions are mostly denominated in RMB and USD.

(b) Interest rate risk

The Group has no interest rate risk as it did not have financial liabilities with floating interest rates.

(c) Other market price risk

Equity price risk refers to the risk of future price uncertainty of investments in TPEX-listed securities held by the Group. The Group manages the price risk of equity instruments through diversification and regular studies on the financial status of issuers.

(23) Capital management

The board of directors' policy is to maintain a sound capital base in order to sustain the confidence of investors, creditors and markets as well as future business developments. Capitals include the share capital, capital surplus, retained earnings and non-controlling interests of the Group. The board of directors oversees the return on capital and the level of dividends paid on ordinary shares.

Debt to capital ratio as of the reporting date was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 198,590	\$ 173,648
Less: Cash and cash equivalents	133,687	169,953
Net liabilities	\$ 64,903	\$ 3,695
Total equity	\$ 1,497,218	\$ 1,524,385
Debt to capital ratio	4.33%	0.24%

As of December 31, 2022, the Group did not change its capital management approach.

(24) Non-cash financing activities

The reconciliation of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 was as follows:

	January 1, 2022	Cash Flows	Non-cash Movement s Others	December 31, 2022
Lease liabilities	\$ 32,733	\$ (1,430)	\$ 3,242	\$ 34,545
Guarantee deposits received	2,318	50	-	2,368
Total liabilities from financing activities	\$ 35,051	\$ (1,380)	\$ 3,242	\$ 36,913

	January 1, 2021	Cash Flows	Non-cash Movement s Others	December 31, 2021
Lease liabilities	\$ 34,330	\$ (1,597)	\$ -	\$ 32,733
Guarantee deposits received	2,318	-	-	2,318
Total liabilities from financing activities	\$ 36,648	\$ (1,597)	\$ -	\$ 35,051

7. Related Party Transactions

Compensation of key management

	Years Ended December 31	
	2022	2021
Short-term employee benefits	\$ 10,386	\$ 12,046
Post-employment benefits	104	95
	\$ 10,490	\$ 12,141

8. Pledged Assets

The carrying amount of assets pledged by the Group was as follows:

Asset	Purpose of Pledge	December 31, 2022	December 31, 2021
Buildings	Long-term borrowings	\$ 61,657	\$ 62,696

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

As of December 31, 2022 and 2021, the agreements for operating equipment purchases and construction engaged by the Group amounted to NT\$851,902 thousand and NT\$1,028,667 thousand, and the payments made were NT\$777,104 thousand and NT\$916,707 thousand, which were recognized under property, plant and equipment and prepayments for equipment, respectively.

10. Significant Disaster Loss: None.

11. Significant Subsequent Events: None.

12. Others

Employee benefits, depreciation and amortization expenses summarized by function were as follows:

Function Nature	Years Ended December 31					
	2022			2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expense						
Payroll	25,287	64,603	89,890	27,077	62,991	90,068
Labor and health insurance	2,804	6,665	9,469	2,909	6,661	9,570
Pension	1,316	3,369	4,685	1,363	3,384	4,747
Remuneration to directors	-	7,738	7,738	-	9,689	9,689
Other employee benefit expense	1,485	3,973	5,458	1,524	5,293	6,817
Depreciation	14,152	36,168	50,320	13,643	7,397	21,040
Amortization	-	95	95	-	94	94

13. Additional Disclosures

(1) Information on significant transactions

Disclosures of the Group's significant transactions required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the year ended December 31, 2022 were as follows:

- A. Financing provided to others: None.
- B. Endorsement/guarantee provided to others: None.
- C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures):

Holder of Marketable Securities	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	December 31, 2022				% of Maximum Holding	Note
				Shares	Carrying Amount	Ownership Percentage	Fair Value		
The Company	Shares of Y-S Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	1,700,000	26,520	4.92%	26,520	4.92%	-

- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022:

Buyer	Property Type	Transaction Date	Transaction Amount	Payment Status	Counterparty	Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition and Status of Use	Other Terms
							Owner	Relationship	Transfer Date	Amount			
GenMont (China)	Factory	2018.07	407,476 (RMB 92,440)	387,080 (RMB 87,813)	China Electronics System Engineering No. 2 Construction Co., Ltd.	-	-	-	-	-	Negotiation	For operational purpose In use	-

- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.
- I. Derivative instrument transactions: None.
- J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022:

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	The Company	GenMont Biotech (China) Co., Ltd.	1	Other receivables	17,904	-	1%

Note 1: No. is expressed in codes below:

- (1) The parent company is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationships are categorized into the following types:

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated net revenue for profit or loss items.

(2) Information on investees (excluding investments in mainland China): None.

(3) Information on investments in mainland China:

A. Information on investees in mainland China:

Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflows of Investment from Taiwan as of January 1, 2022 (Note 4)	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2022 (Note 4)	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Maximum Ownership Percentage during the Period	Share of Profit/Loss (Notes 2 & 5)	Carrying Amount as of December 31, 2022 (Note 4)	Accumulated Inward Remittances of Earnings as of December 31, 2022
					Outflow (Note 4)	Inflow							
GenMont Biotech (China) Co., Ltd.	Manufacturing and selling of functional food	1,081,972	(Note 1)	884,245	29,974	-	914,219	(63,449)	85%	85%	(53,932)	826,724	-

B. Upper limit on investment in mainland China

Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 3)
914,219 (Note 4) (RMB207,400 thousand)	915,982 (Note 4) (RMB207,800 thousand)	898,331

Note 1: Direct investment in the investee.

Note 2: Investment gains (losses) were recognized on the basis of the investees' financial statements audited by the independent auditors of the parent company in Taiwan.

Note 3: The upper limit is calculated based on 60% of the net worth or consolidated net worth (whichever is higher).

Note 4: Amount was translated into New Taiwan Dollars using the exchange rate as of December 31, 2022.

Note 5: Amount was translated into New Taiwan Dollars using the average exchange rate of 2022.

C. Significant transactions:

Please refer to "information on significant transactions" and "intercompany relationships and significant intercompany transactions" for details on significant transactions between the Company and investees in China (which were eliminated during the preparation of financial statements) for the year ended December 31, 2022, either directly or indirectly.

(4) Information on major shareholders

Name of Major Shareholder	Share	Total Shares Owned	Ownership Percentage
Kuo-Chieh, Huang		7,758,000	8.98%
Hai De Asset Management Co., Ltd.		7,068,000	8.18%
Yu Zhan Investment Limited		4,365,000	5.05%

Note: (1) Major shareholders in the table above are shareholders owning 5% or more of the Company's common and preferred stocks (only the ones that have completed dematerialized registration and delivery, and include treasury stocks) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

(2) Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be the ones owned by the persons plus the ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.

14. Operating Segments

(1) General information

Management of the Group identified reportable segments based on information used by the operational decision maker in making decisions. The Group mainly engages in the manufacturing and selling of functional foods and the decision maker runs the business from a company-wide angel.

(2) Information on profit (loss), assets, measurement basis and adjustment of reportable segments

The amounts reported by the Group were consistent with the report used by the operational decision maker. The accounting policies adopted by the operating segments were the same as the ones stated in Note 4 Summary of Significant Accounting Policies of the consolidated financial statements. Profits (losses) of the Group's operating segments were measured at the pre-tax profit (loss) level and served as the basis for performance assessment. Such measurement excluded the effect of non-recurring items within the operating segments.

	Year Ended December 31, 2022			
	GenMont	GenMont (China)	Adjustment and Elimination	Total
Revenue:				
From external customers	\$ 368,546	\$ -	\$ -	\$ 368,546
Interest income	4,583	221	-	4,804
Total revenue	\$ 373,129	\$ 221	\$ -	\$ 373,350
Interest expense	\$ 755	\$ -	\$ -	\$ 755

(Continued)

	Year Ended December 31, 2022			
	GenMont	GenMont (China)	Adjustment and Elimination	Total
Depreciation and amortization	\$ 17,757	\$ 32,658	\$ -	\$ 50,415
Income (loss) of reportable segments	\$ 129,707	\$ (63,449)	\$ -	\$ 66,258
Assets of reportable segments	\$ 683,760	\$1,029,952	\$ (17,904)	\$1,695,808

(Concluded)

	Year Ended December 31, 2021			
	GenMont	GenMont (China)	Adjustment and Elimination	Total
Revenue:				
From external customers	\$ 427,929	\$ -	\$ -	\$ 427,929
Interest income	1,626	386	-	2,012
Total revenue	\$ 429,555	\$ 386	\$ -	\$ 429,941
Interest expense	\$ 766	\$ -	\$ -	\$ 766
Depreciation and amortization	\$ 19,192	\$ 1,942	\$ -	\$ 21,134
Income (loss) of reportable segments	\$ 162,963	\$ (23,539)	\$ -	\$ 139,424
Assets of reportable segments	\$ 694,225	\$1,019,363	\$ (15,555)	\$1,698,033

(3) Information on products and services

Revenues from external customers were as follows:

Name of Product and Service	Years Ended December 31	
	2022	2021
Revenue of functional foods	\$ 368,546	\$ 427,929

(4) Geographic information

The Group's geographic information is listed below. Revenues were grouped by the geographic location of customers while non-current assets were grouped by their physical location.

Region	Years Ended December 31	
	2022	2021
Revenue from external customers:		
Taiwan	\$ 211,271	\$ 188,612
Mainland China	112,572	197,549
Others	44,703	41,768
Total	\$ 368,546	\$ 427,929

Region	December 31, 2022	December 31, 2021
Non-current assets:		
Taiwan	\$ 163,530	\$ 168,641
Mainland China	953,482	892,327
Total	\$ 1,117,012	\$ 1,060,968

Non-current assets included property, plant and equipment, right-of-use assets, intangible assets, prepayments for equipment and other assets. However, financial instruments, deferred income tax assets and pension benefit assets were not included.

(5) Major customers

Customers accounted for at least 10% of the Group's operating revenue for the years ended December 31, 2022 and 2021 were as follows:

Region	Years Ended December 31	
	2022	2021
Customer A	\$ 46,434	\$ 121,485
Customer B	42,476	33,887
Total	\$ 88,910	\$ 155,372

Table 2: The Company's individual financial statements that have been audited and certified by CPA for the most recent year

Independent Auditors' Report

To the Board of Directors of GenMont Biotech Inc.

Audit opinion

We have audited the parent company only balance sheets of GenMont Biotech Inc. (hereinafter referred to as “the Company”) as of December 31, 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to parent company only financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the financial status of the Company as of December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (“the Norm”), and we have fulfilled our other responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2022 based on our professional judgment. These matters have been covered during the audit of the overall parent company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Inventory valuation

Please refer to Note 4(7) Inventories of the accompanying parent company only financial statements for accounting policies concerning inventory valuation, Note 5(1) for accounting estimates and assumption uncertainty pertaining to net realizable value, and Note 6(5) Inventories for details on net realizable value assessment.

Description of key audit matter:

Inventories of the Company are stated at the lower of cost or net realizable value. The probiotic supplements manufactured and sold may become obsolescent or fail to meet the market demand due to factors such as changes in the market and shelf life. As a result, the risk of costs exceeding the net realizable value may arise. Hence, inventory valuation was considered one of the key audit matters in our audit of the Company's parent company only financial statements.

Audit procedures:

Our main audit procedures for the aforementioned key audit matter included:

- Assessed whether inventory valuation was carried out in accordance with the Company's existing accounting policies.
- Understood the net realizable value adopted by the management for the valuation and randomly selected original documents to test the reasonableness of the net realizable value of inventories.
- Reviewed the inventory aging report, analyzed changes in aging between two periods and randomly selected samples to verify the accuracy of the aging report.
- Examined the accuracy of inventory allowances in the past and compared the allowances of current and past periods to assess the appropriateness of estimates and assumptions concerning inventory allowances.
- Assessed the adequacy of the Company's disclosures concerning inventory allowances.

2. Assessment on impairment of subsidiaries' long-term non-financial assets

Please refer to Note 4(12) Impairment of non-financial assets of the accompanying parent company only financial statements for accounting policies concerning the assessment on impairment of subsidiaries' long-term non-financial assets, Note 5(2) for relevant accounting estimates and assumption uncertainty, and Note 6(7) Investments accounted for using the equity method for details on the impairment assessment of subsidiaries' long-term non-financial assets.

Description of key audit matter:

The industry in which the subsidiaries operate is sensitive to market environment and the assessment on impairment of subsidiaries' long-term non-financial assets is based on management's estimates of recoverable amount. As the assumptions of relevant assessments involve judgement of the management, the assessment on impairment of subsidiaries' long-term non-financial assets was considered one of the key audit matters in our audit of the Company's parent company only financial statements.

Audit procedures:

Our main audit procedures for the aforementioned key audit matter included:

- Assessed the reasonableness of assumptions adopted by the management in calculating the recoverable amount, including the main parameters such as cash flow projections and discount rates.
- Compared the future cash flows projected in the past with the actual results to examine the accuracy of estimates made by the management and conducted sensitivity analysis on key assumptions.
- Reviewed the adequacy of the Company's disclosures concerning the assessment on impairment of long-term non-financial assets.
- Made enquiries with management to ensure that matters having significant influence on impairment assessment did not occur after the reporting date.

Other Matters

The parent company only financial statements of the Company for the year ended December 31, 2021 were audited by other independent auditors with an unqualified opinion issued on March 9, 2022.

Responsibilities of management and those charged with governance for the parent company only financial statements

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, management is also responsible for assessing the ability of the Company in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations, or has no realistic alternative but to do so.

Those charged with governance of the Company (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance on whether the parent company only financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have exercised professional judgment and professional skepticism when carrying out auditing work according to the auditing standards. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute appropriate counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need 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 result in the Company ceasing to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and execution of the audit and the preparation of an audit opinion on the Company.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures). From the matters communicated with governance bodies, we determine the key audit matters within the audit of the Company's parent company only financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

March 13, 2023

GENMONT BIOTECH INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6(1))	\$ 79,467	5	\$ 112,478	7
Financial assets at amortized cost - current (Note 6(3))	267,256	18	251,776	17
Notes and accounts receivable, net (Note 6(4) & (18))	50,358	3	54,013	4
Other receivables	1,404	-	347	-
Other receivables - related parties (Noe 7)	17,904	1	15,555	1
Inventories (Note 6(5))	44,239	3	33,151	2
Prepayments and other current assets	2,308	-	1,991	-
Total current assets	462,936	30	469,311	31
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 6(2))	26,520	2	34,680	2
Investments accounted for using the equity method (Note 6(7))	826,724	55	838,356	55
Property, plant and equipment (Notes 6(8) & 8)	129,348	9	121,650	8
Right-of-use assets (Note 6(9))	32,860	2	31,301	2
Intangible assets	238	-	333	-
Deferred income tax assets (Note 6(14))	22,727	2	12,314	1
Prepayments for equipment (Note 6(8))	-	-	14,211	1
Net defined benefit assets - non-current (Note 6(13))	7,318	-	6,446	-
Other non-current assets	1,813	-	3,979	-
Total non-current assets	1,047,548	70	1,063,270	69
TOTAL	\$ 1,510,484	100	\$ 1,532,581	100

(Continued)

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

GENMONT BIOTECH INC.
PARENT COMPANY ONLY BALANCE SHEETS - (Continued)
DECEMBER 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Note 6(18))	\$ 25,758	2	\$ 25,332	2
Notes and accounts payable	14,152	1	11,390	1
Other payables	40,437	2	39,024	2
Current income tax liabilities	28,436	2	33,821	2
Lease liabilities - current (Note 6(12))	1,060	-	2,112	-
Refund liabilities - current (Note 6(11) & (18))	11,503	1	9,983	1
Total current liabilities	121,346	8	121,662	8
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Note 6(14))	1,960	-	1,540	-
Lease liabilities - non-current (Note 6(12))	33,485	2	30,621	2
Guarantee deposits received	2,368	-	2,318	-
Total non-current liabilities	37,813	2	34,479	2
Total liabilities	159,159	10	156,141	10
EQUITY (Note 6(15) & (16))				
Ordinary shares	863,714	57	863,714	56
Capital surplus	375,688	25	375,688	25
Retained earnings	117,502	8	154,871	10
Other equity	(5,579)	-	(17,833)	(1)
Total equity	1,351,325	90	1,376,440	90
TOTAL	\$ 1,510,484	100	\$ 1,532,581	100

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

(Concluded)

GENMONT BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Note 6(18))	\$ 368,546	100	427,929	100
Operating costs (Notes 6(5), (13) & (20) & 12)	110,527	30	128,603	30
Gross profit	258,019	70	299,326	70
Operating expenses (Notes 6(4), (12), (13) & (19), 7 & 12)				
Selling and marketing expenses	49,103	13	63,127	15
General and administrative expenses	59,275	16	58,191	13
Research and development expenses	25,363	7	25,524	6
Expected credit (gain on reversal) loss	(1,788)	-	3,298	1
Total operating expenses	131,953	36	150,140	35
Profit from operations	126,066	34	149,186	35
Non-operating income and expenses (Note 6(6), (12) & (20))				
Interest income	4,583	1	1,626	-
Other gains and losses	(187)	-	12,917	3
Finance costs	(755)	-	(766)	-
Share of profit or loss of subsidiaries accounted for using the equity method	(53,932)	(15)	(20,008)	(5)
Total non-operating income and expenses	(50,291)	(14)	(6,231)	(2)
Profit before income tax	75,775	20	142,955	33
Less: Income tax expense (Note 6(14))	18,797	5	29,823	7
Net profit	56,978	15	113,132	26
Other comprehensive income (loss) (Note 6(14) & (15))				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plan	826	-	183	-
Less: Income tax related to items that will not be reclassified subsequently	165	-	37	-
	661	-	146	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	12,254	3	(6,344)	(1)
Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
	12,254	3	(6,344)	(1)
Other comprehensive income (loss), net of income tax	12,915	3	(6,198)	(1)
Total comprehensive income	<u>\$ 69,893</u>	<u>18</u>	<u>\$ 106,934</u>	<u>25</u>
Earnings per share (NT\$) (Note 6(17))				
Basic	<u>\$ 0.66</u>		<u>\$ 1.31</u>	
Diluted	<u>\$ 0.66</u>		<u>\$ 1.30</u>	

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

GENMONT BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

Item	Retained Earnings						Other Equity	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Operations	
Balance as of January 1, 2021	\$ 863,414	\$ 386,543	\$ 26,107	\$ 31,530	\$ 33,171	\$ 90,808	\$ (11,489)	\$ 1,329,276
Net income for the period	-	-	-	-	113,132	113,132	-	113,132
Other comprehensive income (loss) for the period	-	-	-	-	146	146	(6,344)	(6,198)
Total comprehensive income for the period	-	-	-	-	113,278	113,278	(6,344)	106,934
Appropriation and distribution of earnings								
Appropriation of legal reserve	-	-	3,280	-	(3,280)	-	-	-
Reversal of special reserve	-	-	-	(20,041)	20,041	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(49,215)	(49,215)	-	(49,215)
Cash dividends from capital surplus	-	(11,224)	-	-	-	-	-	(11,224)
Issuance of new shares for the exercise of employee share options	300	369	-	-	-	-	-	669
Balance as of December 31, 2021	863,714	375,688	29,387	11,489	113,995	154,871	(17,833)	1,376,440
Net income (loss) for the period	-	-	-	-	56,978	56,978	-	56,978
Other comprehensive income (loss) for the period	-	-	-	-	661	661	12,254	12,915
Total comprehensive income for the period	-	-	-	-	57,639	57,639	12,254	69,893
Appropriation and distribution of earnings								
Appropriation of legal reserve	-	-	11,328	-	(11,328)	-	-	-
Appropriation of special reserve	-	-	-	6,344	(6,344)	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(95,008)	(95,008)	-	(95,008)
Balance as of December 31, 2022	\$ 863,714	\$ 375,688	\$ 40,715	\$ 17,833	\$ 58,954	\$ 117,502	\$ (5,579)	\$ 1,351,325

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

GENMONT BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Profit before income tax	\$ 75,775	\$ 142,955
Adjustments:		
Non-cash income and expense items		
Depreciation	17,662	19,098
Amortization	95	94
Expected credit (gain on reversal) loss	(1,788)	3,298
Net loss (gain) on financial assets at fair value through profit or loss	8,160	(9,350)
Interest expense	755	766
Interest income	(4,583)	(1,626)
Dividend income	-	(340)
Share of loss of subsidiaries accounted for using the equity method	53,932	20,008
Loss on disposal of property, plant and equipment	64	43
Gain on disposal of non-current assets held for sale	-	(3,781)
Prepayments for equipment and other non-current assets transferred to expenses	4,087	-
Unrealized gain on foreign currency exchange	(1,872)	-
Total non-cash income and expense items	<u>76,512</u>	<u>28,210</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Decrease (increase) in notes and accounts receivable	5,671	(14,962)
Increase in other receivable	(291)	-
Increase in other receivable - related parties	(2,296)	(10,018)
Decrease (increase) in inventories	(11,088)	1,635
(Increase) decrease in prepayments and other current assets	(317)	514
Increase in net defined benefit assets - non-current	(46)	(24)
Decrease in other non-current assets	62	965
Total net changes in operating assets	<u>(8,305)</u>	<u>(21,890)</u>
Net changes in operating liabilities:		
Increase in contract liabilities	426	1,030
Increase in notes and accounts payable	2,762	4,004
(Decrease) increase in other payables	(379)	2,116
Increase in refund liabilities	1,520	4,119
Total net changes in operating liabilities	<u>4,329</u>	<u>11,269</u>
Total net changes in operating assets and liabilities	<u>(3,976)</u>	<u>(10,621)</u>
Total adjustments	<u>72,536</u>	<u>17,589</u>
Cash generated from operations	148,311	160,544
Interest received	3,817	1,626
Dividend received	-	340
Interest paid	(755)	(766)
Income tax paid	(34,340)	(16,730)
Net cash generated by operating activities	<u>117,033</u>	<u>145,014</u>

(Continued)

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

GENMONT BIOTECH INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	\$ (300,550)	\$ (585,141)
Disposal of financial assets at amortized cost	286,932	523,645
Acquisition of investments accounted for using the equity method	(30,046)	-
Disposal of investments accounted for using the equity method	-	3,537
Proceeds from disposal of non-current assets held for sale	-	21,981
Acquisition of property, plant and equipment	(10,653)	(3,628)
Proceeds from disposal of property, plant and equipment	243	2,587
Acquisition of intangible assets	-	(175)
Decrease in other non-current assets	604	23
Decrease (increase) in prepayments for equipment	85	(18)
Net cash used in investing activities	<u>(53,385)</u>	<u>(37,189)</u>
Cash flows from financing activities:		
Increase in guarantee deposits received	50	-
Repayment of lease principal	(1,430)	(1,597)
Distribution of cash dividends	(95,008)	(60,439)
Exercise of employee share options	-	669
Net cash used in financing activities	<u>(96,388)</u>	<u>(61,367)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(271)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	<u>(33,011)</u>	<u>46,458</u>
Cash and cash equivalents at beginning of period	<u>112,478</u>	<u>66,020</u>
Cash and cash equivalents at end of period	<u>\$ 79,467</u>	<u>\$ 112,478</u>

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

(Concluded)

GENMONT BIOTECH INC.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History and Organization

GenMont Biotech Inc. (the “Company”) was incorporated on December 6, 2000 in accordance with the Company Act of the Republic of China and merged the subsidiary, Medray Biotech Incorporation, on September 30, 2012. The registered address of the Company is No. 8, Nanke 7th Rd., Shanhua Dist., Tainan City, Taiwan (R.O.C.) The Company mainly engages in the research, development, manufacturing and selling of a variety of probiotic supplements.

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company for the years ended December 31, 2022 and 2021 were approved and authorized for issue in the board of directors’ meeting on March 13, 2023.

3. Newly Issued or Revised Standards and Interpretations

(1) Impact of adopting newly issued or revised standards and interpretations endorsed by the Financial Supervisory Commission (FSC)

The Company has adopted the newly amended International Financial Reporting Standards (IFRSs) below since January 1, 2022. The adoption of these IFRSs does not have a significant impact on the parent company only financial statements.

- Amendments to International Accounting Standards (IAS) 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(2) Impact of not yet adopting IFRSs endorsed by the FSC

Possible impact of newly amended IFRSs which will take effect for annual periods beginning on January 1, 2023 is as follows:

C. Amendments to IAS 1 “Disclosure of Accounting Policies”

Key amendments include:

- Entities shall disclose their material accounting policies instead of their significant accounting policies;
- Accounting policies associated with immaterial transactions and other events or conditions are considered immaterial and are not required to be disclosed; and
- Not all accounting policies associated with material transactions and other events or conditions are material to the Company’s financial statements.

The Company is currently assessing and reviewing its account policies to be disclosed in the financial statements in order to comply with the amendments.

D. Others

The newly amended standards below are not expected to have a significant impact on the parent company only financial statements.

- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

(3) Newly issued or revised standards and interpretations not yet endorsed by the FSC

The Company expects the newly issued or amended standards below, which have yet to be endorsed by the FSC, would not have a significant impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 16 “Rules for Sale and Leaseback Transactions”

4. Summary of Significant Accounting Policies

Significant account policies adopted for the preparation of the parent company only financial statements are summarized below. Unless otherwise stated, the following accounting policies have been applied consistently throughout periods covered by the parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Basis of measurement

Except for major balance sheet items set out below, the parent company only financial statements have been prepared on a historical cost basis:

- (c) Financial assets at fair value through profit or loss which are measured at fair value, and
- (d) Net defined benefit assets which are measured at the fair value of the pension fund assets less the present value of the defined benefit obligations.

B. Functional currency and presentation currency

Functional currency of the Company is the currency used by the principal economic environment in which it operates. The parent company only financial statements are presented in the Company’s functional currency, New Taiwan Dollar. Figures expressed in New Taiwan Dollar are shown in thousands of New Taiwan Dollars.

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are initially recognized at the rates of exchange prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair

value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the translation are recognized in profit or loss, except for the following circumstances where they are recognized in other comprehensive income:

- (a) Equity instruments designated as at fair value through other comprehensive income;
- (b) Financial liabilities designated as hedges of net investments in a foreign operation where the hedges are effective; or
- (c) Qualifying cash flow hedges where the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill arising from the acquisition and fair value adjustments, are translated into New Taiwan Dollars using the rates prevailing at the reporting date, and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income.

When the disposal of a foreign operation results in a loss of control, joint control or significant influence, the cumulative exchange differences associated with the foreign operation is reclassified to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative exchange differences is re-attributed to the non-controlling interests. In the partial disposal of an associate or a joint venture that includes a foreign operation, the proportionate share of the cumulative exchange differences is reclassified to profit or loss.

For monetary receivables or payables of a foreign operation without a settlement plan and are not likely to be settled in the foreseeable future, the foreign exchange gains or losses are deemed as a part of the net investment in the foreign operation and recognized in other comprehensive income

(4) Classification of current and non-current assets and liabilities

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- E. the Company expects to settle the liability in its normal operating cycle;
- F. the Company holds the liability primarily for the purpose of trading;
- G. the liability is due to be settled within twelve months after the reporting period; or

- H. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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 which meet the aforementioned definitions and are held to fulfill short-term cash commitments instead of for investment or other purposes are recognized as cash equivalents.

(6) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the instruments. Financial assets (except for accounts receivables without a significant financing component) or financial liabilities are initially measured at fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Accounts receivables without a significant financing component are initially recognized at transaction prices.

A. Financial assets

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

On initial recognition, financial assets are classified as measured at amortized cost or at fair value through profit or loss. Only when the Company changes the business model for managing the financial assets would financial assets affected be reclassified on the first day of the reporting period following the change.

(a) Financial assets at amortized cost

Financial assets which satisfy conditions below and are not designated as at fair value through profit or loss are measured at amortized cost:

- the objective of the business model for holding the financial asset is to collect its contractual cash flows, and
- cash flows generated on specified dates pursuant to the contractual terms are solely payments of principal and interest on the outstanding principal.

Such assets are subsequently measured at amortized cost, which is the amount initially recognized plus or minus the cumulative amortization calculated using the effective interest method, and adjusted for loss allowance, if any. Interest income, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Upon derecognition, the gains or losses are recognized in profit or loss.

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

Financial assets not measured at amortized cost nor at fair value through other comprehensive income are presented as financial assets at fair value

through profit or loss, which include derivative financial assets. On initial recognition, the Company may irrevocably designate financial assets which satisfy the conditions to be measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Those financial assets are subsequently measured at fair value and the gains or losses arising (including dividends or interests received on such financial assets) are recognized in profit or loss.

Financial assets held for trading and ones managed and assessed for performance on fair value basis are measured at fair value through profit or loss.

(c) Impairment of financial assets

The Company recognizes loss allowance for financial assets at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivables, other receivables (including related parties) and refundable deposits) at an amount equal to expected credit losses.

Loss allowance of the following assets is measured at an amount equal to 12-month expected credit losses while all other assets are measured at an amount equal to lifetime expected credit losses:

- Debt securities determined to have low credit risk at the reporting date; and
- Other debt securities and bank deposits whose credit risk (i.e., the risk of default during the expected life of financial instruments) has not increased significantly since initial recognition.

For accounts receivables, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses refer to expected credit losses arising from all possible default events during the expected life of financial instruments.

12-month expected credit loss refers to expected credit losses arising from possible default events of financial instruments during the 12-month period (or a shorter period if the expected life of the financial instruments is less than 12 months) after the reporting date.

The maximum period for the measurement of expected credit loss is the longest contract term where the Company is exposed to credit risk.

When determining whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information (i.e., information obtained without undue cost or effort), including qualitative and quantitative information, and performs analysis based on the Company's past experience, credit assessment and forward-looking information.

For time deposits, the Company deals only with financial institutions that are rated the equivalent of investment grade or higher. Thus, the Company is deemed to have low credit risk.

Where the contractual payments have become overdue or the debtors are not likely to fulfill their obligations and make the payments in full, the credit risks of such financial assets are considered to have increased significantly or a default has occurred.

Expected credit loss is the probability-weighted estimate of credit losses during the expected life of financial instruments. Credit losses are measured as the present value of all cash shortfalls, i.e., the difference between the contractual cash flows and the cash flows the Company expects to receive.

The Company assesses whether financial assets at amortized cost are credit-impaired at each reporting date. When one or more events with adverse impact on the estimated future cash flows of financial assets have occurred, the financial assets are deemed as credit-impaired. Evidence of financial assets with credit impairment includes the following observable data:

- The borrower or the issuer has suffered significant financial difficulties;
- A breach of contract, such as delinquencies or past due for over one year;
- Concessions that would not otherwise have been given by the Company due to economic or contractual reasons relating to the financial difficulties of borrower;
- The borrower is likely to declare bankruptcy or engage in other financial reorganization activities; or
- The disappearance of an active market for the financial assets due to financial difficulties

When the recovery of financial assets cannot be reasonably expected, the Company directly writes off the gross carrying amount of such financial assets in part or in full, depending on the circumstance. The Company assesses the timing and amount of the individual write-off based on whether a recovery can be reasonably expected. The Company does not expect a significant reversal of the amount written off. However, financial assets written off can still be subject to enforcement activities in order to comply with the Company's recovery procedures for overdue receivables.

(d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the asset have expired, or the Company has transferred the financial asset as well as substantially all the risks and rewards associated with the ownership of the asset, or the Company has not transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control over the asset.

When the Company engages in a transfer of financial asset, if it has retained substantially all the risks and rewards of the asset transferred, the asset would continue to be recognized on the balance sheets.

B. Financial liabilities and equity instruments

(a) Classification of liability and equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

(b) Equity instruments

Equity instruments are contracts that represent residual interests after the Company deducts all of its liabilities from its assets. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

(c) Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss. Financial liabilities held for trading, derivative instruments and financial liabilities designated as at fair value through profit or loss upon initial recognition are classified as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value with related gains or losses, including interest expenses, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Upon derecognition, all gains and losses are also recognized in profit or loss.

(d) Derecognition of financial liabilities

Financial liabilities are derecognized when the obligations of the liabilities are discharged, cancelled or expired. Financial liabilities are also derecognized when their terms are modified and the cash flows as a result of the modification are significantly different from the original cash flows. New financial liabilities would be recognized at fair value based on the modified terms.

Upon derecognition, the difference between the carrying amount and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset with the net amount presented on the balance sheets only when the Company has a current and legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(7) Inventories

Inventories are valued at the lower of cost or net realizable value. Costs include expenses incurred for acquiring the inventories, production or process costs, and other costs incurred for bringing them to their present location and condition. Costs are calculated using the weighted average model. The costs of finished goods and work in progress include manufacturing overheads allocated based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

(8) Investment in subsidiaries

For the preparation of parent company only financial statements, investees controlled by the Company are accounted for using the equity method. Under the equity method, profit or loss and other comprehensive income in the parent company only financial statements are the same as profit or loss and other comprehensive income attributable to owners of the parent company in the consolidated financial statements. Also, shareholders' equity in the parent company only financial statements is the same as equity attributable to owners of the parent company in the consolidated financial statements.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions.

(9) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment are stated at cost (including capitalized borrowing costs), net of accumulated depreciation and accumulated impairment, if any.

Significant parts of property, plant and equipment with different useful lives are accounted for as a separate item (main component) of the property, plant and equipment.

Gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

B. Subsequent costs

Expenditures incurred after initial recognition are capitalized only when future economic benefits associated are likely to flow to the Company.

C. Depreciation

Depreciation is calculated by deducting the residual value of the asset from its cost and recognized in profit or loss on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives for the current and comparative periods are as follows:

(a) Buildings	2~50 years
(b) Machinery and equipment	2~15 years
(c) Transportation equipment	5~8 years
(d) Office equipment	2~7 years
(e) Miscellaneous equipment	2~10 years

The depreciation methods, useful lives and residual values of property, plant and equipment are reviewed on each reporting date with necessary adjustments.

(10) Leases

On the dates the contracts are established, the Company assesses whether the contracts are (or contain) leases. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as (or contains) a lease.

The Company being a lessee

On the commencement date, the Company recognizes right-of-use assets and lease liabilities for all leases. The right-of-use assets are initially measured at cost which includes the initial measurement amount of lease liabilities, adjusted for lease payments

made on or before the commencement date, initial direct costs incurred by the lessee, and estimated costs for the lessee to dismantle and remove the underlying asset and restore its original location or to restore the underlying asset to the conditions required by the lease terms and conditions, less any lease incentives received.

The right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date to the end of underlying assets' useful lives or the end of lease terms, whichever is earlier. In addition, the Company regularly assesses the right-of-use assets for impairment and accounts for impairment loss incurred. When the lease liabilities are remeasured, the right-of-use assets are adjusted accordingly.

On the commencement date, the Company measures lease liabilities by the present value of outstanding lease payments. If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the incremental borrowing rate of the Company would be used. In general, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities are as follows:

- A. Fixed payments, including in-substance fixed payments;
- B. Variable lease payments that are determined by an index or a rate and the initial measurement adopts the index or rate as at the commencement date;
- C. Amounts expected to be paid under residual value guarantees; and
- D. The exercise price of a purchase option if the Company is reasonably certain to exercise the option or the penalties to be paid when it is reasonably certain that the lessee will exercise the option to terminate the lease.

After the commencement date, lease liabilities are measured using the effective interest method and remeasured when one of the following situations occurs:

- A. Changes in the index or rate used to determine the lease payments resulting in changes in future lease payments;
- B. Changes in the amount expected to be paid under residual value guarantees;
- C. Changes in the evaluation of purchase options;
- D. Changes in the assessments on whether the extension or termination option will be exercised, which lead to changes in the assessment of lease period;
- E. Changes in the assets, scope or other terms of the lease.

When the lease liabilities are remeasured due to changes in the index or rate used to determine the lease payments, amount of residual value guarantees, and assessment on purchase, extension or termination option as stated above, corresponding adjustments shall be made to the carrying amount of the right-of-use assets, or in profit and loss if the carrying amount of the right-of-use assets has been reduced to zero.

As for lease modifications which narrow the lease scope, the carrying amount of the right-of-use assets would be reduced to reflect the partial or full termination of leases and the differences between the decrease in the right-of-use assets and the remeasurement of lease liabilities are recognized in profit or loss.

The Company presents the right-of-use assets which do not qualified as an investment property and lease liabilities as separate line items on the balance sheets.

For contracts that contain lease and non-lease components, the Company allocates the consideration in the contracts to individual lease component on the basis of the relative

stand-alone price. However, for the leases of land and buildings, the Company elects not to distinguish the non-lease component and accounts for both lease and non-lease components as a single lease component.

For short-term leases or leases of low value assets such as the leases for meeting rooms, warehouses and other equipment, the Company elects not to recognize the right-of-use assets and lease liabilities. Instead, it adopts the straight-line basis to recognize the lease payments associated with those leases as expenses during the lease terms.

(11) Intangible assets

A. Recognition and measurement

Other than goodwill, intangible assets with finite useful lives are measured at cost, net of accumulated amortization and accumulated impairment.

B. Subsequent expenditures

Expenditures incurred after initial recognition are capitalized only when they can increase the future economic benefits of a particular asset. All other expenses are recognized in profit or loss as incurred, including internally generated goodwill and brands.

C. Amortization

Intangible assets of the Company are costs for computer software acquisition. Amortization is calculated by deducting the residual value of the assets from cost and recognized in profit or loss on a straight-line basis over the estimated useful lives (2 to 6 years) of the assets from the date the assets are available for use.

The amortization methods, useful lives and residual values of intangible assets are reviewed by the Company on each reporting date with necessary adjustments.

(12) Impairment of non-financial assets

The Company assesses the carrying amount of its non-financial assets (other than inventories and deferred income tax assets) to determine whether there is any indication of impairment on each reporting date. If any such indication exists, the Company would estimate the recoverable amount of the assets.

For the purpose of impairment testing, assets are grouped into the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows of other assets or groups of assets.

The recoverable amount is the higher of the fair value net of costs of disposal or value in use of the asset or cash-generating unit (CGU). When assessing the value in use, estimated future cash flows are discounted to their present value by a pre-tax discount rate, which shall reflect the current market assessments on the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized when the recoverable amount of an asset or a CGU is lower than its carrying amount.

Impairment losses are recognized immediately in profit or loss. They are allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

For non-financial asset other than goodwill, the reversal of previously recognized impairment loss is limited so that the carrying amount of the asset does not exceed the

carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

(13) Revenue recognition

Revenue from contracts with customers

Revenues are measured by the considerations the Company expects to be entitled to in exchange for goods or services transferred to the customers. The Company recognizes revenues when it satisfies performance obligations by transferring the control over the goods or services to the customers. Details on main revenue items are set out below:

A. Sale of goods

The Company manufactures and sells a variety of probiotic supplements. It recognizes revenue when the control over the products has been transferred, i.e., when the products are delivered to customers and the customers have full control over the channels and prices for selling the products. Also, there is no unfulfilled obligations which may affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to specific locations, the risks of obsolescence and loss have been transferred to customers and the customer has accepted the products in accordance with the sales contracts, or the acceptance provisions have lapsed, or the Company has objective evidence that all acceptance criteria have been satisfied.

The Company often offers sales allowances and discounts to customers based on the cumulative sales volume over a 12-month period. The Company recognizes revenue based on the contract prices, net of estimated allowances and discounts. Sales allowances and discounts are estimated by the expected value method based on past experience, and revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur. As of the reporting date, refund liabilities are recognized for the amounts expected to be paid to customers due to allowances and discounts in relation to sales made. The average collection terms for sales are set between 30 to 180 days, which are consistent with the industry practices; thus, financing elements are not included.

The Company recognizes accounts receivable when products are delivered as the Company then has an unconditional right to collect the considerations.

B. Financing component

The Company expects the time between transferring goods and services to customers for contracts with customers and receiving payments for such goods and services to be less than one year. Thus, the Company does not adjust the transaction prices for the time value of money.

(14) Employee benefits

A. Defined contribution plans

Obligations for contributions to the defined contribution plans are recognized as an expense when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

B. Defined benefit plans

The Company's net obligations in respect of defined benefit plans are calculated separately for each of the plan by discounting the amounts of future benefits earned by employees in the current or prior periods, net of the fair value of any plan assets.

Defined benefit obligations are calculated by qualified actuaries annually using the projected unit credit method. When the outcome may be beneficial to the Company, the asset recognized is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plans. When calculating the present value of economic benefits, the minimum funding requirements shall be considered.

Remeasurements of the net defined benefit liabilities, which include actuarial gains and losses, the return on plan assets (excluding interest) and changes to the effect of the asset ceiling (excluding interest), are recognized immediately in other comprehensive income and accumulated in retained earnings. The Company determines the net interest expense (income) of the net defined benefit liabilities (assets) by using the net defined benefit liabilities (assets) and discount rate at the beginning of the annual period. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When plans are amended or curtailed, the resulting changes in benefits that relate to past service costs or the gains or losses on curtailment are recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of defined benefit plans when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed when services provided. Liabilities are recognized if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee and the obligation can be estimated reliably.

(15) Share-based payment transactions

The fair value of equity settled share-based payment arrangements as of the grant date is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards satisfying the service and non-market vesting conditions. The amount ultimately recognized is based on the number of awards which meet the service and non-market vesting conditions on the vesting date.

As for the non-vesting conditions of share-based payment awards, they are reflected in the fair value measurement of the share-based payment on the grant date and no true-up is required for the differences between expected and actual outcomes.

The grant date of the Company's share-based payments is the date when the Company and its employees have reached a consensus on the subscription price and the number of shares for the subscription.

(16) Income tax

Income tax includes both current income tax and deferred income tax, which shall be recognized in profit or loss except for ones associated with business combinations or items recognized directly in equity or other comprehensive income.

Current income tax includes the expected tax payables or receivables calculated on the taxable profits (losses) for the year and any adjustment to the tax payables or receivables of prior years. The amount of current income tax payables or receivables are the best estimates of the amount expected to be paid or received based on the tax rates that have been enacted or substantively enacted as of the reporting date.

Deferred income tax is the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases at the reporting date.

Deferred income tax is recognized for all taxable temporary differences, except:

- A. Where the taxable temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- B. Where the taxable temporary differences are associated with investments in subsidiaries, associates and joint ventures and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future; and
- C. Where the taxable temporary differences arise from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized. The reductions may be reversed when it has become probable that there may be sufficient taxable profit available.

Deferred income tax is measured at tax rates that are expected to be applied to the reversal of temporary differences based on tax rates enacted or substantively enacted as of the reporting date.

Deferred income tax assets and liabilities are offset only when the following conditions are met:

- A. A legally enforceable right exists to set off current income tax assets against current income tax liabilities, and
- B. The deferred income tax assets and the deferred income tax liabilities relate to income tax levied by the same taxation authority on either:
 - (a) The same taxable entity; or
 - (b) Different taxable entities which intend to settle current income tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period where significant amounts of deferred income tax assets or liabilities are expected to be recovered or settled, respectively.

(17) Earnings per share

The Company discloses the Company's basic and diluted earnings per share for ordinary shareholders. Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted-average number

of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, including share options granted to employees and employee compensation which may be distributed in the form of share.

(18) Operating segments

The Company has disclosed information pertaining to operating segments in the consolidated financial statements. Thus, such information is not disclosed in the parent company only financial statements.

5. Significant Accounting Judgments and Major Sources of Estimation and Uncertainty

The preparation of the parent company only financial statements requires management to make judgments, estimates and assumptions which would affect the adoption of accounting policies as well as the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from the estimates.

Management continues to review the estimates and fundamental assumptions. Changes in accounting estimates are recognized in the period of change as well as future periods which are affected.

The Company may face economic uncertainties due to Covid-19, natural disasters, the *Russo-Ukrainian War and inflation. Such events may have significant impact on the Company's accounting* estimates listed below as these estimates involve future projections.

Accounting policies which involve significant judgement and have significant effect on amounts recognized in the parent company only financial statements are ones associated with the determination of lease term.

When determining the lease term, it shall be the non-cancellable period together with periods covered by an option to extend the lease where the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the lessee is reasonably certain not to exercise that option. When the Company assesses whether the lessee would exercise the aforementioned options, it would consider all relevant facts and circumstances which would generate economic incentives to the lessee. The lease term is reassessed when a significant event or a significant change in circumstances occurs, that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an option or not to exercise an option after the commencement date. Changes in the assessment of lease term would lead to remeasurement of lease liabilities and adjustments to the right-of-use assets. Please refer to Note 6(9) and (12) for details.

Assumptions and estimation uncertainties which have significant risks of resulting in material adjustments to the carrying amounts of assets in the following financial year and are updated to reflect the impact of Covid-19 pandemic are set out below.

(1) Inventory valuation

As inventories are valued at the lower of cost or net realizable value, the Company assesses the value of inventories for normal loss, obsolescence and unavailability of market prices on the reporting date and writes down the cost of inventories to net realizable value. Inventory assessment is mainly based on future product demand within a specific time horizon. Thus, significant changes may arise due to market demand and shelf life. Please refer to Note 6(5) for details on inventory evaluation.

(2) Assessment on impairment of subsidiaries' long-term non-financial assets

During the assessment on asset impairment, the Company shall rely on subjective judgment and determine the recoverable amount of specific asset group based on the use pattern and industry characteristics. Changes in estimates due to changes in economic status and corporate strategies may lead to significant impairment loss in the future. Please refer to Note 6(7) for the assessment method and key assumptions applied for the recoverable amount of the subsidiaries' long-term non-financial assets.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 1,051	\$ 854
Checking and demand deposits	78,416	111,624
Cash and cash equivalents on the statements of cash flows	\$ 79,467	\$ 112,478

Please refer to Note 6(21) for disclosures on foreign currency risk and sensitivity analysis of the Company's financial assets.

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

	December 31, 2022	December 31, 2021
Financial assets mandatorily at fair value through profit or loss - non-current		
Shares listed on Taipei Exchange (TPEX)	\$ 26,520	\$ 34,680

Please refer to Note 6(20) for remeasurements at fair value recognized in profit or loss.

Please refer to Note 6(21) for market risk information.

The aforementioned financial assets were not pledged.

(3) Financial assets at amortized cost

	December 31, 2022	December 31, 2021
Time deposits with maturities of more than three months	\$ 267,256	\$ 251,776

Upon assessment, such assets are held to collect its contractual cash flows at maturity and the cash flows generated are solely payments of principal and interest on the outstanding principal. Thus, they are recognized as financial assets at amortized cost.

Please refer to Note 6(21) for credit risk information.

The aforementioned financial assets were not pledged.

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable - from operation	\$ 7,293	\$ 8,767
Accounts receivable - at amortized cost	45,024	49,018
Less: Loss allowance	(1,959)	(3,772)
	\$ 50,358	\$ 54,013

The Company adopts the simplified approach for the estimation of expected credit losses for all notes and accounts receivables, i.e., the use of lifetime expected credit loss. For measurement purpose, notes and accounts receivables are grouped based on their common credit risk characteristics which represent the customers' abilities to meet all payment obligations according to the contracts. Forward-looking information has been taken into consideration.

Analysis on the expected credit losses of notes and accounts receivables from customers in the manufacturing industry was as follows:

	December 31, 2022		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 25,509	0%~0.54%	\$ 128
1 to 30 days	7,795	6.12%	477
31 to 60 days	4,779	11.28%	539
61 to 90 days	29	44.44%	12
91 to 120 days	-	70.85%	-
Over 121 days	40	100%	40
	\$ 38,152		\$ 1,196

	December 31, 2021		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 33,735	0%~0.27%	\$ 86
1 to 30 days	1,136	0.81%	9
31 to 60 days	5,783	11.86%	686
61 to 90 days	85	40.08%	34
91 to 120 days	-	67.29%	-
Over 121 days	193	100%	193
	\$ 40,932		\$ 1,008

Analysis on the expected credit losses of notes and accounts receivables from customers in the retailing industry was as follows:

	December 31, 2022		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 11,571	0%~0.21%	\$ 13
1 to 90 days	1,981	1.60%	32
Over 91 days	613	100%	613
	\$ 14,165		\$ 658

	December 31, 2021		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 13,768	0%~0.29%	\$ 22
1 to 90 days	2,446	2.18%	54
Over 91 days	639	100%	639
	\$ 16,853		\$ 715

Movements in the loss allowances of notes and accounts receivables were as follows:

	Years Ended December 31	
	2022	2021
Beginning balance	\$ 3,772	\$ 732
Impairment loss (reversed) recognized	(1,788)	3,298
Write off	(25)	(258)
Ending balance	\$ 1,959	\$ 3,772

The aforementioned financial assets were not discounted nor pledged as collateral.

(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 22,164	\$ 14,934
Work in progress	10,838	8,786
Finished goods	11,237	9,431
	\$ 44,239	\$ 33,151

Details of the Company's operating costs were as follows:

	Years Ended December 31	
	2022	2021
Transfers from inventories sold	\$ 110,107	\$ 129,774
Gain on reversal of inventory valuation loss	(1,815)	(3,347)
Unallocated manufacturing overhead	1,895	1,501
Inventory losses from obsolescence	487	833
Gain on physical inventory	(147)	(158)
Total	\$ 110,527	\$ 128,603

The Company's inventories were not pledged.

(6) Non-current assets held for sale

The Company entered into a real estate sales contract with a non-related party on September 22, 2021 to sell the land and ancillary buildings at the Jioujie Section, Pingtung City (originally recognized as investment property) for NT\$21,981 thousand. Thus, relevant assets were reclassified from investment property to non-current assets held for sale, net of NT\$18,200 thousand in the third quarter of 2021. The transfer of ownership was completed in the fourth quarter of 2021 and the gain on disposal of non-current assets held for sale of NT\$3,781 thousand was recognized under other gains and losses of non-operating income and expenses.

(7) Investments accounted for using the equity method

The Company's investments accounted for using the equity method as at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 826,724	\$ 838,356

A. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022 for details.

B. Collateral

The Company's investments accounted for using the equity method were not pledged as collateral as of December 31, 2022 and 2021.

C. Assessment on impairment of long-term non-financial assets

The Company performed impairment testing on December 31, 2022 as there was indication of impairment. As the recoverable amount of property, plant and equipment and right-of-use assets of subsidiaries within the CGUs were higher than their carrying amount, impairment loss was not recognized.

As for key assumptions in the estimation of recoverable amount, the discount rate was based on the weighted-average cost of capital of the industry and it was 7.56% for 2022. Cash flow estimates were based on the 10-year financial budget approved by the management. Figures used in the key assumptions represented the management's evaluation of future trends in the industry while taking into account historical data from both internal and external sources.

(8) Property, plant and equipment

Movements in the costs and accumulated depreciation of the Company's property, plant and equipment for the years ended December 31, 2022 and 2021 were as follows:

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Unfinished Construction and Equipment Awaiting Acceptance	Total	
Costs:								
Balance as of January 1, 2022	\$ 168,740	\$ 211,230	\$ 3,448	\$ 3,781	\$ 11,215	\$ 307	\$ 398,721	
Additions	3,272	1,049	-	120	310	7,694	12,445	
Disposals	(1,240)	(1,074)	(498)	(591)	(434)	(307)	(4,144)	
Reclassification						11,539		
	-	-	-	-			11,539	(Note)
Balance as of December 31, 2022	\$ 170,772	\$ 211,205	\$ 2,950	\$ 3,310	\$ 11,091	\$ 19,233	\$ 418,561	
Balance as of January 1, 2021	\$ 168,407	\$ 210,627	\$ 3,448	\$ 3,842	\$ 11,285	\$ 307	\$ 397,916	
Additions	333	2,427	-	-	-	-	2,760	
Disposals	-	(2,070)	-	(61)	(70)	-	(2,201)	
Reclassification	-	246	-	-	-	-	246	(Note)
Balance as of December 31, 2021	\$ 168,740	\$ 211,230	\$ 3,448	\$ 3,781	\$ 11,215	\$ 307	\$ 398,721	

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Unfinished Construction and Equipment Awaiting Acceptance	Total	
Accumulated depreciation:								
Balance as of January 1, 2022	\$ 106,044	\$ 154,797	\$ 2,311	\$ 3,664	\$ 10,255	\$ -	\$ 277,071	
Depreciation	4,311	10,982	185	44	457	-	15,979	
Disposals	(1,240)	(1,074)	(498)	(591)	(434)	-	(3,837)	
Balance as of December 31, 2022	\$ 109,115	\$ 164,705	\$ 1,998	\$ 3,117	\$ 10,278	\$ -	\$ 289,213	
Balance as of January 1, 2021	\$ 101,405	\$ 145,526	\$ 2,125	\$ 3,685	\$ 9,770	\$ -	\$ 262,511	
Depreciation	4,639	11,298	186	40	555	-	16,718	
Disposals	-	(2,027)	-	(61)	(70)	-	(2,158)	
Balance as of December 31, 2021	\$ 106,044	\$ 154,797	\$ 2,311	\$ 3,664	\$ 10,255	\$ -	\$ 277,071	
Carrying amount:								
December 31, 2022	\$ 61,657	\$ 46,500	\$ 952	\$ 193	\$ 813	\$ 19,233	\$ 129,348	
December 31, 2021	\$ 62,696	\$ 56,433	\$ 1,137	\$ 117	\$ 960	\$ 307	\$ 121,650	
January 1, 2021	\$ 67,002	\$ 65,101	\$ 1,323	\$ 157	\$ 1,515	\$ 307	\$ 135,405	

Note: Transferred in from prepayments for equipment.

Please refer to Note 8 for details on property, plant and equipment pledged as collateral.

(9) Right-of-use assets

Movements in the costs and accumulated depreciation of land and buildings leased by the Company were as follows:

	Land	Buildings	Total
Costs of right-of-use assets			
Balance as of January 1, 2022	\$ 34,861	\$ 3,333	\$ 38,194
Variable lease payments	3,242	-	3,242
Balance as of December 31, 2022	\$ 38,103	\$ 3,333	\$ 41,436
Balance as of December 31, 2021 (i.e., the beginning balance)	\$ 34,861	\$ 3,333	38,194
Balance as of January 1, 2022	\$ 4,697	\$ 2,196	\$ 6,893
Depreciation	924	759	1,683
Balance as of December 31, 2022	\$ 5,621	\$ 2,955	\$ 8,576
Balance as of January 1, 2021	\$ 3,110	\$ 1,438	\$ 4,548
Depreciation	1,587	758	2,345
Balance as of December 31, 2021	\$ 4,697	\$ 2,196	\$ 6,893
Carrying amount:			
December 31, 2022	\$ 32,482	\$ 378	\$ 32,860
December 31, 2021	\$ 30,164	\$ 1,137	\$ 31,301
January 1, 2021	\$ 31,751	\$ 1,895	\$ 33,646
(10) Short-term borrowings			
	December 31, 2022	December 31, 2021	
Unused line of credit	\$ 50,000	\$ 50,000	

(11) Refund liabilities

	December 31, 2022	December 31, 2021
Refund liabilities - current	\$ 11,503	\$ 9,983

Refund liabilities are recognized for the amounts expected to be paid to customers due to returns as well as allowances and discounts in relation to sales made. Based on past records of sales returns as well as allowances and discounts, the Company expects such liabilities to take place mainly in the year of sales or the following year.

(12) Lease liabilities

Carrying amount of lease liabilities was as follows:

	December 31, 2022	December 31, 2021
Current	\$ 1,060	\$ 2,112
Non-current	\$ 33,485	\$ 30,621

Please refer to Note 6(21) Financial instruments for maturity analysis.

Amounts recognized in profit or loss were as follows:

	Years Ended December 31 2022	2021
Interest expense of lease liabilities	\$ 755	\$ 766
Expenses relating to short-term leases or leases of low value assets	\$ 461	\$ 404

Amounts recognized in statements of cash flows were as follows:

	Years Ended December 31 2022	2021
Total cash outflows of leases	\$ 2,646	\$ 2,767

A. Leases of land and buildings

The Company leases land and building for offices, factories and warehouses. Lease terms range between one to forty years. Some leases contain the option to extend the lease term. When the Company is not reasonably certain that it would exercise the option to extend the lease term, payments associated with the extension period covered by the option would not be included in the lease liabilities.

B. Other leases

The Company leases meeting rooms, other equipment and some warehouses with a term of less than one year. Such leases are classified as short-term leases or leases of low value assets. The Company elects to adopt the exemption rule and not to recognize relevant right-of-use assets and lease liabilities.

(13) Employment benefits

A. Defined benefit plan

The reconciliation of the present value of the defined benefit obligations and the net defined benefit assets of the Company was as follows:

December 31, 2022	December 31, 2021
------------------------------	------------------------------

Present value of defined benefit obligations	\$ 2,835	\$ 2,918
Fair value of plan assets	(10,153)	(9,364)
Net defined benefit assets	\$ (7,318)	\$ (6,446)

For the defined benefit plan, the Company makes contributions to the pension fund deposited with the Bank of Taiwan. Pursuant to the Labor Standards Act, pension benefits are calculated based on the number of units earned during the years of service and the average monthly salaries of the six months before retirement.

Contributions deposited by the Company in the pension fund account with the Bank of Taiwan have been sufficient for a suspension of contributions. Pursuant to the “Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds”, the Company has been approved by the pension fund supervisory committee to suspend the contributions from July 1, 2022 to June 30, 2023 on June 17, 2022 and has obtained the approval letter from the Southern Taiwan Science Park Bureau on June 23, 2022.

(a) Composition of plan assets

The pension fund under the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”). According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, the minimum earnings from the fund are guaranteed to be no less than the earnings attainable from local banks’ two-year time deposits.

As of December 31, 2022 and 2021, the balances of the Company’s pension fund accounts with the Bank of Taiwan amounted to NT\$10,153 thousand and NT\$9,364 thousand, respectively. Information concerning the use of funds, including the fund yields and asset allocation, is available at the Bureau’s official website.

(b) Movements in the present value of defined benefit obligations

Movements in the present value of the Company’s defined benefit obligations were as follows:

	Years Ended December 31	
	2022	2021
Defined benefit obligations as of January 1	\$ 2,918	\$ 3,295
Benefits paid by the plan	-	(364)
Current service costs and interests	19	14
Remeasurement of net defined benefit assets	(102)	(27)
Defined benefit obligations as of December 31	\$ 2,835	\$ 2,918

- (c) Movements in the fair value of plan assets
Movements in the fair value of the Company's defined benefit plan assets were as follows:

	Years Ended December 31	
	2022	2021
Fair value of plan assets as of January 1	\$ 9,364	\$ 9,534
Interest income	65	38
Benefits paid	-	(364)
Remeasurement of net defined benefit assets	724	156
Fair value of plan assets as of December 31	\$ 10,153	\$ 9,364

- (d) Expenses recognized in profit or loss
Details of deductions in expenses for the years ended December 31, 2022 and 2021 were as follows:

	Years Ended December 31	
	2022	2021
Net interests on net defined benefit assets	\$ (46)	\$ (24)
Deductions in general and administrative expense	\$ (46)	\$ (24)

- (e) Actuarial assumptions
Principal actuarial assumptions used in determining the present value of the defined benefit obligations as at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.40%	0.70%
Expected rate of salary increases	2.00%	2.00%

The Company's contributions to the defined benefit plan within one year after the reporting date of 2022 amounted to NT\$0 thousand. The weighted-average duration of defined benefit plan was 12 years.

- (f) Sensitivity analysis
The impact of movements in the principal actuarial assumptions on the present value of the defined benefit obligations as of December 31, 2022 and 2021 was as follows:

	Impact on Defined Benefit Obligation	
	0.25% Increase	0.25% Decrease
December 31, 2022		
Discount rate	\$ (78)	\$ 81
Expected rate of salary increases	73	(71)
December 31, 2021		
Discount rate	(87)	91
Expected rate of salary increases	82	(79)

The sensitivity analysis above was based on the impact of changes in a single assumption while all other assumptions remain constant. In practice, it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method adopted for

the sensitivity analysis is consistent with the calculation of net defined benefit assets on the balance sheets.

The method and assumptions adopted for the preparation of sensitivity analysis in the current period were the same as the ones for the prior period.

B. Defined contribution plan

For the defined contribution plan, the Company makes monthly contributions equal to 6% of each employee's monthly salary to the employees' individual pension accounts at the Bureau of Labor Insurance pursuant to the Labor Pension Act. Other than the contributions of a fixed amount to the Bureau of Labor Insurance under the plan, the Company has no legal or constructive obligations to make additional payments.

The Company's pension expenses under the defined contribution plan amounted to NT\$4,177 thousand and NT\$4,316 thousand for the years ended December 31, 2022 and 2021, respectively, which have been contributed to the Bureau of Labor Insurance.

(14) Income tax

A. Details of the Company's income tax expense were as follows:

	Years Ended December 31	
	2022	2021
Current income tax expense		
Current period	\$ 28,774	\$ 33,913
Adjustments on prior years	181	350
	<u>28,955</u>	<u>34,263</u>
Deferred income tax benefit		
Origination and reversal of temporary differences	(10,158)	(4,440)
Income tax expense	<u>\$ 18,797</u>	<u>\$ 29,823</u>

B. Income tax expense recognized in other comprehensive income was as follows:

	Years Ended December 31	
	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	<u>\$ 165</u>	<u>\$ 37</u>

C. Income tax expense recognized directly in equity amounted to NT\$0 thousand for the years ended December 31, 2022 and 2021.

D. The reconciliation of income tax expense and income before tax was as follows:

	Years Ended December 31	
	2022	2021
Income before tax	\$ 75,775	\$ 142,955
Income tax expense at the statutory rate of the Company	\$ 15,155	\$ 28,591
Dividend income	-	(68)
Unrealized loss (gain) on financial assets at fair value through profit or loss	1,632	(1,870)
Adjustments on prior years	181	350
Non-deductible expenses	1,809	2,743
Others	20	77
Income tax expense	\$ 18,797	\$ 29,823

E. Deferred income tax assets and liabilities

Movements in the deferred income tax assets and liabilities recognized by the Company were as follows:

Deferred income tax assets:

	Unrealized Investment Loss	Refund Liabilities	Inventory Loss Allowance	Others	Total
Balance as of January 1, 2022	\$ 6,783	\$ 1,997	\$ 919	\$ 2,615	\$12,314
Credit (debit) profit or loss	10,787	304	(363)	(315)	10,413
Balance as of December 31, 2022	\$17,570	\$ 2,301	\$ 556	\$ 2,300	\$22,727
Balance as of January 1, 2021	\$ 2,782	\$ 1,173	\$ 1,588	\$ 2,217	\$ 7,760
Credit (debit) profit or loss	4,001	824	(669)	398	4,554
Balance as of December 31, 2021	\$ 6,783	\$ 1,997	\$ 919	\$ 2,615	\$12,314

Deferred income tax liabilities:

	Defined Benefit Plan	Unrealized Exchange Gain	Total
Balance as of January 1, 2022	\$ 1,413	\$ 127	\$ 1,540
Debit (credit) profit or loss	8	247	255
Debit (credit) other comprehensive income	165	-	165
Balance as of December 31, 2022	\$ 1,586	\$ 374	\$ 1,960
Balance as of January 1, 2021	\$ 1,370	\$ 19	\$ 1,389
Debit (credit) profit or loss	6	108	114
Debit (credit) other comprehensive income	37	-	37
Balance as of December 31, 2021	\$ 1,413	\$ 127	\$ 1,540

(Concluded)

F. The assessment of income tax returns

As of December 31, 2022, the Company's income tax return was assessed and approved up to 2020.

(15) Share capital and other equity

As of December 31, 2022 and 2021, the authorized capital amounted to NT\$1,000,000 thousand with a par value of NT\$10 per share. The said capital was ordinary shares with 86,371 thousand shares issued.

A. Issuance of ordinary shares

The Company issued 30 thousand ordinary shares for employee share options at NT\$22.3 per share in 2021. Proceeds from shares issued of NT\$669 thousand had been collected in full. The Company recognized ordinary share capital of NT\$300 thousand and capital surplus - premium from share issuance of NT\$369 thousand. Capital surplus - employee share option reclassified to capital surplus - premium from share issuance amounted to NT\$287 thousand.

B. Capital surplus

Details of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Premium from share issuance	\$ 360,871	\$ 360,871
Employee share options	3,500	3,596
Expiring share options	11,317	11,221
	\$ 375,688	\$ 375,688

According to the Company Act, capital surplus shall first be used to offset a deficit. Next, the realized capital surplus may be distributed as stock dividends or cash dividends by the original ownership percentage of shareholders. The so-called realized capital surplus includes income derived from issuance of new shares at a premium or income from endowments received by the Company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus transferred to capital is limited to 10% of the Company's paid-in capital annually.

The Company resolved to distribute capital surplus of NT\$11,224 thousand as cash dividends (NT\$0.13 per share) in the shareholders' meeting on July 30, 2021.

C. Retained earnings

In accordance with the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit together with any undistributed earnings from the previous year shall then be resolved in the shareholders' meeting for distribution of bonus to shareholders. However, stock dividends shall not exceed 50% of the total dividends. On May 27, 2022, the shareholders' meeting resolved to authorize the board of directors to distribute dividends and bonus or the legal reserve and capital surplus, in whole or in part, in the form of cash with the consent of majority of attending directors which represents more than two-third of all directors and report such distribution to the shareholders' meeting.

(a) Legal reserve

According to the Company Act, if the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash upon a resolution of the shareholders' meeting.

(b) Special reserve

The FSC stipulates that for the distribution of distributable earnings, the Company shall set aside a special reserve equivalent to the net debit balance of other shareholders' equity from the net income of the current period plus items other than net income for the period that are included in the undistributed earnings of the period and the undistributed earnings of prior periods. For deductions to other shareholders' equity of prior periods, special reserve appropriated from the undistributed earnings of prior periods shall not be distributed. If the deductions to other shareholders' equity are reversed in later periods, the amount of the subsequent reversals may be distributed as earnings.

(c) Earnings distribution

Dividends to owners of the Company in the 2021 and 2020 earnings distribution proposals approved in the shareholders' meetings on May 27, 2022 and July 30, 2021, respectively, were as follows:

Years Ended December 31				
2021		2020		
Dividend Payout Ratio (NT\$)	Amount	Dividend Payout Ratio (NT\$)	Amount	
Dividends to ordinary shareholders:				
Cash	\$ 1.10	\$ 95,008	\$ 0.57	\$ 49,215

Cash dividends to owners of the Company in the 2022 earnings distribution proposal approved in the board of directors' meeting on March 13, 2023 were as follows:

Year Ended December 31, 2022		
Dividend Payout Ratio (NT\$)	Amount	
Dividends to ordinary shareholders:		
Cash	\$ 0.70	\$ 60,460

(d) Other equity (net of tax)

	Exchange Differences on Translation of Foreign Operations
Balance as of January 1, 2022	\$ (17,833)
Exchange differences on translation of the net assets of foreign operations	12,254
Balance as of December 31, 2022	\$ (5,579)
Balance as of January 1, 2021	\$ (11,489)
Exchange differences on translation of the net assets of foreign operations	(6,344)
Balance as of December 31, 2021	\$ (17,833)

(16) Share-based payments

Employee share options

- A. The Company formulated a compensatory employee share option plan in 2015 where compensation cost was estimated using the fair value method and the Black-Scholes Model was adopted to estimate the fair value of share options on the grant date. The number of options, exercise price, vesting conditions and assumptions were set out as follows:

Grant date	2015.10.1
Number of options granted	805,000 shares
Exercise price	The closing price of ordinary shares on the issue date of NT\$24.4 (adjusted for changes in the ordinary shares of the Company by specific formulas)
Vesting conditions	10% vested after 2 years; 50% vested after 3 years and 100% vested after 5 years
Expected price volatility	37.90%~41.78%
Risk-free rate	0.97%~1.11%
Expected term	5~6.5 years
Weighted-average fair value of NT\$8.46, NT\$8.83 and NT\$10.42 after 2, 3 share options	and 5 years, respectively

- B. Compensation costs of the aforementioned compensatory employee share option plan calculated by the fair value method amounted to NT\$0 thousand for the years ended December 31, 2022 and 2021.

C. Quantities and weighted-average exercise prices of the compensatory employee share option plan were as follows:

	Years Ended December 31			
	2022		2021	
	Weighted-average Exercise Price (NT\$)	No. of Options	Weighted-average Exercise Price (NT\$)	No. of Options
Outstanding as of January 1	21.7	360,000	22.3	445,000
Options exercised	-	-	22.3	(30,000)
Options expired	21.7	(10,000)	22.3	(55,000)
Outstanding as of December 31	20.7	<u>350,000</u>	21.7	<u>360,000</u>
Exercisable as of December 31	20.7	<u>350,000</u>	21.7	<u>360,000</u>

(17) Earnings per share (EPS)

The calculation of basic and diluted EPS was as follows:

	For shares: In thousand shares	
	Years Ended December 31	
	2022	2021
Basic EPS		
Net income attributable to ordinary shareholders of the Company	<u>\$ 56,978</u>	<u>\$ 113,132</u>
Weighted average no. of ordinary shares outstanding	<u>86,371</u>	<u>86,357</u>
Basic EPS (NT\$)	<u>\$ 0.66</u>	<u>\$ 1.31</u>
Diluted EPS		
Net income attributable to ordinary shareholders of the Company	<u>\$ 56,978</u>	<u>\$ 113,132</u>
Weighted average no. of ordinary shares outstanding	86,371	86,357
Effect of dilutive potential ordinary shares		
Employee share options	57	32
Compensation to employees	232	352
Weighted average no. of ordinary shares outstanding (diluted)	<u>86,660</u>	<u>86,741</u>
Diluted EPS (NT\$)	<u>\$ 0.66</u>	<u>\$ 1.30</u>

(18) Revenue from contracts with customers

A. Disaggregation of revenue

	Years Ended December 31	
	2022	2021
Main geographical markets		
Taiwan	\$ 211,271	\$ 188,612
Mainland China	112,572	197,549
Others	44,703	41,768
	\$ 368,546	\$ 427,929
Main products:		
Selling of functional foods	\$ 368,546	\$ 427,929

B. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivables	\$ 7,293	\$ 8,767	\$ 7,846
Accounts receivables	45,024	49,018	35,235
Less: Loss allowance	(1,959)	(3,772)	(732)
Total	\$ 50,358	\$ 54,013	\$ 42,349
	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	\$ 25,758	\$ 25,332	\$ 24,302
Refund liabilities	\$ 11,503	\$ 9,983	\$ 5,864

Please refer to Note 6(4) for disclosures on notes and accounts receivables as well as relevant impairment.

The beginning balances of contract liabilities reclassified to revenue amounted to NT\$18,233 thousand and NT\$15,647 thousand for the years ended December 31, 2022 and 2021, respectively.

Movements in contract liabilities mainly come from the timing difference between the time when the Company transfers goods or services to its customers and satisfies its performance obligations and the time when customers make the payments.

(19) Compensation to employees and remuneration to directors

Pursuant to the Company's Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall be between 2% and 10% of the balance and the remuneration to directors shall not be higher than 5% of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors.

The Company accrued NT\$4,096 thousand and NT\$7,727 thousand as compensation to employees and NT\$2,048 thousand and NT\$3,864 thousand as remuneration to directors for the years ended December 31, 2022 and 2021, respectively. The amounts accrued were calculated by multiplying the net profit before income tax, compensation to employees, and remuneration of directors of respective periods by the accrual rates

stated in the Company's Articles of Incorporation and recognized as operating costs or operating expenses for the respective years. If the actual payments in the following year differ from the accrued amounts, the difference is recognized as a change in the accounting estimate in profit or loss of the following year. For the years ended December 31, 2022 and 2021, there was no difference between the accrued amounts and the amounts approved by the board of directors. Relevant information is available at the Market Observation Post System website.

(20) Non-operating income and expenses

A. Interest income

Details of interest income of the Company were as follows:

	Years Ended December 31	
	2022	2021
Interests on bank deposits	\$ 4,583	\$ 1,626

B. Other gains and losses

Details of other gains and losses of the Company were as follows:

	Years Ended December 31	
	2022	2021
Net loss on disposal of property, plant and equipment	\$ (64)	\$ (43)
Gain on disposal of non-current assets held for sale	-	3,781
Foreign exchange gain (loss)	9,959	(1,307)
(Loss) gain on financial assets at fair value through profit or loss	(8,160)	9,350
Dividend income	-	340
Others	(1,922)	796
Total	\$ (187)	\$ 12,917

C. Finance costs

Details of finance costs of the Company were as follows:

	Years Ended December 31	
	2022	2021
Interest expense on lease liabilities	\$ (755)	\$ (766)

(21) Financial instruments

A. Credit risk

(a) Maximum exposure to credit risk

Carrying amount of financial assets represented the maximum credit risk exposure of the Company.

(b) Credit risk concentration

As the Company has a vast customer base and does not transact with any single customers in particular; thus, there is no significant credit risk concentration for accounts receivables. To lower the credit risk, the Company also regularly reviews the financial status of customers. However, customers are not required to provide collateral in general.

(c) Credit risk of receivables

Please refer to Note 6(4) for credit risk exposures of notes and account receivables as well as the provision of loss allowance.

Financial assets at amortized cost and other receivables are financial assets with low credit risk. Thus, their loss allowance equals 12-month expected credit loss. For the years ended December 31, 2022 and 2021, there was no provision nor reversal of loss allowances.

B. Liquidity risk

The table below shows the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1~2 Years	2~5 Years	Over 5 Years
December 31, 2022						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 54,589	\$ 54,589	\$ 54,589	\$ -	\$ -	\$ -
Lease liabilities	34,545	48,955	1,790	1,380	4,141	41,644
Guarantee deposits received	2,368	2,368	-	-	2,368	-
	\$ 91,502	\$ 105,912	\$ 56,379	\$ 1,380	\$ 6,509	\$ 41,644
December 31, 2021						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 50,414	\$ 50,414	\$ 50,414	\$ -	\$ -	\$ -
Lease liabilities	32,733	39,826	2,836	2,441	6,097	28,452
Guarantee deposits received	2,318	2,318	-	-	2,318	-
	\$ 85,465	\$ 92,558	\$ 53,250	\$ 2,441	\$ 8,415	\$ 28,452

The Company does not expect the cash flows in the maturity analysis would occur significantly earlier or at significantly different amounts.

C. Foreign currency risk

(a) Exposure to foreign currency risk

Details of the Company's exposure to significant foreign currency risk were as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,499	30.71	\$ 46,046	\$ 293	27.68	\$ 8,110
						(Continued)
EUR	\$ 546	32.72	\$ 17,868	\$ 437	31.32	\$ 13,687
RMB	52,805	4.408	232,762	22,018	4.345	95,668
<u>Non-monetary items</u>						

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
RMB	187,551	4.408	826,724	192,947	4.345	838,356
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	-	-	-	73	31.05	2,268
						(Concluded)

(b) Sensitivity analysis

Foreign currency risk of the Company mainly comes from cash and cash equivalents, financial assets at amortized cost, accounts receivables, other receivables - related parties and investments accounted for using the equity method denominated in foreign currencies which lead to exchange rate gains or losses upon translation. As of December 31, 2022 and 2021, for a 1% depreciation or appreciation of New Taiwan Dollar against foreign currencies (US dollar, Euro and Renminbi), while all other factors remain constant, the net income would increase or decrease by NT\$2,374 thousand and NT\$922 thousand, respectively. The analysis of both periods adopted the same basis.

(c) Foreign exchange gains or losses of monetary items

Information on the exchange rates for translating the foreign exchange gains or losses (including both realized and unrealized) of the Company's monetary items to the Company's functional currency was as follows:

	Years Ended December 31			
	2022		2021	
	Foreign Exchange Gain (Loss)	Average Exchange Rate	Foreign Exchange Gain (Loss)	Average Exchange Rate
NTD	\$ 9,959	-	\$ (1,307)	-

D. Interest rate risk

The Company was not exposed to interest rate risk as it did not have financial liabilities at floating rates.

E. Other price risk

The impact of changes in the prices of equity securities (both periods adopted the same basis and assumed other variable factors had remained constant) on the comprehensive income as of the reporting date was as follows:

Price of Securities on the Reporting Date	Years Ended December 31			
	2022		2021	
	Other		Other	
	Comprehensive e Income, Net of Tax	Net Income (Loss)	Comprehensive e Income, Net of Tax	Net Income (Loss)
3% increase	\$ -	\$ 636	\$ -	\$ 832
3% decrease	\$ -	\$ (636)	\$ -	\$ (832)

F. Fair value information

(a) Types and fair value of financial instruments

Financial assets at fair value through profit or loss were measured at fair value on a recurring basis. The carrying amounts and fair values of all types of financial assets and liabilities, including information on fair value hierarchy, were presented below. However, financial instruments not measured at fair value with carrying amounts being reasonable estimates of the fair value and lease liabilities are not required to be disclosed.

	December 31, 2022				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
TPEX-listed shares	\$ 26,520	\$ 26,520	\$ -	\$ -	\$ 26,520
Financial assets at amortized cost					
Cash and cash equivalents	\$ 79,467	\$ -	\$ -	\$ -	\$ -
Financial assets at amortized cost - current	267,256	-	-	-	-
Notes and accounts receivables	50,358	-	-	-	-
Other receivables	1,404	-	-	-	-
Other receivables - related parties	17,904	-	-	-	-
Refundable deposits	729	-	-	-	-
	\$ 417,118				
Financial liabilities at amortized cost					
Notes payables	\$ 858	\$ -	\$ -	\$ -	\$ -
Accounts payables	13,294	-	-	-	-
Other payables	40,437	-	-	-	-
Lease liabilities	34,545	-	-	-	-
Guarantee deposits received	2,368	-	-	-	-
	\$ 91,502				

	December 31, 2021				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
TPEX-listed shares	\$ 34,680	\$ 34,680	\$ -	\$ -	\$ -
Financial assets at amortized cost					
Cash and cash equivalents	\$ 112,478	\$ -	\$ -	\$ -	\$ -
Financial assets at amortized cost - current	251,776	-	-	-	-
Notes and accounts receivables	54,013	-	-	-	-
Other receivables	347	-	-	-	-
Other receivables - related parties	15,555	-	-	-	-
Refundable deposits	2,833	-	-	-	-
	\$ 437,002				
Financial liabilities at amortized cost					
Accounts payables	\$ 11,390	\$ -	\$ -	\$ -	\$ -
Other payables	39,024	-	-	-	-
Lease liabilities	32,733	-	-	-	-
Guarantee deposits received	2,318	-	-	-	-
	\$ 85,465				

The Company uses observable inputs of the market whenever possible for asset and liability measurements. The level of fair value hierarchy is determined based on the inputs used in the valuation techniques as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 inputs are not based on observable market data (i.e., unobservable inputs) for an asset or liability.

- (b) Fair value valuation techniques for financial instruments not measured at fair value

The Company's financial instruments not measured at fair value are financial assets and liabilities at amortized cost. Except for ones with short maturities or with carrying amount approximate future receipts and payments, whose fair value is estimated using the carrying amount as of the balance sheet date, the methods and assumptions for fair value evaluation were as follows:

The fair value of instruments with quoted prices from transactions or market makers is measured based on the recent transaction prices and quoted prices. If market prices are not available, the fair value is measured using the discounted cash flows.

- (c) Fair value valuation techniques for financial instruments measured at fair value
Non-derivative financial instruments

The fair value of financial instruments with quoted prices in an active market is based on the quoted prices. The market prices announced by the main exchange centers or the exchange center of central government bonds serve as the basis for the fair value of the listed equity instruments and debt instruments with quoted prices from an active market.

If the market quotes of financial instruments from the Taiwan Stock Exchange, brokers, underwriters, industrial trade unions, pricing service agencies or competent authorities can be frequently obtained on time, and the prices represent the actual and frequent transactions at arm's length, then the financial instruments are deemed to have quoted prices in an active market. If the conditions above cannot be met, the market is deemed inactive. In general, wide bid-ask spread, significant increases in bid-ask spread or extremely low trading volume are all indicators of an inactive market.

TPEX-listed shares held by the Company are financial assets with standardized terms and conditions and an active market. Their fair value is determined by market quotes.

- (d) For the years ended December 31, 2022 and 2021, there was no transfer between different levels of the fair value hierarchy.

(22) Financial risk management

A. Overview

The Company is exposed to the following risks due to its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents the Company's exposures to the risks above as well as the Company's objectives, policies and procedures of risk measurement and management. For more information on the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent company only financial statements.

B. Financial risk management structure

The board of directors takes full responsibility on setting up and monitoring the Company's risk management structure. It also instructs the chairman's office to be responsible for developing and controlling the risk management policies of the Company.

The Company's financial risk management policy aims to identify and analyze the financial risks faced by the Company, assess the impact of such risks and implement policies to avoid the risks. The policy is reviewed regularly to reflect changes in the market status and the Company's operation. Through internal controls such as training and procedures, the Company is committed to develop a disciplined and constructive control environment for all employees to understand their roles and obligations.

The Company's Audit Committee oversees how the management monitors the Company's compliance with the financial risk management policy and procedures. The Committee also reviews the adequacy of financial risk management structure pertaining to risks encountered. The internal auditors assist the Audit Committee with being in the supervisory role. These personnel perform both regular and ad hoc reviews on financial risk management controls and procedures and report the outcome to the Audit Committee.

C. Credit risk

Credit risk refers to the risk that a customer or a counterparty of financial instrument would default on its contractual obligations, resulting in financial losses to the Company. The risk mainly stems from the Company's receivables from customers and investments in securities.

(a) Accounts and other receivables

The Company's exposure to credit risk is influenced mostly by the status of individual customer. However, the management also considers the demographics of the customer base, including the default risk of the industry and country in which the customers operate, as these factors may affect credit risk.

The Company has established credit policy where each new customer is subject to credit review before it is given the standard payment and delivery terms and conditions. Reviews performed by the Company would include external ratings, if possible, and in some circumstance, bank references. Credit limits are established for each customer and reviewed regularly. Customers failing to meeting the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company has set up a loss allowance account to reflect the estimated losses incurred in respect of accounts receivables as well as investments. The main components of the allowance account are a specific loss component relating to individually significant exposures, and a collective loss component for losses incurred in similar asset groups but not yet identified. The collective loss allowance is determined based on the historical payment records of similar financial assets.

(b) Investments

The credit risk of bank deposits and other financial instruments is measured and monitored by the finance department of the Company. As the Company only deals with financial institutions and corporations with a credit rating of investment grade or above, there was no significant credit risk.

(c) Guarantees

As of December 31, 2022 and 2021, the Company did not provide financial guarantees nor endorsements.

D. Liquidity risk

Liquidity risk is the risk of the Company failing to fulfill its obligations of settling its financial liabilities by cash or other financial assets. The Company's liquidity management approach thrives to ensure that it has sufficient liquidity to pay for

liabilities when they are due under both normal and stressed circumstances to avoid unacceptable losses or the risk of damaging the Company's reputation.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, would affect the Company's income or the value of financial instruments held. The objective of market risk management is to control the market risk exposures within an acceptable range while optimizing investment returns.

(a) Foreign currency risk

The Company is exposed to foreign currency risk arising from sales and business transactions denominated in currencies other than the Company's functional currency, i.e., the New Taiwan Dollar. Such transactions are mostly denominated in USD, EUR and RMB.

(b) Interest rate risk

The Company has no interest rate risk as it did not have financial liabilities with floating interest rates.

(c) Other market price risk

Equity price risk refers to the risk of future price uncertainty of investments in TPEX-listed securities held by the Company. The Company manages the price risk of equity instruments through diversification and regular studies on the financial status of issuers.

(23) Capital management

The board of directors' policy is to maintain a sound capital base in order to sustain the confidence of investors, creditors and markets as well as future business developments. Capitals include the share capital, capital surplus and retained earnings of the Company. The board of directors oversees the return on capital and the level of dividends paid on ordinary shares.

Debt to capital ratio as of the reporting date was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 159,159	\$ 156,141
Less: Cash and cash equivalents	79,467	112,478
Net liabilities	\$ 79,692	\$ 43,663
Total equity	\$ 1,351,325	\$ 1,376,440
Debt to capital ratio	5.90%	3.17%

As of December 31, 2022, the Company did not change its capital management approach.

(24) Non-cash financing activities

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash Flows	Non-cash Movement S Others	December 31, 2022
Lease liabilities	\$ 32,733	\$ (1,430)	\$ 3,242	\$ 34,545
Guarantee deposits received	2,318	50	-	2,368
Total liabilities from financing activities	\$ 35,051	\$ (1,380)	\$ 3,242	\$ 36,913

	January 1, 2021	Cash Flows	Non-cash Movement S Others	December 31, 2021
Lease liabilities	\$ 34,330	\$ (1,597)	\$ -	\$ 32,733
Guarantee deposits received	2,318	-	-	2,318
Total liabilities from financing activities	\$ 36,648	\$ (1,597)	\$ -	\$ 35,051

7. Related Party Transactions

(1) Name and relationship of related parties

Related parties having transactions with the Company during the period covered by the parent company only financial statements were as follows:

Name	Relationship
GenMont Biotech (China) Co., Ltd. (GenMont (China))	A subsidiary of the Company

(2) Significant transactions with related parties

As of December 31, 2022 and 2021, the Company's receivables from subsidiaries for the acquisition of equipment and travel allowances amounted to NT\$17,904 thousand and NT\$15,555 thousand, respectively. These amounts were recognized under other receivables - related parties.

(3) Compensation of key management

Compensation of key management includes:

	Years Ended December 31	
	2022	2021
Short-term employee benefits	\$ 10,386	\$ 12,046
Post-employment benefits	104	95
	\$ 10,490	\$ 12,141

8. Pledged Assets

The carrying amount of assets pledged by the Company was as follows:

Asset	Purpose of Pledge	December 31, 2022	December 31, 2021
Buildings	Long-term borrowings	\$ 61,657	\$ 62,696

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

As of December 31, 2022 and 2021, the agreements for operating equipment purchases and construction engaged by the Company amounted to NT\$20,209 thousand and NT\$48,319 thousand, and the payments made were NT\$17,603 thousand and NT\$42,927 thousand, which were recognized under property, plant and equipment and prepayments for equipment, respectively.

10. Significant Disaster Loss: None.

11. Significant Subsequent Events: None.

12. Others

Employee benefits, depreciation and amortization expenses summarized by function were as follows:

Function Nature	Years Ended December 31					
	2022			2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expense						
Payroll	25,287	59,975	85,262	26,948	59,588	86,536
Labor and health insurance	2,804	6,160	8,964	2,909	6,342	9,251
Pension	1,316	2,815	4,131	1,363	2,929	4,292
Remuneration to directors	-	7,738	7,738	-	9,689	9,689
Other employee benefit expense	1,485	3,133	4,618	1,524	3,770	5,294
Depreciation	12,850	4,812	17,662	13,643	5,455	19,098
Amortization	-	95	95	-	94	94

The number of employees and additional information on employee benefit expenses for the years ended December 31, 2022 and 2021 were as follows:

	Years Ended December 31	
	2022	2021
No. of employees	142	151
No. of directors who were not employees	9	9
Average employee benefit expenses	\$ 774	\$ 742
Average employee payroll expense	\$ 641	\$ 609
Average employee payroll adjustment	5.25%	
Remuneration to supervisors	\$ -	\$ -

The Company's compensation and remuneration policies were as follows:

- (1) Remuneration to directors include:
 - A. Pursuant to the Company's Articles of Incorporation, when the Company makes a profit for the year, the remuneration to directors shall not be higher than 5% of the balance.
 - B. Remuneration is distributed based on individual director's participation in and contribution to the Company operation.
 - C. Travel allowances are paid to directors attending the board of directors' meeting.
- (2) Compensation to the president, vice president, managers and employees includes salaries, bonuses and compensation to employees:
 - A. Compensation to the president, vice president and managers are based on the Rules Governing the Compensation to Management approved by the Compensation Committee and the board of directors as well as these senior management's contribution to the Company.
 - B. Pursuant to the Company's Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall be between 2% and 10% of the balance.
 - C. Bonuses are paid based on individual employee's performance and contribution to the Company's operation.

13. Additional Disclosures

- (1) Information on significant transactions

Disclosures of the Company's significant transactions required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the year ended December 31, 2022 were as follows:

 - A. Financing provided to others: None.
 - B. Endorsement/guarantee provided to others: None.

C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures):

Holder of Marketable Securities	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Ownership Percentage	Fair Value	
The Company	Shares of Y-S Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	1,700,000	26,520	4.92%	26,520	-

D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022:

Buyer	Property Type	Transaction Date	Transaction Amount	Payment Status	Counterparty	Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition and Status of Use	Other Terms
							Owner	Relationship	Transfer Date	Amount			
GenMont (China)	Factory	2018.07	407,476 (RMB 92,440)	387,080 (RMB 87,813)	China Electronics System Engineering No. 2 Construction Co., Ltd.	-	-	-	-	-	Negotiation	For operational purpose In use	-

F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

I. Derivative instrument transactions: None.

(2) Information on investees (excluding investments in mainland China): None.

(3) Information on investments in mainland China:

A. Information on investees in mainland China:

Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflows of Investment from Taiwan as of January 1, 2022 (Note 4)	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2022 (Note 4)	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss (Notes 2 & 5)	Carrying Amount as of December 31, 2022 (Note 4)	Accumulated Inward Remittances of Earnings as of December 31, 2022
					Outflow (Note 4)	Inflow						
GenMont Biotech (China) Co., Ltd.	Manufacturing and selling of functional food	1,081,972	(Note 1)	884,245	29,974	-	914,219	(63,449)	85%	(53,932)	826,724	-

B. Upper limit on investment in mainland China

Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 3)
914,219 (Note 4) (RMB207,400 thousand)	915,982 (Note 4) (RMB207,800 thousand)	898,331

Note 1: Direct investment in the investee.

Note 2: Investment gains (losses) were recognized on the basis of the investees' financial statements audited by the independent auditors of the Company.

Note 3: The upper limit is calculated based on 60% of the net worth or consolidated net worth (whichever is higher).

Note 4: Amount was translated into New Taiwan Dollars using the exchange rate as of December 31, 2022.

Note 5: Amount was translated into New Taiwan Dollars using the average exchange rate of 2022.

C. Significant transactions:

Please refer to "information on significant transactions" for details on significant transactions between the Company and investees in China for the year ended December 31, 2022, either directly or indirectly.

(4) Information on major shareholders

Name of Major Shareholder	Share	Total Shares Owned	Ownership Percentage
Kuo-Chieh, Huang		7,758,000	8.98%
Hai De Asset Management Co., Ltd.		7,068,000	8.18%
Yu Zhan Investment Limited		4,365,000	5.05%

Note: (1) Major shareholders in the table above are shareholders owning 5% or more of the Company's common and preferred stocks (only the ones that have completed dematerialized registration and delivery, and include treasury stocks) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

(2) Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be the ones owned by the persons plus the ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.

14. Operating Segments

Please refer to the consolidated financial statements for the year ended December 31, 2022 for details.

GenMont Biotech Inc.



Chairman : Chen Ken-Te

