

**APPLIED BIOCODE CORPORATION AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2021 AND 2020**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Applied BioCode Corporation

### *Opinion*

We have audited the accompanying consolidated balance sheets of Applied BioCode Corporation and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### *Basis for opinion*

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

#### **Existence and occurrence of cash and cash equivalents**

##### Description

Please refer to Note 4(6) for accounting policies applied to cash and cash equivalents, and Note 6(1) for details of account items. As of December 31, 2021, cash and cash equivalents amounted to NT\$646,070 thousand, constituting 63% of the total consolidated assets. As cash and cash equivalents constitute a significant portion of total consolidated assets and inherent risk exists, we consider the existence and occurrence of cash and cash equivalents a key audit matter.

##### How our audit addressed the matter

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

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

## **Existence of sales revenues**

### Description

Please refer to Note 4(23) for accounting policies on revenue recognition, and Note 6(16) for details of sales revenue.

The primary business of Applied BioCode Group is the selling of Barcoded Magnetic Beads, Reagents and Optical Analyzers for multiplex in-vitro diagnostics to third party testing laboratories and medical institutions. The transaction terms vary depending on market conditions and customers' needs. As sales revenue are the main transactions of the Group and are material to the financial statements, thus, the existence of sales revenue has been identified as a key audit matter.

### How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Inspected whether approved additions to the merchandise master file data had been correctly entered in the merchandise master file which include basic information of customers for evaluating the creditworthiness of buyers.
2. Evaluated and tested management's controls in respect of the Group's sales transactions and the execution of actual processes.
3. Performed substantive test on selected sales transactions including confirming orders, shipping documents, invoices and cash receipts to verify the existence of sales revenues.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory



Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Wendy Liang

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Alan Chien

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2022

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

APPLIED BIOCODE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

| Assets             |                                    | Notes | December 31, 2021 |     | December 31, 2020 |     |
|--------------------|------------------------------------|-------|-------------------|-----|-------------------|-----|
|                    |                                    |       | AMOUNT            | %   | AMOUNT            | %   |
| Current assets     |                                    |       |                   |     |                   |     |
| 1100               | Cash and cash equivalents          | 6(1)  | \$ 646,070        | 63  | \$ 847,910        | 69  |
| 1170               | Accounts receivable, net           | 6(2)  | 67,805            | 7   | 49,472            | 4   |
| 130X               | Inventories, net                   | 6(3)  | 101,374           | 10  | 106,432           | 9   |
| 1479               | Other current assets, others       | 8     | 11,197            | 1   | 17,263            | 1   |
| 11XX               | Total current assets               |       | 826,446           | 81  | 1,021,077         | 83  |
| Non-current assets |                                    |       |                   |     |                   |     |
| 1600               | Property, plant and equipment, net | 6(4)  | 111,830           | 11  | 116,210           | 10  |
| 1755               | Right-of-use assets                | 6(6)  | 50,940            | 5   | 55,309            | 5   |
| 1780               | Intangible assets, net             | 6(5)  | 13,434            | 1   | 17,196            | 1   |
| 1840               | Deferred income tax assets         | 6(22) | 3,513             | 1   | 4,600             | -   |
| 1900               | Other non-current assets           | 8     | 12,804            | 1   | 12,829            | 1   |
| 15XX               | Total non-current assets           |       | 192,521           | 19  | 206,144           | 17  |
| 1XXX               | Total assets                       |       | \$ 1,018,967      | 100 | \$ 1,227,221      | 100 |

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APPLIED BIOCODE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity         |                                      |           | Notes |                 | December 31, 2021 |    | December 31, 2020 |             |
|--------------------------------|--------------------------------------|-----------|-------|-----------------|-------------------|----|-------------------|-------------|
|                                |                                      |           |       |                 | AMOUNT            | %  | AMOUNT            | %           |
| <b>Liabilities</b>             |                                      |           |       |                 |                   |    |                   |             |
| <b>Current liabilities</b>     |                                      |           |       |                 |                   |    |                   |             |
| 2130                           | Current contract liabilities         | 6(16)     | \$    | 1,987           | -                 | \$ | 1,959             | -           |
| 2170                           | Accounts payable                     |           |       | 9,428           | 1                 |    | 27,602            | 2           |
| 2200                           | Other payables                       | 6(8)      |       | 34,234          | 3                 |    | 35,506            | 3           |
| 2280                           | Current lease liabilities            | 6(6)      |       | 14,195          | 2                 |    | 12,696            | 1           |
| 2399                           | Other current liabilities, others    |           |       | 103             | -                 |    | 39                | -           |
| 21XX                           | <b>Total current liabilities</b>     |           |       | <u>59,947</u>   | <u>6</u>          |    | <u>77,802</u>     | <u>6</u>    |
| <b>Non-current liabilities</b> |                                      |           |       |                 |                   |    |                   |             |
| 2527                           | Non-current contract liabilities     | 6(16)     |       | 7,988           | 1                 |    | 9,092             | 1           |
| 2570                           | Deferred tax liabilities             | 6(22)     |       | 3,513           | -                 |    | 4,600             | -           |
| 2580                           | Non-current lease liabilities        | 6(6)      |       | <u>44,562</u>   | <u>4</u>          |    | <u>48,732</u>     | <u>4</u>    |
| 25XX                           | <b>Total non-current liabilities</b> |           |       | <u>56,063</u>   | <u>5</u>          |    | <u>62,424</u>     | <u>5</u>    |
| 2XXX                           | <b>Total Liabilities</b>             |           |       | <u>116,010</u>  | <u>11</u>         |    | <u>140,226</u>    | <u>11</u>   |
| <b>Equity</b>                  |                                      |           |       |                 |                   |    |                   |             |
| Share capital                  |                                      | 6(12)     |       |                 |                   |    |                   |             |
| 3110                           | Common share                         |           |       | 817,292         | 80                |    | 816,390           | 67          |
| Capital surplus                |                                      | 6(10)(13) |       |                 |                   |    |                   |             |
| 3200                           | Capital surplus                      |           |       | 351,576         | 35                |    | 1,394,683         | 114         |
| Retained earnings              |                                      | 6(14)     |       |                 |                   |    |                   |             |
| 3350                           | Accumulated deficit                  |           | (     | 165,199)        | ( 16)             | (  | 1,052,108)        | ( 86)       |
| Other equity interest          |                                      | 6(10)(15) |       |                 |                   |    |                   |             |
| 3400                           | Other equity interest                |           | (     | <u>100,712)</u> | <u>( 10)</u>      | (  | <u>71,970)</u>    | <u>( 6)</u> |
| 3XXX                           | <b>Total equity</b>                  |           |       | <u>902,957</u>  | <u>89</u>         |    | <u>1,086,995</u>  | <u>89</u>   |
| 3X2X                           | <b>Total liabilities and equity</b>  |           | \$    | 1,018,967       | 100               | \$ | 1,227,221         | 100         |

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

**APPLIED BIOCODE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

(Expressed in thousands of New Taiwan dollars for loss per share)

|  |              |  | Year ended December 31 |               |                       |               |
|--|--------------|--|------------------------|---------------|-----------------------|---------------|
|  |              |  | 2021                   |               | 2020                  |               |
| Items  | Notes        |  | AMOUNT                 | %             | AMOUNT                | %             |
| 4000 Operating revenue   | 6(7)(16)     |  | \$ 319,962             | 100           | \$ 299,015            | 100           |
| 5000 Operating costs   | 6(3)(20)(21) |  | ( 130,595 )            | ( 41 )        | ( 105,491 )           | ( 35 )        |
| 5900 Gross profit from operation   |              |  | <u>189,367</u>         | <u>59</u>     | <u>193,524</u>        | <u>65</u>     |
| Operating expenses   | 6(20)(21)    |  |                        |               |                       |               |
| 6100 Selling expenses  |              |  | ( 56,941 )             | ( 18 )        | ( 44,241 )            | ( 15 )        |
| 6200 Administrative expenses   |              |  | ( 91,515 )             | ( 29 )        | ( 85,792 )            | ( 29 )        |
| 6300 Research and development expenses   |              |  | ( 205,854 )            | ( 64 )        | ( 197,005 )           | ( 66 )        |
| 6000 Total operating expenses  |              |  | ( 354,310 )            | ( 111 )       | ( 327,038 )           | ( 110 )       |
| 6900 Net operating loss  |              |  | ( 164,943 )            | ( 52 )        | ( 133,514 )           | ( 45 )        |
| Non-operating income and expenses  |              |  |                        |               |                       |               |
| 7100 Interest income   | 6(17)        |  | 3,111                  | 1             | 3,732                 | 1             |
| 7020 Other gains and losses  | 6(18)        |  | ( 474 )                | -             | 30,623                | 10            |
| 7050 Finance costs   | 6(6)(19)     |  | ( 2,870 )              | ( 1 )         | ( 4,313 )             | ( 1 )         |
| 7000 Total non-operating income and expenses   |              |  | ( 233 )                | -             | 30,042                | 10            |
| 7900 Loss before income tax  |              |  | ( 165,176 )            | ( 52 )        | ( 103,472 )           | ( 35 )        |
| 7950 Income tax expense  | 6(22)        |  | ( 23 )                 | -             | ( 24 )                | -             |
| 8200 Loss for the year   |              |  | <u>( \$ 165,199 )</u>  | <u>( 52 )</u> | <u>( \$ 103,496 )</u> | <u>( 35 )</u> |
| <b>Other comprehensive income (loss)</b>   |              |  |                        |               |                       |               |
| <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b> |              |  |                        |               |                       |               |
| 8361 Financial statements translation differences of foreign operations                                | 6(15)        |  | ( \$ 28,742 )          | ( 9 )         | ( \$ 58,289 )         | ( 19 )        |
| 8500 Total comprehensive loss for the year   |              |  | <u>( \$ 193,941 )</u>  | <u>( 61 )</u> | <u>( \$ 161,785 )</u> | <u>( 54 )</u> |
| Loss attributable to   | 6(23)        |  |                        |               |                       |               |
| 8610 Owners of the parent  |              |  | <u>( \$ 165,199 )</u>  | <u>( 52 )</u> | <u>( \$ 103,496 )</u> | <u>( 35 )</u> |
| Comprehensive loss attributable to   |              |  |                        |               |                       |               |
| 8710 Owners of the parent  |              |  | <u>( \$ 193,941 )</u>  | <u>( 61 )</u> | <u>( \$ 161,785 )</u> | <u>( 54 )</u> |
| Basic loss per share   | 6(23)        |  |                        |               |                       |               |
| 9750 Basic loss per share (In dollars)   |              |  | <u>( \$ 2.02 )</u>     |               | <u>( \$ 1.33 )</u>    |               |
| 9850 Diluted loss per share (In dollars)   |              |  | <u>( \$ 2.02 )</u>     |               | <u>( \$ 1.33 )</u>    |               |

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

APPLIED BIOCODE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

|   |               | Equity attributable to owners of the parent |                     |                        |                          |                     |
|---|---------------|---|---------------------|------------------------|--------------------------|---------------------|
|   | Notes         | Share capital -<br>common share             | Capital surplus     | Accumulated<br>deficit | Other equity<br>interest | Total equity        |
| <u>2020</u>   |               |   |                     |                        |                          |                     |
| Balance at January 1, 2020                          |               | \$ 722,854                                  | \$ 770,920          | (\$ 948,612)           | (\$ 14,512)              | \$ 530,650          |
| Loss for the year                                   | 6(14)(23)     | -   | -                   | ( 103,496)             | -                        | ( 103,496)          |
| Other comprehensive loss for the year               | 6(15)         | -   | -                   | -                      | ( 58,289)                | ( 58,289)           |
| Total comprehensive loss                            |               | -   | -                   | ( 103,496)             | ( 58,289)                | ( 161,785)          |
| Compensation cost of employee stock options         | 6(10)(13)     | -   | 12,702              | -                      | -                        | 12,702              |
| Compensation cost of employee restricted shares     | 6(10)(15)     | -   | -                   | -                      | 831                      | 831                 |
| Issuance of common shares                           | 6(12)(13)     | 90,500                                      | 610,981             | -                      | -                        | 701,481             |
| Exercise of employee stock options                  | 6(10)(12)(13) | 3,036                                       | 80                  | -                      | -                        | 3,116               |
| Balance at December 31, 2020                        |               | <u>\$ 816,390</u>                           | <u>\$ 1,394,683</u> | <u>(\$ 1,052,108)</u>  | <u>(\$ 71,970)</u>       | <u>\$ 1,086,995</u> |
| <u>2021</u>   |               |   |                     |                        |                          |                     |
| Balance at January 1, 2021                          |               | <u>\$ 816,390</u>                           | <u>\$ 1,394,683</u> | <u>(\$ 1,052,108)</u>  | <u>(\$ 71,970)</u>       | <u>\$ 1,086,995</u> |
| Loss for the year                                   | 6(14)(23)     | -   | -                   | ( 165,199)             | -                        | ( 165,199)          |
| Other comprehensive loss for the year               | 6(15)         | -   | -                   | -                      | ( 28,742)                | ( 28,742)           |
| Total comprehensive loss                            |               | -   | -                   | ( 165,199)             | ( 28,742)                | ( 193,941)          |
| Compensation cost of employee stock options         | 6(10)(13)     | -   | 8,565               | -                      | -                        | 8,565               |
| Exercise of employee stock options                  | 6(10)(12)(13) | 902   | 436                 | -                      | -                        | 1,338               |
| Capited surplus used to offset accumulated deficits | 6(13)(14)     | -   | ( 1,052,108)        | 1,052,108              | -                        | -                   |
| Balance at December 31, 2021                        |               | <u>\$ 817,292</u>                           | <u>\$ 351,576</u>   | <u>(\$ 165,199)</u>    | <u>(\$ 100,712)</u>      | <u>\$ 902,957</u>   |

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

**APPLIED BIOCODE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

|  |           | Year ended December 31 |                   |
|--|-----------|------------------------|-------------------|
|  | Notes     | 2021                   | 2020              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |           |                        |                   |
| Loss before tax  |           | ( \$ 165,176 )         | ( \$ 103,472 )    |
| Adjustments  |           |                        |                   |
| Adjustments to reconcile profit (loss)                 |           |                        |                   |
| Depreciation expense                                   | 6(4)(20)  | 46,891                 | 39,456            |
| Amortisation expense                                   | 6(5)(20)  | 4,068                  | 4,139             |
| Expected credit loss                                   | 6(2)      | 5,668                  | 91                |
| Interest income  | 6(17)     | ( 3,111 )              | ( 3,732 )         |
| Interest expense                                       | 6(19)     | 2,870                  | 4,313             |
| Losses on disposals of property, plant and equipment   | 6(4)(18)  | 10                     | -                 |
| Compensation cost of employee share-based payment      | 6(10)     | 8,565                  | 13,533            |
| PPP loan forgiveness revenue                           | 6(18)     | -                      | ( 28,062 )        |
| Changes in operating assets and liabilities            |           |                        |                   |
| Changes in operating assets                            |           |                        |                   |
| Accounts receivable, net                               |           | ( 24,001 )             | ( 25,461 )        |
| Inventories, net                                       |           | ( 13,383 )             | ( 65,560 )        |
| Other current assets, others                           |           | 6,066                  | ( 7,898 )         |
| Changes in operating liabilities                       |           |                        |                   |
| Contract liabilities                                   |           | ( 1,076 )              | 2,552             |
| Accounts payable                                       |           | ( 18,174 )             | 18,020            |
| Other payables   |           | ( 1,272 )              | 5,921             |
| Other current liabilities, others                      |           | 64                     | 24                |
| Cash outflow generated from operations                 |           | ( 151,991 )            | ( 146,136 )       |
| Interest received                                      |           | 3,111                  | 3,732             |
| Interest paid  |           | ( 2,870 )              | ( 4,313 )         |
| Income tax paid  |           | ( 23 )                 | ( 24 )            |
| Net cash flows used in operating activities            |           | ( 151,773 )            | ( 146,741 )       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |           |                        |                   |
| Increase in current financial assets at amortised cost |           | -                      | ( 262,281 )       |
| Decrease in current financial assets at amortised cost |           | -                      | 383,607           |
| Acquisition of property, plant and equipment           | 6(24)     | ( 15,518 )             | ( 27,580 )        |
| Acquisition of intangible assets                       | 6(5)      | ( 750 )                | ( 374 )           |
| Increase in refundable deposits                        |           | ( 120 )                | ( 12,829 )        |
| Decrease in refundable deposits                        |           | -                      | 6,021             |
| Net cash flows (used in) from investing activities     |           | ( 16,388 )             | 86,564            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |           |                        |                   |
| Repayments of short-term borrowings                    |           | -                      | ( 60,212 )        |
| Proceeds from long-term borrowings                     | 6(9)      | -                      | 28,062            |
| Repayments of principal portion of lease liabilities   | 6(6)(25)  | ( 15,526 )             | ( 15,685 )        |
| Proceeds from issuance of shares                       | 6(12)     | -                      | 701,481           |
| Exercise of employee stock options                     | 6(10)(13) | 1,338                  | 3,116             |
| Net cash flows (used in) from financing activities     |           | ( 14,188 )             | 656,762           |
| Effect of exchange rate changes                        |           | ( 19,491 )             | ( 51,351 )        |
| Net (decrease) increase in cash and cash equivalents   |           | ( 201,840 )            | 545,234           |
| Cash and cash equivalents at beginning of year         |           | 847,910                | 302,676           |
| Cash and cash equivalents at end of year               |           | <u>\$ 646,070</u>      | <u>\$ 847,910</u> |

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



APPLIED BIOCODE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1. History and Organization

Applied BioCode Corporation (the “Company”) was incorporated as a company in British Cayman Islands on April 15, 2016, as a holding company for the purpose of reorganization. On June 30, 2016, as part of a reorganization, Applied BioCode Inc. converted all of its outstanding shares to the Company’s newly issued shares. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in Barcoded Magnetic Beads of multiplex in-vitro diagnostics, platform technology of assays and instruments and research and development, production, sales, leasing and authorisation of products. The Company’s shares have been listed on the Taiwan Stock Exchange since June 9, 2020.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2022.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| New Standards, Interpretations and Amendments   | Effective date by<br>International<br>Accounting Standards<br>Board |
|---|---|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’                   | January 1, 2021   |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’ | January 1, 2021   |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’                       | April 1, 2021(Note)   |

Note : Earlier application from January 1, 2021 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| New Standards, Interpretations and Amendments                                       | Effective date by<br>International<br>Accounting<br>Standards Board |
|---|---|
| Amendments to IFRS 3, 'Reference to the conceptual framework'                       | January 1, 2022   |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022   |
| Amendments to IAS 37, 'Onerous contracts — cost of fulfilling a contract'           | January 1, 2022   |
| Annual improvements to IFRS Standards 2018–2020                                     | January 1, 2022   |

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

| New Standards, Interpretations and Amendments   | Effective date by<br>International<br>Accounting<br>Standards Board |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by<br>International Accounting<br>Standards Board  |
| IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'                               | January 1, 2023   |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'  | January 1, 2023   |
| Amendments to IAS 1, 'Disclosure of accounting policies'  | January 1, 2023   |
| Amendments to IAS 8, 'Definition of accounting estimates'   | January 1, 2023   |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'                  | January 1, 2023   |

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

#### 4. Summary of Significant Accounting Policies

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

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### (2) Basis of preparation

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

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) The Group’s financial statements are initially presented in USD. When converting the consolidated financial statements into New Taiwan Dollars, all assets and liabilities are translated into New Taiwan Dollars at the exchange rate of the balance sheet; except for the balance accrued at the end of the period, the balance of the equity in the equity account is carried forward, and the rest is based on historical exchange rates. Profit and loss accounts are translated at the weighted average exchange rate, and the difference arising from the conversion is included in the “cumulative translation adjustment” as an adjustment item for equity.
- (b) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (c) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (d) Profit or loss and each component of other comprehensive income are attributed to the owners

of the parent and to the non-controlling interests. Total comprehensive income 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.

- (e) Changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (f) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor            | Name of the subsidiary      | Main business activities   | Ownership (%)     |                   |
|-----------------------------|-----------------------------|--|-------------------|-------------------|
|                             |                             |  | December 31, 2021 | December 31, 2020 |
| Applied BioCode Corporation | Applied BioCode, Inc.       | Barcoded Magnetic Beads of multiplex in-vitro diagnostics, platform technology of assays and instruments and research and development, production, sales and leasing.    | 100%              | 100%              |
| Applied BioCode, Inc.       | Applied BioCode Taiwan Ltd. | Barcoded Magnetic Beads of multiplex in-vitro diagnostics, platform technology of assays and instruments and research and development, production and sales of products. | 100%              | 100%              |

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in USD, which is the Company's



functional and the Group's presentation currency. However, the consolidated financial statements are presented in NTD under the future financing plan and the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income (loss) are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date; and
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date; and
  - (d) Liabilities for which the repayment date cannot be deferred unconditionally for at least twelve months after the balance sheet date. 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.

(6) Cash equivalents

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

(7) Accounts receivable

- A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit

risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

|                         |             |
|-------------------------|-------------|
| Test equipment          | 5 years     |
| Machinery and equipment | 5 years     |
| Rental assets           | 5 years     |
| Office equipment        | 5 years     |
| Leasehold improvements  | 1~6 year(s) |

(12) Leasing arrangements (lessee) — right-of-use assets / lease liabilities

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Amounts expected to be payable by the lessee under residual value guarantees.

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

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

- (a) The amount of the initial measurement of lease liability;
- (b) Any initial direct costs incurred by the lessee; and
- (c) 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.

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

(13) Intangible assets

A. Computer software

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



B. Patents and patented technologies

Patents acquired by issuing new shares to exchange is recognised based on the fair value at the acquisition date. The fair value is stated based on the appraisal report and is amortized on a straight-line basis over patent's estimated useful of 15 to 17 years.

Other patents are stated at cost and amortised on a straight-line basis over its duration of 6 to 9 years.

(14) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.
- B. The recoverable amounts of intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(15) Borrowings

- A. Borrowings comprise long-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(16) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and accounts payable are those resulting from operating and non-operating activities.
- B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

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

(18) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently distributed amounts is accounted for as changes in estimates.

(20) Employee share-based payment

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

B. Restricted stocks

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the

date of dividends declared.

- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if the Group will pay the employees who resign during the vesting period to repurchase the stocks, the Group estimates such payments that will be made and recognises such amounts as compensation cost and liability at the grant date, in accordance with the terms of restricted stocks.

(21) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax of Taiwan subsidiary is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Share capital

- A. Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's shares that have been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Revenue recognition

A. Sales revenue

- (a) The Group manufactures and sells test reagents and medical instrument. Revenue is measured at the fair value of the received or receivable from the sale of goods to external customers in the ordinary course of the Group's operating activities after netting the business tax, returns, rebates and discounts. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) If the payment (or payable) exceeds the services or goods delivered, a contract liability is recognised.

B. Revenue from licencing intellectual property

The Group entered into contracts with customers to grant licences of patents to the customers. Given the licences are distinct from other promised goods or services in the contract, the Group recognises the revenue from licencing based on the nature of the licences granted. The nature of the Group's promise in granting licences is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The

royalties are recognised as revenue on a straight-line basis throughout the licencing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a licence is a promise to provide a right to use the Group's intellectual property and therefore, the revenue is recognised when transferring the licence to a customer at a point in time.

C. Rental revenue

The Group entered into the reagent purchase agreements with clients and provides the medical devices for the customers to use through operating leases. Lease income from operating leases (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

D. Other operating revenue

Other operating revenue from the sale of consumables is recognised when the Group sells a product to the customer. Payment of the transaction price is due when the customer purchases the product.

(24) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(25) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

None.

6. Details of Significant Accounts

(1) Cash and cash equivalents

|                                       | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| Checking accounts and demand deposits | \$ 460,916               | \$ 661,164               |
| Time deposits                         | 185,154                  | 186,746                  |
| Total                                 | <u>\$ 646,070</u>        | <u>\$ 847,910</u>        |

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

B. As of December 31, 2021 and 2020, the interest rate of time deposits were 0.6% and 0.498%, respectively.

(2) Accounts receivable

|  | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Accounts receivable                        | \$ 71,153                | \$ 49,559                |
| Less: Allowance for uncollectible accounts | ( 3,348)                 | ( 87)                    |
|  | <u>\$ 67,805</u>         | <u>\$ 49,472</u>         |

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

|                 | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------|--------------------------|--------------------------|
| Not past due    | \$ 61,774                | \$ 42,514                |
| Up to 90 days   | 175                      | 6,938                    |
| 91 to 180 days  | 3,065                    | 107                      |
| 181 to 360 days | 5,925                    | -                        |
| Over 360 days   | 214                      | -                        |
|                 | <u>\$ 71,153</u>         | <u>\$ 49,559</u>         |

The above ageing analysis was based on past due date.

B. As of December 31, 2021, and 2020, the balances of receivables from contracts with customers amounted to \$71,153, and \$49,559, respectively.

(3) Inventories

| December 31, 2021 |                   |                                 |                   |
|-------------------|-------------------|---------------------------------|-------------------|
|                   | Cost              | Allowance for<br>valuation loss | Book value        |
| Raw materials     | \$ 82,626         | (\$ 13,080)                     | \$ 69,546         |
| Work in process   | 18,367            | -                               | 18,367            |
| Finished goods    | 13,498            | ( 37)                           | 13,461            |
|                   | <u>\$ 114,491</u> | <u>(\$ 13,117)</u>              | <u>\$ 101,374</u> |
| December 31, 2020 |                   |                                 |                   |
|                   | Cost              | Allowance for<br>valuation loss | Book value        |
| Raw materials     | \$ 81,318         | (\$ 5,727)                      | \$ 75,591         |
| Work in process   | 15,405            | -                               | 15,405            |
| Finished goods    | 15,558            | ( 122)                          | 15,436            |
|                   | <u>\$ 112,281</u> | <u>(\$ 5,849)</u>               | <u>\$ 106,432</u> |

The cost of inventories recognised as expense for the year:

|                    | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|--------------------|---------------------------------|---------------------------------|
| Cost of goods sold | \$ 117,191                      | \$ 103,851                      |
| Loss on scrap      | 5,882                           | 156                             |
| Valuation loss     | 7,522                           | 1,484                           |
|                    | <u>\$ 130,595</u>               | <u>\$ 105,491</u>               |

(4) Property, plant and equipment

|                          | Leasehold<br>improvements | Machinery and<br>equipment | Test<br>equipment | Office<br>equipment | Rental<br>assets | Unfinished<br>construction<br>and equipment<br>under acceptance | Total             |
|--------------------------|---------------------------|----------------------------|-------------------|---------------------|------------------|---|-------------------|
| At January 1, 2021       |                           |                            |                   |                     |                  |   |                   |
| Cost                     | \$ 44,365                 | \$ 71,512                  | \$ 4,530          | \$ 5,667            | \$ 56,528        | \$ -  | \$ 182,602        |
| Accumulated depreciation | ( 8,789)                  | ( 41,876)                  | ( 2,283)          | ( 3,139)            | ( 10,305)        | -   | ( 66,392)         |
|                          | <u>\$ 35,576</u>          | <u>\$ 29,636</u>           | <u>\$ 2,247</u>   | <u>\$ 2,528</u>     | <u>\$ 46,223</u> | <u>\$ -</u>   | <u>\$ 116,210</u> |
| <u>2021</u>              |                           |                            |                   |                     |                  |   |                   |
| At January 1             | \$ 35,576                 | \$ 29,636                  | \$ 2,247          | \$ 2,528            | \$ 46,223        | \$ -  | \$ 116,210        |
| Additions                | 3,569                     | 7,891                      | -                 | 1,154               | -                | 1,019   | 13,633            |
| Disposals                | - ( 10)                   | -                          | -                 | -                   | -                | - ( 10)   |                   |
| Transfer (Note)          | -                         | 3,548                      | -                 | -                   | 14,893           | -   | 18,441            |
| Depreciation charge      | ( 6,974)                  | ( 11,904)                  | ( 820)            | ( 853)              | ( 12,662)        | -   | ( 33,213)         |
| Net exchange differences | ( 981)                    | ( 791)                     | ( 21)             | ( 75)               | ( 1,351)         | ( 12)   | ( 3,231)          |
| At December 31           | <u>\$ 31,190</u>          | <u>\$ 28,370</u>           | <u>\$ 1,406</u>   | <u>\$ 2,754</u>     | <u>\$ 47,103</u> | <u>\$ 1,007</u>   | <u>\$ 111,830</u> |
| At December 31, 2021     |                           |                            |                   |                     |                  |   |                   |
| Cost                     | \$ 46,708                 | \$ 80,838                  | \$ 4,470          | \$ 6,652            | \$ 69,628        | \$ 1,007  | \$ 209,303        |
| Accumulated depreciation | ( 15,518)                 | ( 52,468)                  | ( 3,064)          | ( 3,898)            | ( 22,525)        | -   | ( 97,473)         |
|                          | <u>\$ 31,190</u>          | <u>\$ 28,370</u>           | <u>\$ 1,406</u>   | <u>\$ 2,754</u>     | <u>\$ 47,103</u> | <u>\$ 1,007</u>   | <u>\$ 111,830</u> |
|                          | Leasehold<br>improvements | Machinery and<br>equipment | Test<br>equipment | Office<br>equipment | Rental<br>assets |   | Total             |
| At January 1, 2020       |                           |                            |                   |                     |                  |   |                   |
| Cost                     | \$ 8,420                  | \$ 68,722                  | \$ 3,879          | \$ 4,557            | \$ 14,211        |   | \$ 99,789         |
| Accumulated depreciation | ( 7,098)                  | ( 34,258)                  | ( 1,634)          | ( 2,449)            | ( 2,912)         |   | ( 48,351)         |
|                          | <u>\$ 1,322</u>           | <u>\$ 34,464</u>           | <u>\$ 2,245</u>   | <u>\$ 2,108</u>     | <u>\$ 11,299</u> |   | <u>\$ 51,438</u>  |
| <u>2020</u>              |                           |                            |                   |                     |                  |   |                   |
| At January 1             | \$ 1,322                  | \$ 34,464                  | \$ 2,245          | \$ 2,108            | \$ 11,299        |   | \$ 51,438         |
| Additions                | 42,023                    | 10,249                     | -                 | 1,390               | -                |   | 53,662            |
| Transfer (Note)          | - ( 3,745)                | -                          | 866               | -                   | 44,577           |   | 41,698            |
| Depreciation charge      | ( 6,432)                  | ( 9,723)                   | ( 743)            | ( 841)              | ( 7,791)         |   | ( 25,530)         |
| Net exchange differences | ( 1,337)                  | ( 1,609)                   | ( 121)            | ( 129)              | ( 1,862)         |   | ( 5,058)          |
| At December 31           | <u>\$ 35,576</u>          | <u>\$ 29,636</u>           | <u>\$ 2,247</u>   | <u>\$ 2,528</u>     | <u>\$ 46,223</u> |   | <u>\$ 116,210</u> |
| At December 31, 2020     |                           |                            |                   |                     |                  |   |                   |
| Cost                     | \$ 44,365                 | \$ 71,512                  | \$ 4,530          | \$ 5,667            | \$ 56,528        |   | \$ 182,602        |
| Accumulated depreciation | ( 8,789)                  | ( 41,876)                  | ( 2,283)          | ( 3,139)            | ( 10,305)        |   | ( 66,392)         |
|                          | <u>\$ 35,576</u>          | <u>\$ 29,636</u>           | <u>\$ 2,247</u>   | <u>\$ 2,528</u>     | <u>\$ 46,223</u> |   | <u>\$ 116,210</u> |

Note: The inventory was transferred to rental assets and machinery and equipment.



(5) Intangible assets

|                          | Patents and<br>patented<br>technologies | Computer<br>software | Total            |
|--------------------------|---|----------------------|------------------|
| At January 1, 2021       |   |                      |                  |
| Cost                     | \$ 54,010                               | \$ 3,002             | \$ 57,012        |
| Accumulated amortisation | ( 37,572)                               | ( 2,244)             | ( 39,816)        |
|                          | <u>\$ 16,438</u>                        | <u>\$ 758</u>        | <u>\$ 17,196</u> |
| <u>2021</u>              |   |                      |                  |
| At January 1             | \$ 16,438                               | \$ 758               | \$ 17,196        |
| Additions                | -                                       | 750                  | 750              |
| Amortisation charge      | ( 3,726)                                | ( 342)               | ( 4,068)         |
| Net exchange differences | ( 429)                                  | ( 15)                | ( 444)           |
| At December 31           | <u>\$ 12,283</u>                        | <u>\$ 1,151</u>      | <u>\$ 13,434</u> |
| At December 31, 2021     |   |                      |                  |
| Cost                     | \$ 52,460                               | \$ 3,673             | \$ 56,133        |
| Accumulated amortisation | ( 40,177)                               | ( 2,522)             | ( 42,699)        |
|                          | <u>\$ 12,283</u>                        | <u>\$ 1,151</u>      | <u>\$ 13,434</u> |
|                          | Patents and<br>patented<br>technologies | Computer<br>software | Total            |
| At January 1, 2020       |   |                      |                  |
| Cost                     | \$ 57,037                               | \$ 2,764             | \$ 59,801        |
| Accumulated amortisation | ( 35,673)                               | ( 2,154)             | ( 37,827)        |
|                          | <u>\$ 21,364</u>                        | <u>\$ 610</u>        | <u>\$ 21,974</u> |
| <u>2020</u>              |   |                      |                  |
| At January 1             | \$ 21,364                               | \$ 610               | \$ 21,974        |
| Additions                | -                                       | 374                  | 374              |
| Amortisation charge      | ( 3,933)                                | ( 206)               | ( 4,139)         |
| Net exchange differences | ( 993)                                  | ( 20)                | ( 1,013)         |
| At December 31           | <u>\$ 16,438</u>                        | <u>\$ 758</u>        | <u>\$ 17,196</u> |
| At December 31, 2020     |   |                      |                  |
| Cost                     | \$ 54,010                               | \$ 3,002             | \$ 57,012        |
| Accumulated amortisation | ( 37,572)                               | ( 2,244)             | ( 39,816)        |
|                          | <u>\$ 16,438</u>                        | <u>\$ 758</u>        | <u>\$ 17,196</u> |

Patents and patented technologies refer to the patents and technologies acquired by the Group for manufacturing and testing of Barcoded Magnetic Beads.

(6) Lease arrangements - lessee

- A. The Group leases various assets, including buildings, machinery and equipment. Rental contracts are made for periods of 2 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants other than the restriction to be used as guarantee for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

|                         | <u>December 31, 2021</u>    | <u>December 31, 2020</u>    |
|-------------------------|-----------------------------|-----------------------------|
|                         | <u>Carrying amount</u>      | <u>Carrying amount</u>      |
| Buildings               | \$ 48,499                   | 51,011                      |
| Machinery and equipment | 2,441                       | 4,298                       |
|                         | <u>\$ 50,940</u>            | <u>\$ 55,309</u>            |
|                         | <u>Year ended</u>           | <u>Year ended</u>           |
|                         | <u>December 31, 2021</u>    | <u>December 31, 2020</u>    |
|                         | <u>Depreciation expense</u> | <u>Depreciation expense</u> |
| Buildings               | \$ 11,924                   | \$ 12,075                   |
| Machinery and equipment | 1,754                       | 1,851                       |
|                         | <u>\$ 13,678</u>            | <u>\$ 13,926</u>            |

- C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$10,779 and \$2,953, respectively.
- D. The carrying amount of lease liabilities are as follows:

|             | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------|--------------------------|--------------------------|
|             | <u>Carrying amount</u>   | <u>Carrying amount</u>   |
| Current     | \$ 14,195                | \$ 12,696                |
| Non-current | 44,562                   | 48,732                   |
|             | <u>\$ 58,757</u>         | <u>\$ 61,428</u>         |

- E. Information on profit or loss in relation to lease contracts is as follows:

|                                       | <u>Year ended</u>        | <u>Year ended</u>        |
|---------------------------------------|--------------------------|--------------------------|
|                                       | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
| <u>Items affecting profit or loss</u> |                          |                          |
| Interest expense on lease liabilities | \$ 2,870                 | \$ 3,532                 |
| Expense on short-term lease contracts | -                        | 191                      |
| Expense on leases of low-value assets | 18                       | 17                       |

- F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$18,414 and \$15,893, respectively.

G. Extension options

- (a) Extension options are included in the Group's lease contracts pertaining to offices and plants. These terms and conditions aim to maximise optional flexibility in terms of managing contracts.
- (b) In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Leasing arrangements - lessor

- A. The Group leases various assets including machinery and equipment. Rental contracts are typically made for a period of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Gain arising from operating lease agreements for the years ended December 31, 2021 and 2020 are as follows:

|   | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|---|---------------------------------|---------------------------------|
| Rental revenue                              | \$ 10,068                       | \$ 11,677                       |
| Rental revenue from variable lease payments | 1,596                           | 3,384                           |
|   | <u>\$ 11,664</u>                | <u>\$ 15,061</u>                |

- C. The Group's rental revenue from operating leases were based on the sales amount of reagent during the contract period, which is a variable lease payment.

(8) Other payables

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Accrued salaries and bonus                | \$ 18,790         | \$ 20,388         |
| Accrued professional service fee          | 6,179             | 4,386             |
| Accrued tax                               | 4,175             | 82                |
| Accrued research and development expenses | 1,143             | 5,524             |
| Payables for equipment                    | 153               | 2,038             |
| Others                                    | 3,794             | 3,088             |
|   | <u>\$ 34,234</u>  | <u>\$ 35,506</u>  |

(9) Long-term borrowings

- A. As of December 31, 2021 and 2020, there were no long-term borrowings.
- B. For the years ended December 31, 2021 and 2020, the Group recognised interest expense arising from long-term borrowings amounting to \$0 and \$0, respectively.

C. Paycheck Protection Program (PPP)

- (a) The US subsidiary, Applied BioCode, Inc., obtained a loan from CTBC BANK CORP. (USA) in accordance with Paycheck Protection Program (PPP) amounting to US\$949,077 with a contract period from April 21, 2021 to April 21, 2022. Interest will continue to accrue during the deferment period calculated on the unpaid principal balance using a taxed rate of 1.00% based on a simple interest method.
- (b) In accordance with the loan contract, the loan will be repaid in 18 installments starting from 6 months after first disbursement of the loan. If the loan proceeds is used for operations, such as salary, rental and other expenses, which meets the regulations specified in PPP, it can be forgiven through submitting an application to the Small Business Administration (SBA). In accordance with the P.L. 116-142 of supplementary provisions of the Paycheck Protection Flexibility Act of 2020, the start date and repayment date of the principal and interest will be postponed to the date that the loan forgiveness is approved by the SBA. The Group obtained the approval of forgiveness from the SBA and settled the PPP loan and related interests and has recognized the PPP loan forgiveness revenue in the amount of \$28,062 in November 2020.

(10) Share-based payment

A. As of December 31, 2021, the Group's share-based payment arrangements were as follows:

| Type of arrangement                      | Grant date | Quantity<br>granted | Contract<br>period | Vesting conditions                              |
|--|------------|---------------------|--------------------|---|
| Employee stock options                   | 2014/01/14 | 80,000              | 10 years           | 4 years' service; Description (b)               |
|  | 2014/06/16 | 100,000             | 10 years           | 4 years' service; Description (g)               |
|  | 2014/09/26 | 70,000              | 10 years           | 0 to 4 years' service; Description (a)(b)       |
|  | 2015/03/20 | 26,500              | 10 years           | 0 to 4 years' service; Description (a)(b)(e)    |
|  | 2015/06/26 | 60,000              | 10 years           | 0 to 4 years' service; Description (a)(b)(e)    |
|  | 2015/10/16 | 47,400              | 10 years           | 0 to 4 years' service; Description (a)(b)(c)(d) |
|  | 2016/02/29 | 211,700             | 10 years           | 1 to 4 years' service; Description (b)(e)       |
|  | 2016/06/08 | 112,800             | 10 years           | 0 to 4 years' service; Description (a)(b)       |
|  | 2016/09/18 | 13,100              | 10 years           | 0 to 4 years' service; Description (a)(b)       |
|  | 2016/09/29 | 20,000              | 10 years           | 0 to 4 years' service; Description (a)(b)       |
|  | 2016/11/02 | 7,000               | 10 years           | 0 to 4 years' service; Description (a)(b)       |
|  | 2018/07/02 | 215,000             | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2018/09/28 | 172,000             | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2018/12/11 | 51,000              | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2019/04/11 | 26,500              | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2020/07/21 | 347,360             | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2020/08/11 | 72,000              | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2021/01/05 | 25,500              | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2021/03/18 | 10,500              | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2021/05/14 | 331,800             | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2021/09/06 | 34,500              | 10 years           | 2 to 4 years' service; Description (j)          |
|  | 2021/11/08 | 83,500              | 10 years           | 2 to 4 years' service; Description (j)          |
| Type of arrangement                      | Grant date | Quantity<br>granted | Contract<br>period | Vesting conditions                              |
| Restricted stocks to<br>employees (Note) | 2012/01/21 | 224,500             | 10 years           | 0 to 4 years' service; Description (a)(b)(c)(e) |
|  | 2013/06/21 | 804,000             | 10 years           | 4 years' service; Description (b)(g)            |
|  | 2013/11/03 | 12,000              | 10 years           | 4 years' service; Description (b)               |
|  | 2014/01/14 | 116,000             | 10 years           | 4 years' service; Description (b)               |
|  | 2014/06/16 | 33,500              | 10 years           | 0 to 4 years' service; Description (a)(b)(g)    |
|  | 2014/09/26 | 33,000              | 10 years           | 0 to 4 years' service; Description (a)(b)(e)(f) |
|  | 2018/06/01 | 167,000             | 2 years            | 1 to 2 years' service; Description (i)          |
|  | 2018/06/15 | 161,000             | 1 year             | Description (h)                                 |
|  | 2018/12/20 | 20,000              | 2 years            | 1 to 2 years' service; Description (i)          |

| Type of arrangement                                    | Grant date | Quantity granted | Contract period | Vesting conditions |
|--|------------|------------------|-----------------|--------------------|
| Cash capital increase reserved for employee preemption | 2020/05/11 | 399,857          | Not applicable  | Vested immediately |

The fair value of the abovementioned restricted stocks to employees were measured based on the 30 business days average transaction price of the Group's stocks.

Description:

- (a) Vested immediately.
- (b) 25% of options were vested after the employee renders one-year service, then the option was vested one of forty-eighth options every month.
- (c) Vested one of twenty-fourth options every month based on straight-line method.
- (d) Vested one-sixth options every month based on straight-line method.
- (e) Vested one-twelfth options every month based on straight-line method.
- (f) Vested one-third options every month based on straight-line method.
- (g) Vested one of forty-eighth options every month based on straight-line method.
- (h) 100% of options vested immediately whilst the Group's multiplex diagnostic testing products, 17-Plex Gastrointestinal Pathogen Panel 1, and instruments successfully obtained FDA510K approval.
- (i) 50% of options vested whilst the condition of one-year service is fulfilled, and subsequently vested 50% of options whilst the condition of two-year service is fulfilled.
- (j) 50% of options vested at the date that the option holder had two-year service, and the option holder is subsequently granted 25% (1/4) every year.

(Note) The restricted stocks issued by the Group cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period. On November 15, 2016, the Group issued new shares through the transfer of capital surplus, and each share of common stock as well as the unvested restricted stocks to employees had been distributed an additional 0.4 share of common stock.

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

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

|                                    | 2021           |  |
|------------------------------------|----------------|--|
|                                    | No. of options | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1   | 992,473        | \$ 43.25                                     |
| Options granted                    | 485,800        | 46.40  |
| Options forfeited                  | ( 160,310)     | 75.13  |
| Options exercised                  | ( 90,220)      | 14.83  |
| Options outstanding at December 31 | 1,227,743      | 42.92  |
| Options exercisable at December 31 | 394,468        | 20.69  |

  

|                                    | 2020           |  |
|------------------------------------|----------------|--|
|                                    | No. of options | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1   | 972,027        | \$ 22.18                                     |
| Options granted                    | 419,360        | 89.93  |
| Options forfeited                  | ( 95,366)      | 58.88  |
| Options exercised                  | ( 303,548)     | 10.32  |
| Options outstanding at December 31 | 992,473        | 43.25  |
| Options exercisable at December 31 | 418,563        | 13.68  |

(Note) The employee stock options issued by the Group cannot be transferred during the vesting period. On November 15, 2016, the Group issued new shares through the transfer of capital surplus and each share of common stock had been distributed an additional 0.4 share of common stock, and the exercise price of the outstanding employee stock options which were not exercised before November 15, 2016 had been adjusted accordingly.

- C. As of December 31, 2021 and 2020, the ranges of exercise prices of stock options outstanding were \$11.21 ~ \$101 (in dollars) and \$11.83 ~ \$101 (in dollars), respectively; the weighted-average remaining contractual periods were 6.79 years and 6.59 years, respectively.
- D. Aside from restricted stocks to employees, the fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| Type of arrangement                                    | Grant date | Stock price<br>(in dollars) | Exercise price<br>(in dollars) | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per unit<br>(in dollars) |
|--|------------|-----------------------------|--------------------------------|---------------------------|----------------------|--------------------|-------------------------|-------------------------------------|
| Cash capital increase reserved for employee preemption | 2020/05/11 | \$65.73                     | \$48.00                        | -                         | 0.00 year            | 0%                 | 0.56%                   | \$17.73                             |
| Employee share options                                 | 2020/07/21 | \$98.30                     | \$98.30                        | 57.87%                    | 6.37 years           | 0%                 | 0.39%                   | \$53.14                             |
| Employee share options                                 | 2020/08/11 | \$101                       | \$101                          | 57.87%                    | 6.37 years           | 0%                 | 0.39%                   | \$55.38                             |
| Employee share options                                 | 2021/01/05 | 57.20                       | 57.20                          | 59.97%                    | 6.37 years           | 0%                 | 0.57%                   | \$31.97                             |
| Employee share options                                 | 2021/03/18 | 48.45                       | 49.81                          | 60.02%                    | 6.37 years           | 0%                 | 1.20%                   | \$27.23                             |
| Employee share options                                 | 2021/05/14 | 50.00                       | 50.00                          | 59.91%                    | 6.37 years           | 0%                 | 1.14%                   | \$28.33                             |
| Employee share options                                 | 2021/09/06 | 37.85                       | 37.85                          | 58.86%                    | 6.37 years           | 0%                 | 0.99%                   | \$21.07                             |
| Employee share options                                 | 2021/11/08 | 31.90                       | 31.90                          | 58.31%                    | 6.37 years           | 0%                 | 1.30%                   | \$17.77                             |

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

|                | <u>Year ended December 31, 2021</u> | <u>Year ended December 31, 2020</u> |
|----------------|-------------------------------------|-------------------------------------|
| Equity-settled | \$ <u>8,565</u>                     | \$ <u>13,533</u>                    |

#### (11) Pensions

##### Defined contribution plan

- A. The Company's subsidiary, Applied BioCode, Inc., provides a 401(K) retirement plan, which is a defined contribution plan. Under the plan, the employees contribute an amount based on a certain percentage of the employees' salaries and wages to the employees' individual pension accounts, and Applied BioCode, Inc. also contributes an amount as pension expense to the employees' individual pension accounts accordingly. For the years ended December 31, 2021 and 2020, the pension contributed to the employees' individual pension accounts by Applied BioCode, Inc. accordingly amounted to \$4,625 and \$4,712, respectively.
- B. The Company's subsidiary, Applied BioCode Taiwan Ltd., has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the subsidiary contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual



pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. For the years ended December 31, 2021 and 2020, the Group recognised pension cost of \$869 and \$808, respectively.

(12) Share capital

As of December 31, 2021, the Company's authorised capital was \$900,000, consisting of 90,000 thousand shares, and the paid-in capital was \$817,292 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's common shares outstanding are as follows:

|                                  | 2021                            | 2020                            |
|----------------------------------|---------------------------------|---------------------------------|
|                                  | No. of shares<br>(in thousands) | No. of shares<br>(in thousands) |
| At January 1                     | 81,639                          | 72,285                          |
| Employee stock options exercised | 90                              | 304                             |
| Cash capital increase            | -                               | 9,050                           |
| At December 31                   | 81,729                          | 81,639                          |

- A. The Board of Directors approved the proposal of IPO application through TWSE and the capital infusion on December 17, 2019. The Company planned to issue 9,050 thousand new shares with a par value of \$10 (in dollars) per share before IPO application. The tentative subscription price per share was \$38 and the total issuance amount was \$343,900. The Company then submitted the IPO application through TWSE on December 24, 2019 and obtained the approval by the authorities on March 12, 2020.
- B. In June 2020, the Company issued 9,050 thousand shares of new common shares and received total proceeds of \$709,409 which included the shares sold through auction at an average price of \$90.21 (in dollars) per share and the shares sold at the underwriting public price of \$48 (in dollars) per share.

(13) Capital surplus

- A. Pursuant to the Company's Articles of Incorporation, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership.

|   | 2021              |                            |                        |                 |                   |
|---|-------------------|----------------------------|------------------------|-----------------|-------------------|
|   | Share premium     | Employee restricted shares | Employee stock options | Donated assets  | Total             |
| At January 1  | \$ 1,369,117      | \$ 14,419                  | \$ 10,050              | \$ 1,097        | \$ 1,394,683      |
| Compensation cost of employee stock options         | -                 | -                          | 8,565                  | -               | 8,565             |
| Employee stock options exercised                    | 1,226             | -                          | ( 790)                 | -               | 436               |
| Capital surplus used to offset accumulated deficits | ( 1,052,108)      | -                          | -                      | -               | ( 1,052,108)      |
| At December 31                                      | <u>\$ 318,235</u> | <u>\$ 14,419</u>           | <u>\$ 17,825</u>       | <u>\$ 1,097</u> | <u>\$ 351,576</u> |

|   | 2020                |                            |                        |                 |                     |
|---|---------------------|----------------------------|------------------------|-----------------|---------------------|
|   | Share premium       | Employee restricted shares | Employee stock options | Donated assets  | Total               |
| At January 1                                | \$ 747,463          | \$ 14,419                  | \$ 7,941               | \$ 1,097        | \$ 770,920          |
| Compensation cost of employee stock options | -                   | -                          | 12,702                 | -               | 12,702              |
| Employee stock options exercised            | 10,658              | -                          | ( 10,578)              | -               | 80                  |
| Options forfeited or expired                | 15                  | -                          | ( 15)                  | -               | -                   |
| Cash capital increase                       | 610,981             | -                          | -                      | -               | 610,981             |
| At December 31                              | <u>\$ 1,369,117</u> | <u>\$ 14,419</u>           | <u>\$ 10,050</u>       | <u>\$ 1,097</u> | <u>\$ 1,394,683</u> |

The Company used capital surplus to offset the beginning accumulated deficits amounting to \$1,052,108 thousand as resolved at the shareholders' meeting on July 5, 2021. After the offset, there was no beginning balance of accumulated deficits to be covered.

(14) Retained earnings/Accumulated deficit

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside special reserve in accordance with related laws or a resolution made by the Board of Directors. The remainder, if any, shall set aside no more than 12% as compensation to employee, and no more than 3% as remuneration for the directors. The remainder, if any, to be retained or to be appropriated shall be resolved by the

shareholders. The dividend distribution amount shall not be less than 10 percent of the remaining distributable amount. The Company's dividends may be paid in cash or shares.

B. In determining the Company's dividend policy, the Board recognizes that the Company is in the growth stage. In determining the amount, if any, of the dividend or other distribution it recommends to Board members for approval in any financial year, the Board may take into consideration the earnings of the Company, overall development, financial planning, capital needs, industry outlook and future prospects of the Company in the relevant financial year.

C. Legal reserve shall be used to cover the Company's accumulated deficit or issue new shares or cash to shareholders in proportion to their share ownership.

(15) Other equity

|                                    | 2021                            |                                     |                     |
|------------------------------------|---------------------------------|-------------------------------------|---------------------|
|                                    | Foreign<br>currency translation | Unearned employees'<br>compensation | Total               |
| At January 1                       | (\$ 71,738)                     | (\$ 232)                            | (\$ 71,970)         |
| Group foreign currency translation | ( 28,742)                       | -                                   | ( 28,742)           |
| At December 31                     | <u>(\$ 100,480)</u>             | <u>(\$ 232)</u>                     | <u>(\$ 100,712)</u> |

|   | 2020                            |                                     |                    |
|---|---------------------------------|-------------------------------------|--------------------|
|   | Foreign<br>currency translation | Unearned employees'<br>compensation | Total              |
| At January 1  | (\$ 13,449)                     | (\$ 1,063)                          | (\$ 14,512)        |
| Compensation costs of employee<br>restricted stocks | -                               | 831                                 | 831                |
| Group foreign currency translation                  | ( 58,289)                       | -                                   | ( 58,289)          |
| At December 31                                      | <u>(\$ 71,738)</u>              | <u>(\$ 232)</u>                     | <u>(\$ 71,970)</u> |

(16) Operating revenue

A. Disaggregation of revenue from contracts with customers

|                         | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|-------------------------|---------------------------------|---------------------------------|
| Sales revenue           | \$ 288,411                      | \$ 266,089                      |
| Rental revenue          | 11,664                          | 15,061                          |
| Royalty revenue         | 2,012                           | 1,676                           |
| Other operating revenue | 17,875                          | 16,189                          |
|                         | <u>\$ 319,962</u>               | <u>\$ 299,015</u>               |

B. Contract liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

|                                    | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|------------------------------------|-------------------|-------------------|-----------------|
| Current contract liabilities :     |                   |                   |                 |
| Technology royalties               | \$ 1,653          | \$ 1,615          | \$ 1,323        |
| Product selling                    | 334               | 344               | -               |
|                                    | <u>\$ 1,987</u>   | <u>\$ 1,959</u>   | <u>\$ 1,323</u> |
| Non-current contract liabilities : |                   |                   |                 |
| Technology royalties               | 7,988             | 9,092             | 7,175           |
|                                    | <u>\$ 7,988</u>   | <u>\$ 9,092</u>   | <u>\$ 7,175</u> |

(b) Revenue recognised that was included in the contract liability balance at the beginning of the periods is as follows:

|   | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|---|---------------------------------|---------------------------------|
| Revenue from contracts with customers : |                                 |                                 |
| Revenue from technology royalties       | \$ 1,609                        | \$ 1,676                        |
| Sales revenue                           | -                               | 1,122                           |
|   | <u>\$ 1,609</u>                 | <u>\$ 2,798</u>                 |

(17) Interest income

|                                    | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|------------------------------------|---------------------------------|---------------------------------|
| Interest income from bank deposits | <u>\$ 3,111</u>                 | <u>\$ 3,732</u>                 |

(18) Other gains and losses

|  | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|--|---------------------------------|---------------------------------|
| Losses on disposals of property, plant and equipment | (\$ 10)                         | \$ -                            |
| Foreign exchange (losses) gains                      | ( 1)                            | 3,805                           |
| PPP loan forgiveness revenue                         | -                               | 28,062                          |
| Other losses   | ( 463)                          | ( 1,244)                        |
|  | <u>(\$ 474)</u>                 | <u>\$ 30,623</u>                |

(19) Finance costs

|   | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|---|---------------------------------|---------------------------------|
| Interest expense from lease liabilities | \$ 2,870                        | \$ 3,532                        |
| Interest expense from bank borrowings   | -                               | 781                             |
|   | <u>\$ 2,870</u>                 | <u>\$ 4,313</u>                 |

(20) Expenses by nature

|   | Year ended December 31, 2021 |                           |                   |
|---|------------------------------|---------------------------|-------------------|
|   | <u>Operating costs</u>       | <u>Operating expenses</u> | <u>Total</u>      |
| Raw materials and supplies and manufacturing cost | <u>\$ 86,570</u>             | <u>\$ -</u>               | <u>\$ 86,570</u>  |
| Employee benefit expense                          | <u>\$ 28,023</u>             | <u>\$ 208,195</u>         | <u>\$ 236,218</u> |
| Depreciation charges                              | <u>\$ 16,002</u>             | <u>\$ 30,889</u>          | <u>\$ 46,891</u>  |
| Amortisation charges                              | <u>\$ -</u>                  | <u>\$ 4,068</u>           | <u>\$ 4,068</u>   |
|   | Year ended December 31, 2020 |                           |                   |
|   | <u>Operating costs</u>       | <u>Operating expenses</u> | <u>Total</u>      |
| Raw materials and supplies and manufacturing cost | <u>\$ 68,178</u>             | <u>\$ -</u>               | <u>\$ 68,178</u>  |
| Employee benefit expense                          | <u>\$ 28,066</u>             | <u>\$ 202,746</u>         | <u>\$ 230,812</u> |
| Depreciation charges                              | <u>\$ 9,247</u>              | <u>\$ 30,209</u>          | <u>\$ 39,456</u>  |
| Amortisation charges                              | <u>\$ -</u>                  | <u>\$ 4,139</u>           | <u>\$ 4,139</u>   |

(21) Employee benefit expense

|                                  | Year ended December 31, 2021 |                    |                   |
|----------------------------------|------------------------------|--------------------|-------------------|
|                                  | Operating costs              | Operating expenses | Total             |
| Wages and salaries               | \$ 24,806                    | \$ 164,178         | \$ 188,984        |
| Labour and health insurance fees | 829                          | 11,408             | 12,237            |
| Pension costs                    | 612                          | 4,882              | 5,494             |
| Other personnel expenses         | 1,776                        | 27,727             | 29,503            |
|                                  | <u>\$ 28,023</u>             | <u>\$ 208,195</u>  | <u>\$ 236,218</u> |

|                                  | Year ended December 31, 2020 |                    |                   |
|----------------------------------|------------------------------|--------------------|-------------------|
|                                  | Operating costs              | Operating expenses | Total             |
| Wages and salaries               | \$ 24,668                    | \$ 167,673         | \$ 192,341        |
| Labour and health insurance fees | 995                          | 10,622             | 11,617            |
| Pension costs                    | 555                          | 4,965              | 5,520             |
| Other personnel expenses         | 1,848                        | 19,486             | 21,334            |
|                                  | <u>\$ 28,066</u>             | <u>\$ 202,746</u>  | <u>\$ 230,812</u> |

(22) Income taxes

A. Components of income tax expense:

|                                     | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|-------------------------------------|---------------------------------|---------------------------------|
| Current tax:                        |                                 |                                 |
| Current tax on profits for the year | \$ 23                           | \$ 24                           |
| Income tax expense                  | <u>\$ 23</u>                    | <u>\$ 24</u>                    |

B. Reconciliation between income tax expense and accounting profit (loss)

|  | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|--|---------------------------------|---------------------------------|
| Tax calculated based on loss before tax and statutory tax rate         | (\$ 46,066)                     | (\$ 29,133)                     |
| Expenses disallowed by tax regulation                                  | -                               | 57                              |
| Origination and reversal of temporary differences                      | 8,103                           | 7,459                           |
| Taxable loss not recognised as deferred tax assets                     | 35,050                          | 20,413                          |
| Effect from Alternative Minimum Tax                                    | 23                              | 24                              |
| Permanent differences  | 2,368                           | 11                              |
| Effect of different tax rates in countries in which the Group operates | 545                             | 1,193                           |
| Income tax expense   | <u>\$ 23</u>                    | <u>\$ 24</u>                    |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

| 2021  |                   |   |                                    |                    |
|---|-------------------|---|------------------------------------|--------------------|
|   | <u>January 1</u>  | <u>Recognised in<br/>profit or loss</u> | <u>Translation<br/>differences</u> | <u>December 31</u> |
| Deferred tax assets:                        |                   |   |                                    |                    |
| -Temporary differences:                     |                   |   |                                    |                    |
| Tax losses                                  | \$ 4,600          | (\$ 1,384)                              | \$ 297                             | \$ 3,513           |
|   | <u>\$ 4,600</u>   | <u>(\$ 1,384)</u>                       | <u>\$ 297</u>                      | <u>\$ 3,513</u>    |
| Deferred tax liabilities:                   |                   |   |                                    |                    |
| Book-tax difference on<br>intangible assets | (\$ 4,600)        | \$ 1,107                                | \$ 119                             | (\$ 3,374)         |
| Book-tax difference on<br>fixed assets      | -                 | 227                                     | (416)                              | (139)              |
|   | <u>(\$ 4,600)</u> | <u>\$ 1,384</u>                         | <u>(\$ 297)</u>                    | <u>(\$ 3,513)</u>  |
|   | <u>\$ -</u>       | <u>\$ -</u>                             | <u>\$ -</u>                        | <u>\$ -</u>        |
| 2020  |                   |   |                                    |                    |
|   | <u>January 1</u>  | <u>Recognised in<br/>profit or loss</u> | <u>Translation<br/>differences</u> | <u>December 31</u> |
| Deferred tax assets:                        |                   |   |                                    |                    |
| -Temporary differences:                     |                   |   |                                    |                    |
| Tax losses                                  | \$ 5,979          | (\$ 1,101)                              | (\$ 278)                           | \$ 4,600           |
|   | <u>\$ 5,979</u>   | <u>(\$ 1,101)</u>                       | <u>(\$ 278)</u>                    | <u>\$ 4,600</u>    |
| Deferred tax liabilities:                   |                   |   |                                    |                    |
| Book-tax difference on<br>intangible assets | (\$ 5,979)        | \$ 1,101                                | \$ 278                             | (\$ 4,600)         |
| Book-tax difference on<br>fixed assets      | -                 | -                                       | -                                  | -                  |
|   | <u>(\$ 5,979)</u> | <u>\$ 1,101</u>                         | <u>\$ 278</u>                      | <u>(\$ 4,600)</u>  |
|   | <u>\$ -</u>       | <u>\$ -</u>                             | <u>\$ -</u>                        | <u>\$ -</u>        |

D. Details of the amount the Group is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

| December 31, 2021                         |                           |   |                    |
|---|---------------------------|---|--------------------|
| <u>Qualifying items</u>                   | <u>Unused tax credits</u> | <u>Unrecognised deferred tax assets</u> | <u>Expiry year</u> |
| General Business<br>Credits – Federal tax | \$31,205                  | \$31,205                                | 2029~2040          |
| December 31, 2020                         |                           |   |                    |
| <u>Qualifying items</u>                   | <u>Unused tax credits</u> | <u>Unrecognised deferred tax assets</u> | <u>Expiry year</u> |
| General Business<br>Credits – Federal tax | \$36,178                  | \$36,178                                | 2029~2040          |

E. Expiration years of unused loss carryforward and amounts of unrecognised deferred tax assets are as follows:



## U.S. Federal tax

December 31, 2021

| <u>Year incurred</u> | <u>Amount filed / assessed</u> | <u>Unused amount</u> | <u>Unrecognised<br/>deferred tax assets</u> | <u>Expiry year</u>         |
|----------------------|--------------------------------|----------------------|---|----------------------------|
| 2021                 | \$118,989                      | \$118,989            | \$118,989                                   | No deduction<br>limitation |
| 2020                 | 65,449                         | 65,449               | 65,449                                      | "                          |
| 2019                 | 268,836                        | 268,836              | 268,836                                     | "                          |
| 2018                 | 258,833                        | 258,833              | 258,833                                     | "                          |
| 2017                 | 213,166                        | 213,166              | 213,166                                     | 2037                       |
| 2016                 | 179,700                        | 179,700              | 179,700                                     | 2036                       |
| 2015                 | 193,557                        | 193,557              | 193,557                                     | 2035                       |
| 2014                 | 144,284                        | 144,284              | 144,284                                     | 2034                       |
| 2013                 | 76,859                         | 76,859               | 76,859                                      | 2033                       |
| 2012                 | 25,910                         | 25,910               | 25,910                                      | 2032                       |
| 2011                 | 16,205                         | 16,205               | 16,205                                      | 2031                       |
| 2010                 | 21,927                         | 21,927               | 21,927                                      | 2030                       |
| 2009                 | 20,941                         | 20,941               | 20,941                                      | 2029                       |
| 2008                 | 5,815                          | 5,815                | 2,198                                       | 2028                       |

## California State tax

December 31, 2021

| <u>Year incurred</u> | <u>Amount filed / assessed</u> | <u>Unused amount</u> | <u>Unrecognised<br/>deferred tax assets</u> | <u>Expiry year</u> |
|----------------------|--------------------------------|----------------------|---|--------------------|
| 2021                 | \$125,023                      | \$125,023            | \$125,023                                   | 2041               |
| 2020                 | 84,608                         | 84,608               | 84,608                                      | 2040               |
| 2019                 | 221,257                        | 221,257              | 221,257                                     | 2039               |
| 2018                 | 224,214                        | 224,214              | 224,214                                     | 2038               |
| 2017                 | 190,090                        | 190,090              | 190,090                                     | 2037               |
| 2016                 | 171,732                        | 171,732              | 171,732                                     | 2036               |
| 2015                 | 195,061                        | 195,061              | 195,061                                     | 2035               |
| 2014                 | 143,987                        | 143,987              | 143,987                                     | 2034               |
| 2013                 | 19,672                         | 19,672               | 19,672                                      | 2033               |
| 2012                 | 53,843                         | 53,843               | 53,843                                      | 2032               |
| 2011                 | 25,815                         | 25,815               | 25,815                                      | 2031               |
| 2010                 | 15,226                         | 15,226               | 15,226                                      | 2030               |
| 2009                 | 22,022                         | 22,022               | 18,405                                      | 2029               |

## U.S. Federal tax

December 31, 2020

| <u>Year incurred</u> | <u>Amount filed / assessed</u> | <u>Unused amount</u> | <u>Unrecognised<br/>deferred tax assets</u> | <u>Expiry year</u>         |
|----------------------|--------------------------------|----------------------|---|----------------------------|
| 2020                 | \$ 74,445                      | \$ 74,445            | \$ 74,445                                   | No deduction<br>limitation |
| 2019                 | 275,036                        | 275,036              | 275,036                                     | "                          |
| 2018                 | 273,342                        | 273,342              | 273,342                                     | "                          |
| 2017                 | 225,115                        | 225,115              | 225,115                                     | 2037                       |
| 2016                 | 189,773                        | 189,773              | 189,773                                     | 2036                       |
| 2015                 | 204,407                        | 204,407              | 204,407                                     | 2035                       |
| 2014                 | 152,372                        | 152,372              | 152,372                                     | 2034                       |
| 2013                 | 81,167                         | 81,167               | 81,167                                      | 2033                       |
| 2012                 | 27,362                         | 27,362               | 27,362                                      | 2032                       |
| 2011                 | 17,113                         | 17,113               | 17,113                                      | 2031                       |
| 2010                 | 23,156                         | 23,156               | 23,156                                      | 2030                       |
| 2009                 | 22,115                         | 22,115               | 22,115                                      | 2029                       |
| 2008                 | 6,141                          | 6,141                | 1,283                                       | 2028                       |

## California State tax

December 31, 2020

| <u>Year incurred</u> | <u>Amount filed / assessed</u> | <u>Unused amount</u> | <u>Unrecognised<br/>deferred tax assets</u> | <u>Expiry year</u>         |
|----------------------|--------------------------------|----------------------|---|----------------------------|
| 2020                 | \$ 84,629                      | \$ 84,629            | \$ 84,629                                   | No deduction<br>limitation |
| 2019                 | 253,666                        | 253,666              | 253,666                                     | "                          |
| 2018                 | 269,274                        | 269,274              | 269,274                                     | "                          |
| 2017                 | 225,855                        | 225,855              | 225,855                                     | 2037                       |
| 2016                 | 200,990                        | 200,990              | 200,990                                     | 2036                       |
| 2015                 | 205,995                        | 205,995              | 205,995                                     | 2035                       |
| 2014                 | 152,058                        | 152,058              | 152,058                                     | 2034                       |
| 2013                 | 20,775                         | 20,775               | 20,775                                      | 2033                       |
| 2012                 | 56,861                         | 56,861               | 56,861                                      | 2032                       |
| 2011                 | 27,262                         | 27,262               | 27,262                                      | 2031                       |
| 2010                 | 16,079                         | 16,079               | 16,079                                      | 2030                       |
| 2009                 | 23,257                         | 23,257               | 23,257                                      | 2029                       |
| 2008                 | 21,660                         | 21,660               | 16,802                                      | 2028                       |
| 2009                 | 23,257                         | 23,257               | 23,257                                      | 2029                       |
| 2008                 | 21,660                         | 21,660               | 16,802                                      | 2028                       |

F. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

|                                  | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Deductible temporary differences | \$ <u>111,722</u>        | \$ <u>108,002</u>        |

(23) Loss per share

|  |                         | <u>Year ended December 31, 2021</u>                          |                                    |
|--|-------------------------|--|------------------------------------|
|  |                         | Weighted average<br>number of ordinary<br>shares outstanding |                                    |
|  | <u>Amount after tax</u> | <u>(share in thousands)</u>                                  | <u>Loss per share (in dollars)</u> |
| <u>Basic (diluted) loss per share</u>                        |                         |  |                                    |
| Loss attributable to ordinary<br>shareholders of the Company | (\$ <u>165,199</u> )    | <u>81,701</u>  | (\$ <u>2.02</u> )                  |
|  |                         | <u>Year ended December 31, 2020</u>                          |                                    |
|  |                         | Weighted average<br>number of ordinary<br>shares outstanding |                                    |
|  | <u>Amount after tax</u> | <u>(share in thousands)</u>                                  | <u>Loss per share (in dollars)</u> |
| <u>Basic (diluted) loss per share</u>                        |                         |  |                                    |
| Loss attributable to ordinary<br>shareholders of the Company | (\$ <u>103,496</u> )    | <u>77,570</u>  | (\$ <u>1.33</u> )                  |

Note: Outstanding options and warrants as of December 31, 2021 and 2020 will reverse diluted loss per share if full conversion is assumed; therefore, options and warrants were excluded from diluted loss per share calculation.

(24) Supplemental cash flow information

Investing activities with partial cash payments :

|  | <u>Year ended<br/>December 31, 2021</u> | <u>Year ended<br/>December 31, 2020</u> |
|--|---|---|
| Purchase of property, plant and equipment          | \$ 13,633                               | \$ 53,662                               |
| Add: Ending balance of prepayments for equipment   | -                                       | -                                       |
| Add: Opening balance of payables for equipment     | 2,038                                   | -                                       |
| Less: Opening balance of prepayments for equipment | - (                                     | 24,044)                                 |
| Less: Ending balance of payables for equipment     | ( <u>153</u> )                          | ( <u>2,038</u> )                        |
| Cash paid during the year                          | \$ <u>15,518</u>                        | \$ <u>27,580</u>                        |

(25) Changes in liabilities from financing activities

|  | 2021              |   |
|--|-------------------|---|
|  | Lease liabilities | Liabilities from financing activities - gross |
| At January 1                                   | \$ 61,428         | \$ 61,428                                     |
| Changes in cash flow from financing activities | ( 15,526)         | ( 15,526)                                     |
| Payment of interest expenses                   | ( 2,870)          | ( 2,870)                                      |
| Amortisation of interest expenses              | 2,870             | 2,870   |
| Increase in lease principal                    | 10,779            | 10,779  |
| Net foreign exchange differences               | 2,076             | 2,076   |
| At December 31                                 | <u>\$ 58,757</u>  | <u>\$ 58,757</u>                              |

  

|  | 2020                  |                   |                      |   |
|--|-----------------------|-------------------|----------------------|---|
|  | Short-term borrowings | Lease liabilities | Long-term borrowings | Liabilities from financing activities - gross |
| At January 1                                   | \$ 60,212             | \$ 74,485         | \$ -                 | \$ 134,697                                    |
| Changes in cash flow from financing activities | ( 60,212)             | ( 15,685)         | 28,062               | ( 47,835)                                     |
| PPP loan forgiveness revenue                   | -                     | -                 | ( 28,062)            | ( 28,062)                                     |
| Amortisation of interest expenses              | -                     | 3,532             | -                    | 3,532   |
| Increase in lease principal                    | -                     | 2,953             | -                    | 2,953   |
| Net foreign exchange differences               | -                     | ( 3,857)          | -                    | ( 3,857)                                      |
| At December 31                                 | <u>\$ -</u>           | <u>\$ 61,428</u>  | <u>\$ -</u>          | <u>\$ 61,428</u>                              |

7. RELATED PARTY TRANSACTIONS

Key management compensation

|   | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|---|---------------------------------|---------------------------------|
| Salaries and short-term employee benefits | \$ 67,083                       | \$ 64,145                       |
| Share-based payment                       | 2,733                           | 4,370                           |
|   | <u>\$ 69,816</u>                | <u>\$ 68,515</u>                |

## 8. Pledged Assets

A. The Group's assets pledged as collateral are as follows:

| Pledged asset                                      | Book value        |                   | Purpose              |
|--|-------------------|-------------------|----------------------|
|  | December 31, 2021 | December 31, 2020 |                      |
| Restricted asset<br>(other non-current assets)     | \$ 5,657          | \$ 5,702          | Performane guarantee |
| Restricted asset<br>(other current assets, others) | -                 | 7,202             | Performane guarantee |
|  | <u>\$ 5,657</u>   | <u>\$ 12,904</u>  |                      |

B. The Company's US subsidiary, Applied BioCode Inc., entered into a lease agreement for the new plant and office on March 21, 2020. In accordance with the lease agreement, CTBC Bank Corp. (USA) issued a standby letter of credit to the lessor as a performance guarantee. As of December 31, 2021 and 2020, the balance of standby letter of credit amounted to US\$204 thousand and US\$200 thousand, respectively.

C. On April 30, 2020, the Company repaid the borrowings obtained from CTBC Bank Corp. (USA) amounting to US\$2,500 thousand on June 22, 2018 and cancelled the guarantee for credit line of all assets (including tangible and intangible assets) based on the loan agreement.

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

### (1) Contingencies

None.

### (2) Commitments

None.

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

None.

## 12. Others

### (1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| <u>Financial assets</u>                 |                   |                   |
| Financial assets at amortised cost      |                   |                   |
| Cash and cash equivalents               | \$ 646,070        | \$ 847,910        |
| Accounts receivable                     | 67,805            | 49,472            |
| Other receivables                       | -                 | 5,388             |
| Other current assets, others            | -                 | 7,202             |
| Guarantee deposits paid                 | 12,804            | 12,829            |
|   | <u>\$ 726,679</u> | <u>\$ 922,801</u> |
| <u>Financial liabilities</u>            |                   |                   |
| Financial liabilities at amortised cost |                   |                   |
| Accounts payable                        | \$ 9,428          | \$ 27,602         |
| Other accounts payable                  | 34,234            | 35,506            |
|   | <u>\$ 43,662</u>  | <u>\$ 63,108</u>  |
| Lease liability                         | <u>\$ 58,757</u>  | <u>\$ 61,428</u>  |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies focuses on the unpredictable events in the financial market and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by management. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various function currency, primarily with respect to the USD and NTD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.

ii. Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable interest rates, which expose the Group to cash flow interest rate risk. During 2021 and 2020, the

Group's borrowings at variable interest rate were mainly denominated in US Dollars.

- (i) Deposits issued at variable interest rates expose the Group to cash flow interest rate risk, part of which is offset by cash and cash equivalents held at variable interest rates. Time deposits issued at fixed interest rates expose the Group to the risk of changes in fair value.
- (ii) The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 360 days.
- iv. The Group adopts following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group classifies customers' accounts receivable in accordance with credit rating of customer and historical default. The Group applies the modified approach based on the loss rate methodology to estimate expect credit loss.
- vi. The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2021 and 2020, the loss rate methodology is as follows:

|                          | Up to 90 days |          | 91 to 180 days |          | 181 to 360 days |           | Over 360 days |       |  |
|--------------------------|---------------|----------|----------------|----------|-----------------|-----------|---------------|-------|--|
|                          | Not past due  | past due | past due       | past due | past due        | past due  | past due      | Total |  |
| <u>December 31, 2021</u> |               |          |                |          |                 |           |               |       |  |
| Expected loss rate       | 0%            | 0%       | 5%             | 50%      | 100%            |           |               |       |  |
| Total book value         | \$ 61,774     | \$ 175   | \$ 3,065       | \$ 5,925 | \$ 214          | \$ 71,153 |               |       |  |
| Loss allowance           | \$ -          | \$ -     | \$ 153         | \$ 2,981 | \$ 214          | \$ 3,348  |               |       |  |
| <u>December 31, 2020</u> |               |          |                |          |                 |           |               |       |  |
| Expected loss rate       | 0.03%         | 0.03%    | 100%           | 100%     | 100%            |           |               |       |  |
| Total book value         | \$ 42,514     | \$ 6,938 | \$ 107         | \$ -     | \$ -            | \$ 49,559 |               |       |  |
| Loss allowance           | \$ -          | \$ -     | \$ 87          | \$ -     | \$ -            | \$ 87     |               |       |  |

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

|                          | 2021                | 2020                |
|--------------------------|---------------------|---------------------|
|                          | Accounts receivable | Accounts receivable |
| At January 1             | \$ 87               | \$ -                |
| Provision for impairment | 5,668               | 91                  |
| Write-offs               | ( 2,367)            | -                   |
| Net exchange differences | ( 40)               | ( 4)                |
| At December 31           | <u>\$ 3,348</u>     | <u>\$ 87</u>        |

For provisioned loss in 2021 and 2020, the impairment losses arising from customers' contracts are \$5,668 and \$91, respectively.

(c) Liquidity risk

- Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.



Non-derivative financial liabilities

|                   | Less than<br>3 months | Between 3 months<br>and 1 year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over<br>5 years |
|-------------------|-----------------------|--------------------------------|--------------------------|--------------------------|-----------------|
| December 31, 2021 |                       |                                |                          |                          |                 |
| Accounts payable  | \$ 9,428              | \$ -                           | \$ -                     | \$ -                     | \$ -            |
| Other payables    | 34,234                | -                              | -                        | -                        | -               |
| Lease liability   | 4,144                 | 12,594                         | 16,019                   | 32,963                   | -               |
| Total             | <u>\$ 47,806</u>      | <u>\$ 12,594</u>               | <u>\$ 16,019</u>         | <u>\$ 32,963</u>         | <u>\$ -</u>     |

|                   | Less than<br>3 months | Between 3 months<br>and 1 year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over<br>5 years |
|-------------------|-----------------------|--------------------------------|--------------------------|--------------------------|-----------------|
| December 31, 2020 |                       |                                |                          |                          |                 |
| Accounts payable  | \$ 27,602             | \$ -                           | \$ -                     | \$ -                     | \$ -            |
| Other payables    | 35,506                | -                              | -                        | -                        | -               |
| Lease liability   | 3,834                 | 11,622                         | 13,662                   | 41,976                   | -               |
| Total             | <u>\$ 66,942</u>      | <u>\$ 11,622</u>               | <u>\$ 13,662</u>         | <u>\$ 41,976</u>         | <u>\$ -</u>     |

(3) Others

The SARS-Cov-2 reagent developed by the Group was authorized by the U.S. FDA under EUA on June 16, 2020 and has been shipped starting July 2020. This reagent combined with the Group's 20-Plex Respiratory Infection Panel reagent have contributed to the Group's revenue in the second half of 2020 and reduced the overall operational risks caused by the Covid-19 pandemic.

However, after the increase in vaccination coverage in 2021, the Group's sales of SARS-Cov-2 Direct Test Reagent has slowed down since the second half of 2021. In addition, the purchase volume of other products, such as Barcoded Magnetic Beads (BMB), Instruments and other Reagents (17-Plex Gastrointestinal Pathogen Panel and 20-Plex Respiratory Infection Panel), have gradually increased due to the slowdown of the pandemic. The operating revenue in 2021 has increased compared to 2020. Thus, the pandemic had no significant impact on the Group's ability to continue as a going concern, impairment of assets and financing risks for the current year based on the assessment.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates, and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: None.

(2) Inform action on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 1.

(3) Inform action on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 2.

14. Segment Information

(1) General information

The core business of the Group is the research and development of multiplexing testing platform technologies, as well as the development, production, sales and authorization of Barcoded Magnetic Beads, optical scanner and reagents, etc. The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

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

(3) Information about segment profit or loss

The Group is a single reportable segment, and therefore, the reportable information is the same as the financial statements.

(4) Reconciliation for segment income (loss)

The segment's net operating loss reported by the Group to the chief operating decision-maker is measured in a manner consistent with the revenue and expense that in the consolidated income statement. Therefore, the reconciliation for the net operating loss are the same as the consolidated statement of comprehensive income.

(5) Information on products and services

|                         | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|-------------------------|---------------------------------|---------------------------------|
| Sales revenue           | \$ 288,411                      | \$ 266,089                      |
| Rental revenue          | 11,664                          | 15,061                          |
| Royalty revenue         | 2,012                           | 1,676                           |
| Other operating revenue | 17,875                          | 16,189                          |
|                         | <u>\$ 319,962</u>               | <u>\$ 299,015</u>               |

(6) Geographical information

The Group's geographical revenue is classified based on the geographic location of customers, while geographical non-current assets are classified based on the geographic location of assets. The geographical information for 2021 and 2020 are as follows:

|        | Year ended December 31, 2021 |                    | Year ended December 31, 2021 |                    |
|--------|------------------------------|--------------------|------------------------------|--------------------|
|        | Revenue                      | Non-current assets | Revenue                      | Non-current assets |
| USA    | \$ 294,599                   | \$ 168,657         | \$ 276,057                   | \$ 195,902         |
| China  | 25,048                       | -                  | 22,645                       | -                  |
| Taiwan | 197                          | 7,546              | 156                          | 5,642              |
| Others | 118                          | -                  | 157                          | -                  |
| Total  | <u>\$ 319,962</u>            | <u>\$ 176,203</u>  | <u>\$ 299,015</u>            | <u>\$ 201,544</u>  |

(7) Major customer information

|           | Year ended<br>December 31, 2021 | Year ended<br>December 31, 2020 |
|-----------|---------------------------------|---------------------------------|
|           | Revenue                         | Revenue                         |
| I Company | \$ 137,845                      | \$ 49,719                       |
| P Company | 48,191                          | 89,442                          |
| Q Company | 33,371                          | 29,634                          |

Applied BioCode Corporation and Subsidiaries  
Information on investees  
Year ended December 31, 2021

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investor                     | Investee                    | Location | Main business activities   | Initial investment amount       |                                 | Shares held as at December 31, 2021 |               |            | Net loss of the investee for the year ended December 31, 2021 | Investment loss recognized by the Company for the year ended December 31, 2021 | Footnote               |
|------------------------------|-----------------------------|----------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|---|--|------------------------|
|                              |                             |          |  | Balance as at December 31, 2021 | Balance as at December 31, 2020 | Number of shares                    | Ownership (%) | Book value |   |  |                        |
| Applied BioCode, Corporation | Applied BioCode, Inc.       | USA      | Barcoded Magnetic Beads of multiplex in-vitro diagnostics, platform technology of assays and instruments and research and development, production, sales and leasing.    | \$ 1,598,105                    | \$ 1,598,105                    | 43,140                              | 100%          | \$ 472,450 | (\$ 141,340)  | (\$ 141,340)   | Subsidiary             |
| Applied BioCode, Inc.        | Applied BioCode Taiwan Ltd. | Taiwan   | Barcoded Magnetic Beads of multiplex in-vitro diagnostics, platform technology of assays and instruments and research and development, production and sales of products. | \$ 88,850                       | \$ 75,350                       | 8,885                               | 100%          | \$ 31,942  | (\$ 6,821)  | (\$ 6,821)   | Second-tier subsidiary |

Applied BioCode Corporation and Subsidiaries  
Information of major stockholders  
Year ended December 31, 2021

Table 2

| Name of major stockholders  | Number of stock held | Ownership (%) |
|---|----------------------|---------------|
| Maxwell Sensors Incorporation                                       | 8,307,042            | 10.16%        |
| Fu Long-Xu  | 6,854,723            | 8.39%         |
| Custody account of GRC SinoGreen Fund entrusted under Bank SinoPac. | 4,169,131            | 5.10%         |

Note : If company applies Taiwan Depository & Clearing Corporation for the information of the table, the following can be explained in the notes of the table.

- (a) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may differ from the actual number of shares in dematerialised form due to the difference of calculation basis.
- (b) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.