

AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2022 AND 2021

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

Review Report of Independent Accountants Translated from Chinese

To AmCad BioMed Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of AmCad BioMed Corporation (the “Company”) and its subsidiaries as of March 31, 2022 and 2021, the related consolidated statements of consolidated statement of change in equity and cash flows for the three-month periods ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group and its subsidiaries as at March 31, 2022 and 2021, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/ Yu, Chien-Ju

/s/ Lin, Su-Wen

May 6, 2022

Taipei, Taiwan

Republic of China

Notice to Readers

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

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

English Translations of Consolidated Financial Statements Originally Issued in Chinese
AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	As of		
		March 31, 2022	December 31, 2021	March 31, 2021
Current assets				
Cash and cash equivalents	4, 6	\$53,776	\$58,513	\$66,812
Financial assets at fair value through profit and loss, current	4, 6	6,000	-	500
Financial assets at amortized cost, current	4, 6	292,935	312,540	321,510
Accounts receivable, net	4, 6	8,104	5,658	2,697
Accounts receivable-related parties, net	4, 6, 7	139	124	94
Other receivables		246	131	141
Current tax assets	6	-	-	2
Inventories	4, 6	22,305	21,238	22,923
Prepayments	6	1,662	2,028	2,682
Other current assets		306	312	528
Total current assets		<u>385,473</u>	<u>400,544</u>	<u>417,889</u>
Non-current assets				
Financial assets at fair value through other comprehensive income, non-current	4, 6	35,518	34,466	44,805
Property, plant and equipment	4, 6	72,450	73,558	75,319
Right-of-use assets	4, 6, 7	13,558	14,671	17,587
Intangible assets	4, 6	87,778	89,797	95,907
Refundable deposits	8	2,345	2,716	2,633
Total non-current assets		<u>211,649</u>	<u>215,208</u>	<u>236,251</u>
Total assets		<u><u>\$597,122</u></u>	<u><u>\$615,752</u></u>	<u><u>\$654,140</u></u>

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

English Translations of Consolidated Financial Statements Originally Issued in Chinese
AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	As of		
		March 31, 2022	December 31, 2021	March 31, 2021
Current liabilities				
Contract liabilities, current	4, 6	\$2,131	\$5,448	\$32,767
Notes payable		121	67	134
Accounts payable		959	1,085	1,651
Other payables	7	6,417	13,456	6,161
Provision, current	4, 6	1,346	1,404	960
Lease liabilities, current	4, 6, 7	4,435	4,424	4,362
Other current liabilities		251	248	254
Total current liabilities		15,660	26,132	46,289
Non-current liabilities				
Contract liabilities, non-current	4, 6	-	-	1,108
Lease liabilities, non-current	4, 6, 7	9,198	10,310	13,248
Guarantee deposit received		280	280	391
Other non-current liabilities		-	-	6,803
Total non-current liabilities		9,478	10,590	21,550
Total liabilities		25,138	36,722	67,839
Equity attributable to the parent company				
Capital				
Common stock	6	532,214	532,214	532,214
Capital surplus	6	95,091	94,917	94,451
Retained earnings	4, 6			
Accumulated deficits	6	(146,298)	(138,567)	(128,534)
Other components of equity				
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income		(4,537)	(5,589)	(6,954)
Total equity attributable to the parent company		476,470	482,975	491,177
Non-controlling interests	6	95,514	96,055	95,124
Total equity		571,984	579,030	586,301
Total liabilities and equity		\$597,122	\$615,752	\$654,140

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

English Translations of Consolidated Financial Statements Originally Issued in Chinese
AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month periods ended March 31, 2022 and 2021 (unaudited)
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the three-month periods ended March 31,	
	Notes	2022	2021
Operating revenue	4, 6, 7	\$17,229	\$11,725
Operating costs	6	(5,590)	(4,461)
Gross profit		<u>11,639</u>	<u>7,264</u>
Operating expenses	4, 6, 7		
Sales and marketing expense		(3,665)	(3,041)
General and administrative expense		(8,214)	(7,074)
Research and development expense		(10,628)	(11,548)
Expected credit gain		50	-
Total operating expenses		<u>(22,457)</u>	<u>(21,663)</u>
Operating loss		<u>(10,818)</u>	<u>(14,399)</u>
Non-operating income and expenses			
Interest income	6	615	634
Other income	6	1,874	599
Other gains and losses	6	90	(135)
Financial costs	6, 7	(33)	(28)
Total non-operating income and expenses		<u>2,546</u>	<u>1,070</u>
Net loss before income tax		(8,272)	(13,329)
Income tax expense	4, 6	-	-
Net loss		<u><u>\$(8,272)</u></u>	<u><u>\$(13,329)</u></u>
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	6	\$1,052	\$4,452
Total other comprehensive income, net of tax		<u>\$1,052</u>	<u>\$4,452</u>
Total comprehensive loss		<u><u>\$(7,220)</u></u>	<u><u>\$(8,877)</u></u>
Net loss attributable to:			
Shareholders of the parent		\$(7,731)	\$(11,052)
Non-controlling interests		(541)	(2,277)
		<u><u>\$(8,272)</u></u>	<u><u>\$(13,329)</u></u>
Comprehensive loss attributable to:			
Shareholders of the parent		\$(6,679)	\$(6,600)
Non-controlling interests		(541)	(2,277)
		<u><u>\$(7,220)</u></u>	<u><u>\$(8,877)</u></u>
Loss per share-basic (in NTS)	6		
Loss per share-basic			
Net loss		<u><u>\$(0.15)</u></u>	<u><u>\$(0.21)</u></u>

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

English Translations of Consolidated Financial Statements Originally Issued in Chinese

AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

(Expressed in Thousands of New Taiwan Dollars)

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
	Capital		Retained earnings	Other components of equity	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Accumulated deficits	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income (loss)			
Balance as of January 1, 2021	\$532,214	\$94,377	\$(117,864)	\$(11,024)	\$497,703	\$97,401	\$595,104
Net loss for the three-month periods ended March 31, 2021	-	-	(11,052)	-	(11,052)	(2,277)	(13,329)
Other comprehensive income, net of tax for the three-month periods ended March 31, 2021	-	-	-	4,452	4,452	-	4,452
Total comprehensive income (loss)	-	-	(11,052)	4,452	(6,600)	(2,277)	(8,877)
Disposal of financial assets at fair value through other comprehensive income	-	-	382	(382)	-	-	-
Share-based payment transactions	-	74	-	-	74	-	74
Balance as of March 31, 2021	\$532,214	\$94,451	\$(128,534)	\$(6,954)	\$491,177	\$95,124	\$586,301
Balance as of January 1, 2022	\$532,214	\$94,917	\$(138,567)	\$(5,589)	\$482,975	\$96,055	\$579,030
Net loss for the three-month periods ended March 31, 2022	-	-	(7,731)	-	(7,731)	(541)	(8,272)
Other comprehensive income, net of tax for the three-month periods ended March 31, 2022	-	-	-	1,052	1,052	-	1,052
Total comprehensive income (loss)	-	-	(7,731)	1,052	(6,679)	(541)	(7,220)
Share-based payment transactions	-	174	-	-	174	-	174
Balance as of March 31, 2022	\$532,214	\$95,091	\$(146,298)	\$(4,537)	\$476,470	\$95,514	\$571,984

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

English Translations of Consolidated Financial Statements Originally Issued in Chinese

AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

(Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended March 31,	
	2022	2021
Cash flows from operating activities :		
Net loss before tax	\$ (8,272)	\$ (13,329)
Adjustments to reconcile net loss before tax to net cash used in operating activities:		
Depreciation	2,392	2,699
Amortization	2,019	2,032
Expected credit gain	(50)	-
Interest expense	33	28
Interest revenue	(615)	(634)
Share-based payment	174	74
Gain on disposal of investments	-	(1)
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,396)	(76)
Accounts receivable-related parties, net	(15)	43
Other receivables, net	(115)	206
Inventories, net	(1,238)	(1,583)
Prepayments	366	(639)
Other current assets	6	(18)
Contract liabilities	(3,317)	(3,185)
Notes payable	54	(296)
Accounts payable	(126)	531
Other payables	(7,039)	(4,030)
Provision	(58)	(103)
Other current liabilities	3	10
Cash outflow generated from operations	(18,194)	(18,271)
Interest received	615	634
Interest Paid	(33)	(28)
Net cash used in operating activities	(17,612)	(17,665)
Cash flows from investing activities :		
Disposal of financial assets at fair value through other comprehensive income	-	12,086
Financial assets at amortized cost or dues at maturity	19,605	11,215
Acquisition in financial assets at fair value through profit and loss, current	(6,000)	(1,500)
Proceeds from disposal of financial assets at fair value through profit and loss, current	-	5,001
Increase in refundable deposits	-	(839)
Decrease in refundable deposits	371	-
Net cash provided by investing activities	13,976	25,963
Cash flows from financing activities :		
Increase in guarantee deposit received	-	111
Cash payment for the principal portion of the lease liabilities	(1,101)	(1,244)
Net cash used in financing activities	(1,101)	(1,133)
Net (decrease) increase in cash and cash equivalents	(4,737)	7,165
Cash and cash equivalents at beginning of period	58,513	59,647
Cash and cash equivalents at end of period	\$53,776	\$66,812

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

English Translations of Consolidated Financial Statements Originally Issued in Chinese

AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three-month periods ended March 31, 2022 and 2021

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

1. History and organization

AmCad BioMed Corporation (“the Company”) was incorporated on December 26, 2008. The Company’s common shares were publicly listed on Taipei Exchange on March 24, 2015. The Company’s registered office and the main business location is at 5F, No.167, Fuxing N. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.).

AmCad is currently developing high-end Computer-Aided Detection and Diagnosis (CAD) software device. The Company is a world leader in the development of AmCAD-UT® Detection, a CAD device for ultrasound images of thyroid nodules, which has obtained US FDA clearance, CE Mark, CFDA and TFDA approvals and completed the authorization of the China regional distribution rights. AmCAD-UO has also obtained US FDA and CE Mark approvals and planned to gradually promote to the global market. With its proprietary image analyzing technology, the Company will continue to build other core technology platforms such as AmCAD-UV and AmCAD-US, and to develop other high-end medical devices.

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

The consolidated financial statements and its subsidiaries (“the Group”) were submitted to Board of Directors’ meeting on May 6, 2022.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments has no material impact on the Group.

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

recognized in full.

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

(b) IFRS 17 “Insurance Contracts”

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

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

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

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting, as endorsed and became effective by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group’s voting rights and potential voting rights

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

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

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

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

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary
- B. derecognizes the carrying amount of any non-controlling interest
- C. recognizes the fair value of the consideration received
- D. recognizes the fair value of any investment retained
- E. recognizes any surplus or deficit in profit or loss
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
The Company	Broadsound Corporation	Manufacturing of medical equipment	40%	40%	40%

Although the percentage of ownership interests in Broadsound Corporation is less than 50%, the Company determined that it has control over Broadsound Corporation. This is due to a combination of factors including the fact that the Company remains the single largest shareholder of Broadsound Corporation since the inception of the investment; the Company could obtain proxies to achieve relative majority in absence of contractual arrangement and the ability of the Company to appoint or approve the key management personnel of Broadsound Corporation who have the ability to direct the related activities.

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Foreign currency transactions

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

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

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

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

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for the equity instruments that are covered by the International Financial Reporting Standards No. 9, and the equity instruments are neither held for trading nor contingent consideration recognized by the acquirer in the business combination of International Financial Reporting Standard No. 3, when initially recognized, they selected (irrevocable) to report their subsequent changes in fair value in other comprehensive income. The amount presented in other comprehensive profit or loss cannot subsequently be transferred to profit or loss (when the disposal of these equity instruments, the cumulative amount of other equity items will be directly transferred to the retained earnings) and measured at fair value through other comprehensive income. The financial assets are presented on the balance sheet. Dividends on investments are recognized in profit or loss unless the dividend clearly represents a recovery of part of the investment costs.

Financial assets at fair value through profit or loss

Except for the aforesaid situations in which certain conditions are met and measured at post-amortization costs or at fair value through other comprehensive income, financial assets are measured at fair value through profit or loss, and financial assets at fair value through profit or loss are presented on balance sheet.

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Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss.

B. Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

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Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

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Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

Raw materials – Purchase at actual cost, on a weighted average basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

(10) Property, plant and equipment

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

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

Building and structures	40 years
Machinery and equipment	5 years
Molding equipment	5 years
Office equipment	3~5 years
Other equipment	3~5 years
Leasehold improvements	5~10 years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(11) Leases

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

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

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

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Group as a lessee

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

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

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

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

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

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

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(12) Intangible assets

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

The useful lives of intangible assets are assessed as either finite or infinite.

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

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

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

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

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

	<u>Proprietary technology</u>	<u>Royalties</u>	<u>Computer software</u>
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the period of the authorization	Amortized on a straight-line basis over the period of the authorization	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired
Amortized lives	15 years	10~15 years	3-5 years

(13) Impairment of non-financial assets

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

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

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

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

(14) Provisions

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

Provision Warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgments and other known factors.

(15) Revenue recognition

The revenue from the contract between the Group and the customer mainly includes sales of goods and licensing income. The accounting treatments are described as follows:

Sales of goods

Revenue from sales of goods is recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Group are medical diagnosis system and medical devices. The Group recognizes revenue from the description of the contracts.

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The guarantees provided by the Group are based on the assurance that the provided products will operate as expected by customers and are handled in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

Royalty Revenue

The royalty revenue of the Group will be recognized within the authorization period on the basis of straight line after the Group gets the certification of registration on the product. The Group charged a one-time fixed royalty fee which cannot be cancelled for authorized distributors and recognize royalty revenue within the authorization period. The Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arose.

Rendering of services

The Group charged a service fee by rendering medical equipment installation service and by rendering maintenance service. Revenue from rendering of services is recognized when the service is completed.

(16) Government grants

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

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(17) Post-employment benefits

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

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

(18) Share-based payment transactions

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

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

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

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

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

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

(19) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

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(20) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

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Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. Operating lease commitment – Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

B. De facto control without a majority of the voting rights in subsidiaries

The Group does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Group's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Group reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4(3) for further details.

(2) Estimates and assumptions

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

Impairment of non-financial assets

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An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Cash on hand	\$44	\$106	\$148
Checking and saving accounts	22,312	21,007	11,304
Time deposits	31,420	37,400	55,360
Total	<u>\$53,776</u>	<u>\$58,513</u>	<u>\$66,812</u>

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

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Mandatorily measured at fair value through profit or loss:			
Listed open-ended fund	<u>\$6,000</u>	<u>\$-</u>	<u>\$500</u>
Current	\$6,000	\$-	\$500
Non-current	-	-	-
Total	<u>\$6,000</u>	<u>\$-</u>	<u>\$500</u>

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

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(3) Financial assets at fair value through other comprehensive income

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Equity instrument investments measured at fair value through other comprehensive income			
Stock of listed company	\$29,025	\$28,125	\$34,358
Stock of non-listed company	6,493	6,341	10,447
Total	<u>\$35,518</u>	<u>\$34,466</u>	<u>\$44,805</u>
Current	\$-	\$-	\$-
Non-current	35,518	34,466	44,805
Total	<u>\$35,518</u>	<u>\$34,466</u>	<u>\$44,805</u>

Financial assets at fair value through other comprehensive income were not pledged.

In consideration of the Group's investment strategy, the Group disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the three-month periods ended March 31, 2022 and 2021 are as follow:

	For the three-month periods ended March 31,	
	2022	2021
The fair value of the investments at the date of derecognition	\$-	\$12,086
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	-	382

(4) Financial assets measured at amortized cost

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Time deposits with more than three-months maturity	<u>\$292,935</u>	<u>\$312,540</u>	<u>\$321,510</u>
Current	\$292,935	\$312,540	\$321,510
Non-current	-	-	-
Total	<u>\$292,935</u>	<u>\$312,540</u>	<u>\$321,510</u>

Financial assets measured at amortized cost were not pledged.

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(5) Accounts receivable and accounts receivable-related parties

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Accounts receivable	\$8,604	\$6,208	\$3,346
Less: loss allowance	(500)	(550)	(649)
Subtotal	8,104	5,658	2,697
Accounts receivable from related parties	139	124	94
Less: loss allowance	-	-	-
Subtotal	139	124	94
Total	<u>\$8,243</u>	<u>\$5,782</u>	<u>\$2,791</u>

Accounts receivables were not pledged.

Accounts receivable are generally on 30-90-day terms. The total carrying amount as of March 31, 2022, December 31, 2021 and March 31, 2021 are NT\$8,743 thousand, NT\$6,332 thousand and NT\$3,440 thousand, respectively. Please refer to Note 6. (15) for more details on loss allowance of Accounts receivable for the three-month periods ended March 31, 2022 and 2021. Please refer to Note 12 for detail on credit risk management.

(6) Inventories

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Raw materials	\$7,695	\$7,659	\$9,337
Work in progress	11,813	10,539	8,863
Finish goods	2,797	3,040	4,723
Total	<u>\$22,305</u>	<u>\$21,238</u>	<u>\$22,923</u>

The cost of inventories recognized in costs amounts to NT\$3,587 thousand and NT\$2,350 thousand for the three-month periods ended March 31, 2022 and 2021, respectively.

No inventories were pledged.

(7) Property, plant and equipment

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Owner occupied property, plant and equipment	\$72,425	\$73,528	\$75,272
Property, plant and equipment leased out under operating leases	25	30	47
Total	<u>\$72,450</u>	<u>\$73,558</u>	<u>\$75,319</u>

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	Land	Building and structures	Machinery and equipment	Molding equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost:								
As of January 1, 2022	\$52,941	\$8,142	\$14,799	\$22,656	\$1,239	\$821	\$8,642	\$109,240
Additions	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	171	171
As of March 31, 2022	<u>\$52,941</u>	<u>\$8,142</u>	<u>\$14,799</u>	<u>\$22,656</u>	<u>\$1,239</u>	<u>\$821</u>	<u>\$8,813</u>	<u>\$109,411</u>
As of January 1, 2021	\$52,941	\$8,142	\$13,812	\$22,656	\$1,239	\$1,478	\$7,209	\$107,477
Additions	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-
As of March 31, 2021	<u>\$52,941</u>	<u>\$8,142</u>	<u>\$13,812</u>	<u>\$22,656</u>	<u>\$1,239</u>	<u>\$1,478</u>	<u>\$7,209</u>	<u>\$107,477</u>
Depreciation and impairment:								
As of January 1, 2022	\$-	\$628	\$12,987	\$13,919	\$1,224	\$740	\$6,214	\$35,712
Depreciation	-	51	140	825	2	11	245	1,274
Transfer	-	-	-	-	-	-	-	-
As of March 31, 2022	<u>\$-</u>	<u>\$679</u>	<u>\$13,127</u>	<u>\$14,744</u>	<u>\$1,226</u>	<u>\$751</u>	<u>\$6,459</u>	<u>\$36,986</u>
As of January 1, 2021	\$-	\$425	\$12,353	\$10,519	\$1,160	\$1,219	\$5,090	\$30,766
Depreciation	-	51	172	703	28	189	296	1,439
Transfer	-	-	-	-	-	-	-	-
As of March 31, 2021	<u>\$-</u>	<u>\$476</u>	<u>\$12,525</u>	<u>\$11,222</u>	<u>\$1,188</u>	<u>\$1,408</u>	<u>\$5,386</u>	<u>\$32,205</u>
Net carrying amount as of:								
March 31, 2022	<u>\$52,941</u>	<u>\$7,463</u>	<u>\$1,672</u>	<u>\$7,912</u>	<u>\$13</u>	<u>\$70</u>	<u>\$2,354</u>	<u>\$72,425</u>
December 31, 2021	<u>\$52,941</u>	<u>\$7,514</u>	<u>\$1,812</u>	<u>\$8,737</u>	<u>\$15</u>	<u>\$81</u>	<u>\$2,428</u>	<u>\$73,528</u>
March 31, 2021	<u>\$52,941</u>	<u>\$7,666</u>	<u>\$1,287</u>	<u>\$11,434</u>	<u>\$51</u>	<u>\$70</u>	<u>\$1,823</u>	<u>\$75,272</u>

The above-mentioned land and building are purchased for self-use by the Group. However, the overall operating site of the Group is to be planned and leased temporarily before being used for self-use, considering the effective use of assets. As the Group does not hold this property for rent or capital appreciation or both, it is not an investment property.

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Property, plant and equipment leased out under operating leases

	Other equipment
Cost:	
As of January 1, 2022	\$69
Reclassification	-
As of March 31, 2022	<u>\$69</u>
Depreciation and impairment:	
As of January 1, 2022	\$39
Depreciation	5
As of March 31, 2022	<u>\$44</u>
Net carrying amount as of:	
March 31, 2022	<u>\$25</u>
December 31, 2021	<u>\$30</u>

Property, plant and equipment were not pledged.

(8) Intangible assets

	Computer software	Proprietary technology	Royalties	Goodwill	Total
Cost:					
As of January 1, 2022	\$1,917	\$111,462	\$4,500	\$31,175	\$149,054
Addition-acquired separately	-	-	-	-	-
As of March 31, 2022	<u>\$1,917</u>	<u>\$111,462</u>	<u>\$4,500</u>	<u>\$31,175</u>	<u>\$149,054</u>
As of January 1, 2021	\$4,389	\$111,462	\$5,000	\$31,175	\$152,026
Addition-acquired separately	-	-	-	-	-
As of March 31, 2021	<u>\$4,389</u>	<u>\$111,462</u>	<u>\$5,000</u>	<u>\$31,175</u>	<u>\$152,026</u>
Amortization and impairment:					
As of January 1, 2022	\$1,167	\$55,865	\$2,225	\$-	\$59,257
Amortization	95	1,849	75	-	2,019
As of March 31, 2022	<u>\$1,262</u>	<u>\$57,714</u>	<u>\$2,300</u>	<u>\$-</u>	<u>\$61,276</u>
As of January 1, 2021	\$3,257	\$48,434	\$2,396	\$-	\$54,087
Amortization	96	1,849	87	-	2,032
As of March 31, 2021	<u>\$3,353</u>	<u>\$50,283</u>	<u>\$2,483</u>	<u>\$-</u>	<u>\$56,119</u>
Net carrying amount as of:					
March 31, 2022	<u>\$655</u>	<u>\$53,748</u>	<u>\$2,200</u>	<u>\$31,175</u>	<u>\$87,778</u>
December 31, 2021	<u>\$750</u>	<u>\$55,597</u>	<u>\$2,275</u>	<u>\$31,175</u>	<u>\$89,797</u>
March 31, 2021	<u>\$1,036</u>	<u>\$61,179</u>	<u>\$2,517</u>	<u>\$31,175</u>	<u>\$95,907</u>

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Amortization expense of intangible assets under the statements of comprehensive income:

	For the three-month periods ended March 31,	
	2022	2021
Operating expenses	\$2,019	\$2,032

- A. Intangible asset — proprietary technology: The technology contribution of NT\$26,500 thousand was made in consideration of shares as a form of capital injection in connection with the provided knowledge and expertise in Ultrasound CAD and cancer related diagnosis in 2009. In 2012, Tsung-Shann Jiang, one of the shareholders voluntarily surrendered his technology shares in the amount of NT\$6,250 thousand; therefore, the technology contribution amounted to NT\$20,250 thousand. In 2013, the technology contributed to the share price in the amount of NT\$54,450 thousand, totaling NT\$74,700 thousand.
- B. Intangible asset — royalties: The Company paid royalties in the amount of NT\$500 thousand to obtain the proprietary technology licensing of “AmCAD-US for Liver fibrosis.”
- C. Intangible asset — royalties: The Company paid royalties in the amount of NT\$4,500 thousand to obtain the proprietary technology licensing of “AmCAD-US platform.
- D. The proprietary technology and royalties the Company acquired as listed above from (A) to (C) are amortized based on the licensing period or accounting practice over the amortization periods of 15, 10, and 15 years, respectively.
- E. Computer software is amortized over 3~5 years by straight-line method.
- F. Goodwill and proprietary technology acquired through business combinations are NT\$31,175 thousand and NT\$36,762 thousand, respectively. Proprietary technology are predicted to be amortized over the amortization period of 15 years.

(9) Post-employment benefits

Defined contribution plan

The Group adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Act, monthly contributions shall not be less than 6% of the employees’ monthly wages. The Group has made monthly contributions of 6% of each individual employee’s salaries or wages to employees’ pension accounts.

Expenses under the defined contribution plan for the three-month periods ended March 31, 2022 and 2021 were NT\$636 thousand and NT\$611 thousand, respectively.

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(10) Provisions

	<u>Warranties</u>
As of January 1, 2022	\$1,404
Arising during the period	441
Reverse during the period	(499)
Utilized	-
As of March 31, 2022	<u>\$1,346</u>
Current- March 31, 2022	<u>\$1,346</u>
Non-current- March 31, 2022	<u>\$-</u>
Current-December 31, 2021	<u>\$1,404</u>
Non-current-December 31, 2021	<u>\$-</u>
Current-March 31, 2021	<u>\$960</u>
Non-current-March 31, 2021	<u>\$-</u>

Warranties

A provision is estimated for expected warranty claims on products sold, based on past experience, management's judgment and other known factors.

(11) Equities

A. Common stock

- (a) The Company's authorized capital was NT\$1,000,000 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021; while the issued capital was NT\$532,214 thousand. The Company has issued 532,214 thousand and 53,221 thousand common shares as of March 31, 2022, December 31, 2021, and March 31, 2021, each at a par value of NT\$10. All of the shares are common stock; including shares issued in consideration of the technology contribution in the amount of NT\$74,700 thousand.
- (b) The Company was authorized to issue employee share options. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares.

Please refer to Note 6. (13) for relevant information on share-based payment plans.

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B. Capital surplus

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Additional paid-in capital	\$88,626	\$88,626	\$88,626
Employee stock option	1,655	1,941	1,475
Change in ownership interests in subsidiary	940	940	940
Other	3,870	3,410	3,410
Total	<u>\$95,091</u>	<u>\$94,917</u>	<u>\$94,451</u>

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

C. Retained earnings and dividend policies

The Company's original Articles of Incorporation provided that after-tax earnings shall first offset against any deficit, and 10% of the balance shall be set as legal reserve. After deducting items above from the current year's earnings, no less than 50% of the remaining amount together with the prior years' unappropriated earnings is to be allocated. The distribution will be recommended by the board of directors and resolved in the shareholders' meeting. Please refer to Note 6. (17) for further details on employees' compensation and remuneration to directors and supervisors.

The Company's operation is at the growth stage, so, in principle, the dividend policy is to distribute 50% cash dividends and 50% stock dividends, taking into consideration the cash flow, earnings, future expansion of the Company, and external competitive environment.

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

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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D. Non-controlling interests

	For the three-month periods ended March 31,	
	2022	2021
Beginning balance	\$96,055	\$97,401
Net loss attributable to non-controlling interests	(541)	(2,277)
Ending balance	<u>\$95,514</u>	<u>\$95,124</u>

(12) Share-based payment plans

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

A. Share-based payment plan for employees of the parent entity

On July 20, 2017, April 17, 2019 and July 29, 2021 the Company was authorized by the Securities and Futures Bureau of the FSC, Executive Yuan, to issue employee share options with a total number of 600, 500 and 260 units. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

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

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

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (NT\$)
2017.08.04	160	30.00
2018.02.23	50	30.00
2019.08.02	290	25.00
2020.02.21	140	23.00
2021.08.05	260	16.50

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The following table contains further details on the aforementioned share-based payment plan:

	For the three-month periods ended March 31,			
	2022		2021	
	Number of share options outstanding (in units)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (in units)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	535	\$21.36	295	\$25.72
Granted	-	-	-	-
Forfeited	(80)	24.94	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	<u>455</u>	20.73	<u>295</u>	\$25.72
Exercisable at end of period	<u>41</u>		<u>30</u>	

For share options granted during the period, weighted average fair value of those options at the measurement date (NT\$)

\$-

\$-

The information on the outstanding share options as of March 31, 2022 and 2021 is as follows:

	Range of exercise price	Weighted average remaining contractual life (Years)
As of March 31, 2022		
share options outstanding at the end of the period	\$16.50	4.35
share options outstanding at the end of the period	\$23.00	4.89
share options outstanding at the end of the period	\$25.00	4.33
share options outstanding at the end of the period	\$30.00	2.34-2.90
As of March 31, 2021		
share options outstanding at the end of the period	\$23.00	5.89
share options outstanding at the end of the period	\$25.00	5.33
share options outstanding at the end of the period	\$30.00	3.34-3.90

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B. Share-based payment plan for employees of the subsidiaries

The subsidiary, BROADSOUND CORPORATION (the “entity”), was authorized by Board of Directors to issue employee share options with a total number of 4,000 units on July 19, 2013. Each unit entitles an optionee to subscribe for 1,000 shares of the entity’s common shares. It shall be issued in multiple installments within four years from the date of the approval of the board of directors, and its authorization shall be set by the chairman on the actual issue date. The target participants are limited to full-time employees within the formal establishment of the entity. The contractual term of the option granted is six years, an optionee may exercise the options in accordance with certain schedules as prescribed by the plan from the date of grant.

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

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

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (NT\$)
2013.8.23	2,976	\$10.00
2015.1.10	1,024	10.00

The following table contains further details on the aforementioned share-based payment plan:

	For the three-month periods ended March 31,			
	2022		2021	
	Number of share options outstanding (in units)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (in units)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	-	\$-	567	\$10.00
Granted	-	-	-	-
Forfeited	-	-	(567)	10.00
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	-	-	-	-
Exercisable at end of period	-	-	-	-
For share options granted during the period, weighted average fair value of those options at the measurement date (NT\$)	\$-		\$-	

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C. Modification or cancellation of the share-based payment plan for employees

There have been no cancellations or modifications to any of the plans for the three-month periods ended March 31, 2022 and 2021.

D. The expense recognized for employee services received for the three-month periods ended March 31, 2022 and 2021, is shown in the following table.

	For the three-month periods ended March 31,	
	2022	2021
Total expense arising from equity-settled share-based payment transactions	\$174	\$74

(13) Operating revenue

A. Disaggregation of revenue

	For the three-month periods ended March 31,	
	2022	2021
Sale of goods	\$10,589	\$5,817
Sale of medical diagnosis systems	27	-
Domestic revenue evaluated by number of uses	473	90
Foreign royalty revenue	3,323	3,323
Rendering of services	2,314	1,943
Rental income	503	552
Total	\$17,229	\$11,725

Royalty revenue of the Group is recognized within the authorization period; other revenues are recognized when they satisfy the performance obligation and the recognition timing.

Analysis of revenue from contracts with customers during the three-month periods ended March 31, 2022 and 2021 are as follow:

B. Contract balances

Contract liabilities, current

	As of			
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021	Jan. 1, 2021
Sales revenue	\$1,023	\$1,017	\$19,475	\$19,337
Royalty revenue	1,108	4,431	13,292	13,292
	\$2,131	\$5,448	\$32,767	\$32,629

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Contract liabilities-non-current

	As of			
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021	Jan. 1, 2021
Royalty revenue	\$-	\$-	\$1,108	\$4,431

The significant changes in the Group's balances of contract liabilities during the three-month periods ended March 31, 2022 and 2021 are as follows:

	For the three-month periods ended March 31,	
	2022	2021
The opening balance transferred to revenue	\$3,571	\$3,373

(14) Expected credit gain

	For the three-month periods ended March 31,	
	2022	2021
Operating expenses-expected credit gain		
Accounts receivable	\$50	\$-

The credit risk for the Group's financial assets measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). As the trade partners are financial institutions with good credit, the loss allowance is NT\$0 thousand measured at a loss ratio of 0%.

The Group measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of March 31, 2022, December 31, 2021 and March 31, 2021 are as follow:

The Group considers the grouping of accounts receivable (including accounts receivable-related parties) by counterparties' credit rating and the historical credit loss experience shows that different customer segments do not have significantly different loss patters. Therefore, the loss allowance of contact assets is measured with no distinction between groups and its loss allowance is measured by using a provision matrix, details are as follow:

As of March 31, 2022	Not yet due	Overdue				Total
		<=90 days	91~180 days	181~365 days	>=366 days	
Gross carrying amount	\$5,963	\$2,280	\$-	\$-	\$500	\$8,743
Loss ratio	-	-	-	-	100%	
Lifetime expected credit losses	-	-	-	-	(500)	(500)
Subtotal						\$8,243

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As of December 31, 2021	Not yet due	Overdue				Total
		<=90 days	91~180 days	181~365 days	>=366 days	
Gross carrying amount	\$5,421	\$361	\$-	\$-	\$550	\$6,332
Loss ratio	-	-	-	-	100%	
Lifetime expected credit losses	-	-	-	-	(550)	(550)
Subtotal						<u>\$5,782</u>

As of March 31, 2021	Not yet due	Overdue				Total
		<=90 days	91~180 days	181~365 days	>=366 days	
Gross carrying amount	\$1,965	\$816	\$229	\$52	\$378	\$3,440
Loss ratio	-	-	90%-100%	100%	100%	
Lifetime expected credit losses	-	-	(219)	(52)	(378)	(649)
Subtotal						<u>\$2,791</u>

The movement in the provision for impairment of accounts receivable during the three-month periods ended March 31, 2022 and 2021 is as follows:

	Accounts receivable
January 1, 2022	\$550
Addition/(reversal) for the current period	<u>(50)</u>
March 31, 2022	<u>\$500</u>
January 1, 2021	\$649
Addition/(reversal) for the current period	<u>-</u>
March 31, 2021	<u>\$649</u>

(15) Operating leases

A. Group as a lessee

The Group leases various properties, including buildings and structures and transportation equipment. The lease terms range from 1 to 5 years.

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The Group's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Buildings and structures	\$12,987	\$13,993	\$16,587
Transportation equipment	571	678	1,000
Total	<u>\$13,558</u>	<u>\$14,671</u>	<u>\$17,587</u>

During the three-month periods ended March 31, 2022 and 2021, the Group's additions to right-of-use assets amounting to NT\$0 thousand and NT\$14,602 thousand, respectively.

(ii) Lease liabilities

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Lease liabilities	<u>\$13,633</u>	<u>\$14,734</u>	<u>\$17,610</u>
Current	\$4,435	\$4,424	\$4,362
Non-current	\$9,198	\$10,310	\$13,248

Please refer to Note 6.(18) (D) for the interest on lease liabilities recognized during the three-month periods ended March 31, 2022 and 2021 and refer to Note 12.(5) liquidity risk management for the maturity analysis for lease liabilities as at March 31, 2022 and 2021.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the three-month periods ended March 31,	
	2022	2021
Buildings and structures	\$1,006	\$1,147
Transportation equipments	107	107
Total	<u>\$1,113</u>	<u>\$1,254</u>

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(c) Expenses relating to leasing activities

	For the three-month periods ended March 31,	
	2022	2021
	\$367	\$229
Short-term leases		

(d) Cash outflow relating to leasing activities

During the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflows for leases amounting to be both NT\$1,501 thousand.

(e) Other information relating to leasing activities

(i) Extension and termination options

Some of the Group's agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. Group as a lessor

Leases of owned properties, plant and equipment are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the three-month periods ended March 31,	
	2022	2021
	\$903	\$987
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate		

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For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at March 31, 2022, December 31, 2021 and March 31, 2021 are as follow:

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Less than a year	\$2,329	\$1,629	\$4,042
Between one and two years	1,643	-	752
Between two and five years	1,712	-	-
Total	<u>\$5,684</u>	<u>\$1,629</u>	<u>\$4,794</u>

(16) Summary statement of employee benefit, depreciation and amortization expenses by function were as follows:

	For the three-month periods ended March 31,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$2,300	\$10,741	\$13,041	\$2,531	\$9,143	\$11,674
Labor and health insurance	271	1,027	1,298	282	940	1,222
Pension	135	501	636	135	476	611
Other employee benefits expense	130	1,335	1,465	136	1,278	1,414
Depreciation	881	1,511	2,392	1,033	1,666	2,699
Amortization	-	2,019	2,019	-	2,032	2,032

According to the Company's Articles of Incorporation, 3%~6% of profit of the current year is distributable as employees' compensation and no higher than 4% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Because of the operating loss for the three-month periods ended March 31, 2022 and 2021, there was no estimated amounts of the employee bonuses and remuneration to directors and supervisors.

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(17) Non-operating income and expenses

A. Interest income

	For the three-month periods ended March 31,	
	2022	2021
Interest on bank deposit	\$614	\$625
Setting interest on deposit	1	9
Total	<u>\$615</u>	<u>\$634</u>

B. Other income

	For the three-month periods ended March 31,	
	2022	2021
Rent income	\$400	\$435
Others	138	141
Government grants	1,336	23
Total	<u>\$1,874</u>	<u>\$599</u>

C. Other gains and losses

	For the three-month periods ended March 31,	
	2022	2021
Gain on disposal of investment	\$-	\$1
Foreign exchange gain (loss), net	90	(136)
Total	<u>\$90</u>	<u>\$(135)</u>

D. Financial costs

	For the three-month periods ended March 31,	
	2022	2021
Interest on lease liabilities	<u>\$33</u>	<u>\$28</u>

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(18) Components of other comprehensive income

For the three-month periods ended March 31, 2022

	Arising during the period	Reclassific ation adjustment s during the period	Other comprehen sive income- before tax	Tax income (expense)	Other comprehen sive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gain from equity instrument investments measured at fair value through other comprehensive income	\$1,052	\$-	\$1,052	\$-	\$1,052

For the three-month periods ended March 31, 2021

	Arising during the period	Reclassific ation adjustment s during the period	Other comprehen sive income- before tax	Tax income (expense)	Other comprehen sive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income	\$4,452	\$-	\$4,452	\$-	\$4,452

(19) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

For the three-month periods ended March 31, 2022 and 2021, the Group recognized current income tax expense and deterred income tax expense to be both NT\$0 thousand.

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Income tax relating to components of other comprehensive income

For the three-month periods ended March 31, 2022 and 2021, the Group recognized deferred income tax expense to be both NT\$0 thousand.

B. The assessment of income tax returns

As of March 31, 2022, the assessment of income tax returns of the Company and its subsidiary is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019
Subsidiary-Broadsound Corporation	Assessed and approved up to 2019

(20) Loss per share

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

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Loss before tax attributable to ordinary equity holders of the Company (in thousands)	<u>\$(7,731)</u>	<u>\$(11,052)</u>
Weighted average number of ordinary shares outstanding-		
Basic loss per share (thousand shares)	<u>53,221</u>	<u>53,221</u>
Loss per share-basic (in NT\$)	<u><u>\$(0.15)</u></u>	<u><u>\$(0.21)</u></u>

The Company's employee stock options have anti-dilutive effect when the Company encounters loss. Therefore, calculations of diluted loss per share is no required.

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

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(21) Subsidiary that have material non-controlling interests:

Financial information of subsidiary that have material non-controlling interests is as follow:

Proportion of ownership and voting rights held by non-controlling interests:

Name	Country of incorporation and operation	As of		
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Broadsound Corporation	Taiwan	60%	60%	60%

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Accumulated balance of material non-controlling interests:			
Broadsound Corporation	\$95,514	\$96,055	\$95,124

	For the three-month periods ended March 31,	
	2022	2021
Loss allocated to material non-controlling interests:		
Broadsound Corporation	\$(541)	\$(2,277)

Summarized comprehensive income information for the three-month periods ended March 31, 2022 and 2021:

	For the three-month periods ended March 31,	
	2022	2021
Revenue	\$12,903	\$7,759
Net loss from continuing operations	\$(298)	\$(3,191)
Total comprehensive loss	\$(298)	\$(3,191)

Summarized assets and liabilities information as of March 31, 2022, December 31, 2021 and March 31, 2021:

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Current assets	\$133,940	\$135,014	\$137,558
Non-current assets	42,341	43,956	47,875
Current liabilities	(8,286)	(9,345)	(8,273)
Non-current liabilities	(8,480)	(9,207)	(18,294)

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Summarized cash flow information for the three-month periods ended March 31, 2022 and 2021:

	For the three-month periods ended March 31,	
	2022	2021
Operating activities	\$(3,771)	\$(5,184)
Investment activities	(4)	453
Financial activities	(720)	(884)
Net cash and cash equivalents outflow	\$(4,495)	\$(5,615)

7. Related party transactions

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
PhytoHealth Co., Ltd.	Parent Company
Maywufa Co., Ltd.	Entity with joint control or significant influence over the Company

Significant transactions with the related parties

(1) Sales

	For the three-month periods ended March 31,	
	2022	2021
Maywufa Co., Ltd.	\$133	\$90

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for sales to related parties was month-end 90 days, the same as with non-related parties. The outstanding balance as at period end was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were guaranteed by NT\$10,000 thousand guarantee notes.

(2) Accounts receivable

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Maywufa Co., Ltd.	\$139	\$124	\$94

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(3) Other payables

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Maywufa Co., Ltd.	\$108	\$120	\$171

(4) Lease agreement

Name of the related parties	Account	As of		
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Maywufa Co., Ltd.	Right-of-use assets	\$1,670	\$1,946	\$2,350

Name of the related parties	Account	As of		
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Maywufa Co., Ltd.	Lease liabilities	\$1,681	\$1,956	\$2,358

Name of the related parties	Account	For the three-month periods ended March 31,	
		2022	2021
Maywufa Co., Ltd.	Interest expense	\$4	\$6

The determination of the rental amount and the payment method in lease agreements with related parties were according to comparable market rental transactions.

(5) Compensation of key management

	For the three-month periods ended March 31,	
	2022	2021
Short-term employee benefits	\$3,481	\$3,392
Post-employment benefits	43	41
Share-based payment	31	19
Total	\$3,555	\$3,452

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8. Assets pledged as security

The following asset of the Group pledged as security:

Item	Carrying amount			Secured liabilities
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021	
Refundable deposits	\$906	\$902	\$802	Guarantee of payment for goods
	-	375	-	Guarantee of grants
	<u>\$906</u>	<u>\$1,277</u>	<u>\$802</u>	

9. Commitments and contingencies

- (1) The Company entered into an agreement with the National Taiwan University and Professor King-Jen Chang to obtain the specialized technology licensing of “Thyroid CAD system.” The contract price of NT\$ 2,500 thousand was paid with NT\$ 1,000 thousand cash and the Company’s shares at face value NT\$ 1,500 thousand. The total payment was recognized as intangible asset. The term of the agreement was six years, from January 23, 2009 to January 22, 2015. The agreement will extend automatically annually when the term expires. According to the agreement, the Company paid royalties depending on the net sales generated from the medical equipment.
- (2) The Company entered into an agreement with the National Taiwan University and Professor Chiung-Nien Chen to obtain the specialized technology licensing of “AmCAD-US platform.” The contract price of NT\$ 4,500 thousand was paid in cash. The agreement came into effect on July 1, 2014 and will expire in 20 years following the final application date of R.O.C. patent or American patent. The Company shall pay royalties depending on the sales of the products that apply this technology during the 10 years following the day the inspection registration is obtained.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

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12. Other disclosure

(1) Categories of financial instruments

Financial assets

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial assets at fair value through profit or loss:			
Designated fair value through profit or loss at initial recognition	\$6,000	\$-	\$500
Financial assets at fair value through other comprehensive income	35,518	34,466	44,805
Financial assets measured at amortized cost:			
Financial assets measured at amortized cost	292,935	312,540	321,510
Cash and cash equivalents (excluding cash on hand)	53,732	58,407	66,664
Receivables	8,489	5,913	2,932
Refundable deposits	2,345	2,716	2,633
Subtotal	357,501	379,576	393,739
Total	<u>\$399,019</u>	<u>\$414,042</u>	<u>\$439,044</u>

Financial liabilities

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial liabilities at amortized cost:			
Payables	\$7,497	\$14,608	\$7,946
Lease liabilities	13,633	14,734	17,610
Guarantee deposit received	280	280	391
Total	<u>\$21,410</u>	<u>\$29,622</u>	<u>\$25,947</u>

(2) Financial risk management objectives and policies

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

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The Group has established appropriate policies, procedures and internal controls for the aforementioned financial risk management in accordance with the relevant regulations. Important financial activities have to be reviewed by the board of directors and the audit committee in accordance with relevant regulations and internal control systems. During the implementation of the financial management activities, the Group must strictly comply with the relevant provisions of the financial risk management.

(3) Market risk

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

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

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency). The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period.

The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. When NTD strengthens/weakens against USD by 1%, the profit for the three-month periods ended March 31, 2022 and 2021 were decreased/increased by NT\$106 thousand and NT\$40 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified as financial assets at fair value through profit or loss. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports of the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

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A change of 5% in the price of the listed companies stock classified as equity instruments investment measured at fair value through other comprehensive income could increase/decrease the Group's equity after tax for the three-month periods ended March 31, 2022 and 2021 by NT\$1,451 thousand and NT\$1,718 thousand respectively.

Please refer to Note 12.(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

The Group's exposure to credit risk arises from potential default of the counterparty or other third party. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and customer credit policy. As of three-month periods ended March 31, 2022 and 2021, the Group's credit risk amount is estimated from the contracts with positive fair value on the balance sheet date.

The Group's exposure to credit risk arising from the default of counterparties is limited to the carrying amount of these instruments. The Group mitigates the credit risks from financial institutions by limiting its counterparties to only reputable domestic or international financial institutions with good credit standing and the Group has no derivative financial instrument transactions. Consequently, there is no significant credit risk for these counterparties.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, ratings from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. The Group's exposure to credit risk arising from the default of counterparties is limited to the carrying amount of accounts receivable and notes receivable.

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the credit risk still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

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(5) Liquidity risk management

The Group's investment in the financial assets accounted for at fair value through profit or loss has active market. The Group expected the financial assets to be sold easily in the market at a price close to fair value. The Group is not expected to have liquidity risk. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of March 31, 2022					
Payables	\$7,497	\$-	\$-	\$-	\$7,497
Lease liabilities (Note)	4,540	6,697	2,615	-	13,852
Guarantee deposit received	-	280	-	-	280
As of December 31, 2021					
Payables	\$14,608	\$-	\$-	\$-	\$14,608
Lease liabilities (Note)	4,540	4,096	2,988	3,362	14,986
Guarantee deposit received	280	-	-	-	280
As of March 31, 2021					
Payables	\$7,946	\$-	\$-	\$-	\$7,946
Lease liabilities (Note)	4,505	4,398	3,459	5,607	17,969
Guarantee deposit received	111	280	-	-	391

Notes:

1. Including cash flows resulted from short-term leases or leases of low-value assets.
2. Information about the maturities of lease liabilities is provided in the table below:

	Maturities			
	Less than 1 year	1 to 5 years	6 to 10 years	Total
March 31, 2022	\$4,435	\$9,198	\$-	\$13,633
December 31, 2021	\$4,424	\$10,310	\$-	\$14,734
March 31, 2021	\$4,362	\$13,248	\$-	\$17,610

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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month periods ended March 31, 2022:

	Leases liabilities	Guarantee deposit received	Total liabilities from financing activities
As of January 1, 2022	\$14,734	\$280	\$15,014
Cash flows	(1,101)	-	(1,101)
Non-cash changes	-	-	-
As of March 31, 2022	<u>\$13,633</u>	<u>\$280</u>	<u>\$13,913</u>

Reconciliation of liabilities for the three-month periods ended March 31, 2021:

	Leases liabilities	Guarantee deposit received	Total liabilities from financing activities
As of January 1, 2021	\$4,252	\$280	\$4,532
Cash flows	(1,244)	111	(1,133)
Non-cash changes	14,602	-	14,602
As of March 31, 2021	<u>\$17,610</u>	<u>\$391</u>	<u>\$18,001</u>

(7) Fair values of financial instruments

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

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

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

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- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount as of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial assets:			
Financial assets at amortized cost	\$292,935	\$312,540	\$321,510
	Fair value as of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial assets:			
Financial assets at amortized cost	\$292,935	\$312,540	\$321,510

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Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair values measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3: Unobservable inputs for the assets or liabilities.

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

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

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

As of March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Listed open-ended fund	\$6,000	\$-	\$-	\$6,000
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income				
Stock of listed company	29,025	-	-	29,025
Stock of unlisted company	-	-	6,493	6,493

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As of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income				
Stock of listed company	\$28,125	\$-	\$-	\$28,125
Stock of unlisted company	-	-	6,341	6,341

As of March 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Listed open-ended fund	\$500	\$-	\$-	\$500
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income				
Stock of listed company	34,358	-	-	34,358
Stock of unlisted company	-	-	10,447	10,447

Transfers between Level 1 and Level 2 during the period

During the three-month periods March 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period

Total unrealized gains and losses recognized in financial assets at fair value through other comprehensive income for the three-month periods ended March 31, 2022 and 2021 are NT\$152 and NT\$(1,941), respectively.

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurement categorized within Level 3 of the fair value hierarchy is as follows:

As of March 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Market method	Volatility	20%	The higher the volatility, the lower the fair value of the stocks.	20% increase (decrease) in the volatility would result in decrease/increase in the Group's equity by NT\$1,623 thousand

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Market method	Volatility	20%	The higher the volatility, the lower the fair value of the stocks.	20% increase (decrease) in the volatility would result in decrease/increase in the Group's equity by NT\$1,585 thousand

As of March 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Market method	Volatility	20%	The higher the volatility, the lower the fair value of the stocks.	20% increase (decrease) in the volatility would result in decrease/increase in the Group's equity by NT\$2,612 thousand

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

The external evaluation institute ensures the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The group's accounting department analysis the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

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

As of March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets measured at amortized cost	\$292,935	\$-	\$-	\$292,935

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets measured at amortized cost	\$312,540	\$-	\$-	\$312,540

As of March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets measured at amortized cost	\$321,510	\$-	\$-	\$321,510

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9) Capital risk management

The primary objective of the Group's capital management is to ensure that it continues to operate and maintains an optimal capital structure in order to reduce the capital cost. The strategy of the Group in 2022 is the same as that in 2021. The Group did not borrow cash from banks and monitored the capital by debt to equity ratio. The Group's debt to equity ratio is as follow (in thousands):

	As of		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Total liability	\$25,138	\$36,722	\$67,839
Total equity	\$571,984	\$579,030	\$586,301
Ratio	4.39%	6.34%	11.57%

(10) Significant assets and liabilities denominated in foreign currencies

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

March 31, 2022			
	Foreign Currency	Exchange rate	NT\$
<u>Financial assets</u>			
Monetary item:			
USD	\$371	28.63	\$10,622
December 31, 2021			
	Foreign Currency	Exchange rate	NT\$
<u>Financial assets</u>			
Monetary item:			
USD	\$216	27.68	\$5,979
March 31, 2021			
	Foreign Currency	Exchange rate	NT\$
<u>Financial assets</u>			
Monetary item:			
USD	\$139	28.54	\$3,967

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

13. Other disclosure

(1) Information of significant transactions:

- A. Financing provided to others: None.
- B. Endorsement/Guarantee provided to others: None.
- C. Securities held: Please refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None.
- I. Financial instruments and derivative transactions: None.
- J. Others: business relationships and significant transaction between parent and subsidiary and among subsidiaries: None.

(2) Information on investees

Names, locations, and related information of investees over which AmCad BioMed Corporation exercises significant influence (excluding information on investment in Mainland China): Please refer to Attachment 2.

(3) Information on investments in mainland China

None.

AmCad BioMed Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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(4) Information on major share holders

Names, number of shares, percentage of membership, and related information of shareholders with ownership over 5%: Please refer to Attachment 3.

14. Segment information

For management purpose, the Group operating units were divided according to the business provided. After the implementation of the quantitative threshold, the Group has the following two reportable operating segments:

- (1) Medical diagnostic software: The segment is mainly responsible for the development and sales of smart medical imaging diagnostic software device.
- (2) Precision medical equipment: The segment is mainly responsible for research, development, manufacturing and sales of high-end ultrasonic probes.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

(1) Information on profit or loss, assets and liabilities of the reportable segment

For the three-month periods ended March 31, 2022

	Medical diagnostic software	Precision medical equipment	Consolidated
Revenue from external customer	4,326	12,903	17,229
Segment loss	(7,974)	(298)	(8,272)

For the three-month periods ended March 31, 2021

	Medical diagnostic software	Precision medical equipment	Consolidated
Revenue from external customer	\$3,965	\$7,760	\$11,725
Segment loss	\$(10,138)	\$(3,191)	\$(13,329)

Segment revenues are eliminated at the time of consolidation and are reflected under “adjustment and elimination”. All other adjustments and sales are disclosed with detailed adjustments.

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Notes to Consolidated Financial Statements (Continued)
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(2) Assets and liabilities of the operating segment

As of March 31, 2022

	Medical diagnostic software	Precision medical equipment	Adjustment and elimination	Other unallocated amount	Consolidated
Segment assets	\$484,842	\$149,806	\$(95,176)	\$57,650	\$597,122
Segment liabilities	\$8,372	\$16,766	\$-	\$-	\$25,138

As of December 31, 2021

	Medical diagnostic software	Precision medical equipment	Adjustment and elimination	Other unallocated amount	Consolidated
Segment assets	\$501,145	\$151,890	\$(95,538)	\$58,255	\$615,752
Segment liabilities	\$18,170	\$18,552	\$-	\$-	\$36,722

As of March 31, 2021

	Medical diagnostic software	Precision medical equipment	Adjustment and elimination	Other unallocated amount	Consolidated
Segment assets	\$532,449	\$156,507	\$(94,917)	\$60,101	\$654,140
Segment liabilities	\$41,272	\$26,567	\$-	\$-	\$67,839

AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES

(Expressed in Thousands of New Taiwan Dollars)

Attachment 1 : Securities held as of March 31, 2022

Company	Type and Name of Securities	Relationship	Financial statement accounts	March 31, 2022				Note
				Units/Shares	Book value	Percentage of ownership	Fair value	
<u>AMCAD BIOMED CORPORATION</u>	Listed stock-							
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	450,000 shares	\$29,025	-	\$29,025	
	Unlisted stock-							
	Preferred stock-Apollo Medical Optics Inc.	-	Financial assets at fair value through other comprehensive income, non-current	1,666,667 shares	6,493	5.05%	6,493	
	Fund—							
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss, current	367,945 units	6,000	-	6,000	

AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES

(Expressed in Thousands of New Taiwan Dollars)

Attachment 2 : Disclose information of investees when the Group directly or indirectly exercises significant influence or control over investees

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment Amount		Balance as of March 31, 2022			Net Income (Loss) of Investee	Investment Income (Loss)	Note
				Ending balance	Beginning balance	Shares (in thousands)	Percentage of Ownership	Carrying Value			
AMCAD BIOMED CORPORATION	Broadsound Corporation	Hsinchu, Taiwan	Research and development, manufacturing and sales of precision medical equipment and instruments.	\$105,425	\$105,425	8,073	40%	\$95,177	\$(298)	\$(361)	

AMCAD BIOMED CORPORATION AND ITS SUBSIDIARIES

(Expressed in Thousands of New Taiwan Dollars)

Attachment 3 : Information on major share holders

Shares Name of major shareholders	Number of shares	Percentage of ownership
PhytoHealth Co., Ltd.	18,937,948	35.58%
Maywufa Co., Ltd.	3,473,783	6.52%
Chang, Ching-Chien	2,902,000	5.45%