

PharmaEngine, Inc.

2022 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

I. Spokesperson

Name: Chi-Hsing Chang

Title: Vice President, Corporate Development

Tel: 886-2-2515-8228#300

E-mail: chihsing.chang@pharmaengine.com

II. Deputy Spokesperson

Name: Peter, Wu

Title: Senior Director, Marketing & Sales

Tel: 886-2-2515-8228#500

E-mail: peter.wu@pharmaengine.com

III. Head Office

Address: 11F, 10 Minsheng E. Road, Sec. 3, Taipei 104, Taiwan

Tel: 886-2-2515-8228

IV. Stock Registrar

Company: Yuanta Securities

Address: B1F., No. 210, Sec. 3, Chengde Rd., Taipei City 103, Taiwan

Tel: 886-2-2586-3117

Website: <https://www.yuanta.com.tw/eyuanta>

V. Contact information of the Certified Public Accountants for the Latest Financial Report

CPA Firm: Pricewaterhouse Coopers (PwC) Taiwan

Name: Yu, Shu-Fen and Liang Hua-Ling

Address: 27F, 333, Keelung Rd, Sec. 1, Taipei City 110, Taiwan

Tel.: 886-2-2729-6666

Website: <http://www.pwc.tw>

VI. Overseas Securities Exchange

None

VII. Company Website

<http://www.pharmaengine.com>

Table of contents

I. Letter to Shareholders	1
II. Company Profile	5
III. Corporate Governance Report	10
3.1 Organization Structure	10
3.2 Directors, President, Vice President, Assistant VP and Department Heads	12
3.3 Remuneration of Directors, Supervisors, Presidents and Vice Presidents	22
3.4. Corporate Governance.....	28
3.5. Information of CPA Service Fee	115
3.6. Replacement of Accountant Information	115
3.7. During the most recent fiscal year, the Company’s directors, general managers, financial or accountant managers who has worked at certified accountant office or any related enterprises, should disclose the name, title and working period of the certified accountant office or related enterprises	115
3.8. During the most recent two years and the current fiscal year up to the printing date of this annual report, changes in shareholding and pledge of Directors, Supervisors, Managers, and Shareholders with more than 10% shareholding	116
3.9. Information on the Top-10 Shareholders Who Are Affiliates or Related as Spouse or Second Cousins	117
3.10. The shareholding of the same invested company by the Company, the directors, the supervisors, the managers or another business that is controlled by the Company directly or indirectly.....	117
IV. Stock Subscription	118
4.1.Capital and Shares	118
4.2.Corporate Bonds, Preferred Stock, Global Depository Receipt (GDR), Employee Stock Options Certificate, and Restricted Stock Awards for Employees	125
4.3.Information Status on Mergers and Acquisitions or Transferee Shares of the Company to Issue New Shares	130
4.4.Execution Status of Fund Application Plan.....	130
V. Overview of Business Operation	134
5.1.Business Introduction	134
5.2.Market and Production Overview	141
5.3.Status of Employees	145
5.4.Expenditure on Environmental Protection	146
5.5.Employee / Employer Relations.....	147

5.6.Information Security Management.....	150
5.7.Material Contract.....	152
VI. Financial Information.....	153
6.1.Most Recent 5-Year Condensed Financial Information	153
6.2.Financial Analysis of the Most Recent Five Fiscal Years	158
6.3.Most Recent Review Report by Audit Committee.....	160
6.4.Consolidated Financial Report of 2022, includes accountant audit report, balance sheet, income statement, statement of changes in shareholders' quantity, cash flow statement of 2 years comparison chart and notes or attachments	161
6.5.The Company and its related enterprises in the recent fiscal year till the printing date of the annual report, should be disclosed the impact to the Company's financial status if there is a financial crisis.....	162
VII. Review of Financial Conditions, Operating Results, and Risk Management	163
7.1.Financial Conditions	163
7.2.Operating Results	164
7.3.Cash Flows	165
7.4.Impact of Major Capital Expenditure on Finance and Business in the Most Recent Years.....	166
7.5.Reasons and Remedial Plans for Investment Gain or Loss Occurred in the Most Recent Years and the Investment Plan for the Upcoming Year.....	166
7.6.Risk Matters Should be Analyzed and Evaluated Matters	167
7.7.Other Important Matters.....	173
VIII. Special Disclosures.....	176
8.1.Related Enterprises Information.....	176
8.2.The Recent Fiscal Year Till the Printing Date of the Annual Report, Private Subscription of Marketable Securities Report	176
8.3.The Recent Fiscal Year Till the Printing Date of the Annual Report, the Stock Shares of the Company Held or Disposed of by the Subsidiary	176
8.4.Other Necessary Supplementary Notes.....	176

I. Letter to Shareholders

Dear Shareholders,

Thank you for your support over the years. In the past three years, PharmaEngine has survived the adversity brought about by the COVID-19 pandemic by implementing a flexible operating model and at high-intensity operating efficiency. Now, Taiwan and the world have seen the dawn of the post-pandemic. The border has reopened, and global economic and social activities return to normal. PharmaEngine will seize the opportunity and keep demonstrating a high degree of resilience and continuous innovation through a flexible operation model with professional management team to fulfill and steady supply the needs of medical treatment and practice the social responsibility of corporate sustainability.

For ONIVYDE[®], the product that is already available on the market, efforts to expand the sales landscape and reach to new indications continued through the product life cycle management by collaborative international partners. For example, it was granted the marketing authorization by the National Medical Product Administration (NMPA) in China in April, 2022. Preliminary data of Phase I clinical trials of ONIVYDE[®] in combination with LONSURF[®], which is also available on the market, of Taiho Pharmaceutical in treating refractory cancer following multiple lines of treatment were released in the American Society of Clinical Oncology Gastrointestinal (ASCO-GI 2022) symposium that took place in January 2022. In November 2022, the results of the first-line therapy of pancreatic cancer in global phase III clinical trial met its objectives. In addition, thanks to the continuous efforts of PharmaEngine's R&D team and our British partner Sentinel Oncology, the new project PEP07 was able to prove its drug potential in a series of complex pre-clinical experiments. Furthermore, PharmaEngine officially introduced PEP07 from Sentinel Oncology in September 2022 and applied for the first phase of clinical human trials overseas in December of the same year and Phase 1 clinical study of PEP07 has been approved by Australia HREC in March, 2023. As for other early research projects, the company is looking to take multiple R&D approaches, such as the collaboration with the external AI new drug R&D platform company and the injection of professional talents to strengthen biological information collection, while actively pursuing partnerships through various channels to maximize research and development efficiency. Should everything mentioned above goes well, it will help reinforce the Company's operational momentum and support the implementation of self-developed projects.

We will continue holding true to our vision and striving to develop new cancer drugs. We work to improve patients' well-being, enhance quality of life, and extend lives through innovation; through this, we fulfill our corporate social responsibility. Next, please let us further address our business result for 2022, business plan summary for 2023, business development strategies, and impacts from external competition environment, regulatory environment and macro-economic environment.

Business Result for 2022

1. Operational Performance

The Revenue of PharmaEngine in 2022 was NT\$654,383 thousand dollars. The Cost, including operating cost and operating expenses, was NT\$371,644 thousand dollars. The Operating Income was NT\$282,739 thousand dollars. The Net Non-operating income was NT\$109,726 thousand dollars. The Income before Tax was NT\$392,465 thousand dollars. The Net Income was NT\$318,783 thousand dollars.

2. Status of Budget Implementation

In reviewing the status of budget implementation in 2022, PharmaEngine generated NT\$654,383 thousand dollars in revenue in 2022, which accounts for 125.75 % of the budget target, which included (1) US\$12,495 thousand dollars royalties for the sales of ONIVYDE[®] in Europe and Asia regions, and (2) NT\$277,594 thousand dollars for the sales of ONIVYDE[®] in Taiwan. For the Income before Tax in 2022, PharmaEngine generated NT\$392,465 thousand dollars, which accounts for 228% of the budget target.

3. Financial Income & Expenses and Profitability Analysis

Item	Year	2021	2022
		Financial Income & Expenses	
	Interest Income (in 000s)	15,423	25,569
	Interest Expenditure (in 000s)	212	77
Profitability Analysis	Return on Asset %	10.35	7.97
	Return on Equity %	10.71	8.16
	Net Profit Margin %	65.05	48.71
	Earnings Per Share (NT)	2.95	2.22

4. Research & Development Status

Our progresses for drug development in 2022 and Q1 2023 are summarized as follows :

January 2022	PharmaEngine released the preliminary data of Phase I clinical studies of ONIVYDE [®] in combination with LONSURF [®] in treating multiple solid tumors in ASCO-GI 2022.
April 2022	The Company's ONIVYDE [®] combined with 5-FU/LV was granted the marketing authorization by the National Medical Product Administration (NMPA) in China for treating patients with pancreatic cancer that has failed the standard of care gemcitabine.
September 2022	PharmaEngine exercised option for a Worldwide Exclusive License Agreement to Sentinel Oncology Limited's CHK1 inhibitor (In-License)
November 2022	Onivyde regimen (NALIRIFOX) demonstrated statistically significant improvement in overall survival in 1L PDAC
January 2023	PharmaEngine announces poster presentation of preclinical data of PEP07 at the 6th Annual DDR Inhibitors Summit 2023
March 2023	Phase I clinical study of PEP07 has been approved by Australia HREC and acknowledged by Australia TGA

Business Plan Summary for This Year (2023)

1. Business Strategy

The core of PharmaEngine's operation revolves around the development of new drugs, focusing on the operation strategy of Virtual Pharmaceutical Company to develop new drugs, to achieve a light asset structure, reduce the risk of new drug development, and accelerate product development and launch and then achieve a mutually beneficial and win-win situation with partners.

2. The Sales Forecast and The Rationale

ONIVYDE[®], in combination with fluorouracil (5-FU) and leucovorin (LV) for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy. The sales of ONIVYDE[®] in 2023 in Taiwan are estimated to be around 13,000-14,000 vials, based on the assumptions of the growth rate of incidence of the pancreatic cancer, the status of hospital application for health insurance, and the drugs for first-line pancreatic cancer treatment.

3. The Important Business Strategies

(1) Administration and management

- A. Aggressively recruit international talents
- B. Expand the collaborative R&D model of multiple R&D platforms such as AI new drug R&D platform
- C. Integrate international resources and select eligible partners to establish a long term collaboration relationship for our global new drug development plan

(2) Marketing Planning of ONIVYDE[®]

- A. Obtain the insurance pricing of new drugs in China to enlarge the market in Asia area through international partners
- B. Accomplish marketing plans and sales target in Taiwan

(3) Project Development

- A. Project of PEP07
 - a. Aggressively implement PEP07 pre-clinical efficacy testing and biomarker exploratory experiment on the hematologic cancers and solid cancers
 - b. Keep implementing the clinical development plan for PEP07 project
- B. Other Research Projects
 - a. Accelerate the screening of new drug candidates

(4) R & D strategy

- A. Aggressively in-licensing the new drug projects which meet the criteria of business strategy and core competence of PharmaEngine
- B. Accelerate the launch of new drug product by the way of international collaboration
- C. Enhance the Company's own R&D capacity with the help of diversified and innovative drug R&D platform collaboration models.

Business Development Strategies

1. Adopting the business model of “Virtual Pharmaceutical Company”, and reinforcing the collaboration with international partners to establish an international R&D team.
2. Actively training R&D personnel of the Company, improving the techniques in new drug development and achieving the sustainable growth of the Company. Our vision is to become the most professional and innovative new drug development company, which specializes on the medical treatment of cancers, in Asia.

Impacts from External Competition Environment, Regulatory Environment and Macro-Economic Environment

The competition in the biopharmaceutical industry is increasing day by day worldwide. With the drug prices cut back country by country and development cost continuously rising nowadays, margins for new drug development companies are compressed. PharmaEngine develops new drugs in accordance with the requirements of the regulatory authorities and international guidelines, such as GCP, ICH and etc. Such implementation pushed ONIVYDE[®] to be successfully launched in the United States, Taiwan, Europe, Singapore, Korea, Japan, and China and gets reimbursements successfully by Taiwan government with reasonable pricing strategy. The achievements prove that PharmaEngine is able to respond accordingly to the challenges coming from the competitors, regulatory authorities and the macro-economy environment. PharmaEngine will continue devoting its efforts in the new drug development in the field of oncology. We believes that we can continue successfully developing new projects, and bring more and more benefits and returns to our investors.

II. Company Profile

2.1 Approval Date: August 12, 2002

2.2 Development history :

Year	Milestones
2002	<ul style="list-style-type: none"> ▶ Founded on Aug 12, 2002 with NT\$1million capital.
2003	<ul style="list-style-type: none"> ▶ PharmaEngine, Inc. began operation on Feb. 6, 2003. ▶ Licensed PEP02 for Asia territory (including Japan) from Hermes Biosciences, Inc. ▶ Completed the fund raising (NT\$179 million).
2004	<ul style="list-style-type: none"> ▶ Completed PEP02 process scale-up and preclinical studies; Filed IND in Taiwan. ▶ Received government grant for PEP02 phase I study. ▶ Completed the fund raising (NT\$450 million).
2005	<ul style="list-style-type: none"> ▶ Expanded PEP02 license to the European territory.
2006	<ul style="list-style-type: none"> ▶ Completed PEP02 single agent phase I study.
2007	<ul style="list-style-type: none"> ▶ PEP02 could implement clinical trials in Europe. ▶ Awarded a government grant for PEP02 phase II gastric cancer study. ▶ Initiated an investigator sponsored phase I study in brain tumor in the US by Hermes Biosciences, Inc.
2008	<ul style="list-style-type: none"> ▶ Initiated phase II single agent study of PEP02 in gastric cancer in Asia and Europe. ▶ Completed patient enrollment for a combination of PEP02 with 5-FU/LV phase I study. ▶ Received Research & Development Innovation bronze medal for PEP02 project at the 5th Taipei Biotech Award. ▶ US FDA approved phase II pancreatic cancer trial. ▶ Awarded a government grant for PEP02 phase II pancreatic cancer study.
2009	<ul style="list-style-type: none"> ▶ Phase I investigator sponsored trial for colorectal cancer initiated in Taiwan. ▶ Initiated a phase II study of PEP02 as a second line therapy for metastatic pancreatic cancer in the US and Taiwan. ▶ Completed patient enrollment of PEP02 as a single agent in a randomized phase I study in gastric cancer in Asia and Europe. ▶ Completed the capital reduction to write off accumulated losses (reduced 18,900,000 shares).
2010	<ul style="list-style-type: none"> ▶ Completed the Second round of fund raising (NT\$166.7 million). ▶ China SFDA approved an IND for a phase I/II colorectal cancer trial of PEP02. ▶ Completed patient enrollment for a single agent phase II study as a second line therapy for metastatic pancreatic cancer in the US and Taiwan. ▶ Corporated with GERCOR, a famous French cancer research institute, to execute PEP02 colorectal cancer phase II trial.
2011	<ul style="list-style-type: none"> ▶ PEP02 met the primary endpoints in phase II studies in gastric cancer and pancreatic cancer; results were presented as an oral presentation at the 2011 Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology (ASCO). ▶ "PharmaEngine, Inc. and Merrimack Pharmaceuticals, Inc. entered into a Licensing and Collaboration Agreement on PEP02 (MM-398, Nanoliposomal Irinotecan) for US\$220 million plus tiered royalties, PharmaEngine received upfront payment of US\$10 million.

Year	Milestones
	<ul style="list-style-type: none"> ▶ Completed the third round of fund raising (NT\$133.3 million). ▶ Presented "Phase II study of PEP02 for patients with gemcitabine-refractory metastatic pancreatic cancer" as poster presentation at 2011 ASCO Annual Meeting. ▶ Taiwan Securities & Futures Bureau (SFB) approved PharmaEngine stock to go public. ▶ US FDA granted orphan drug status to PEP02 (MM-398) for the treatment of pancreatic cancer. ▶ PharmaEngine, Inc. debuted on Taiwan's emerging stock market on Sept. 1, 2011. ▶ The new share issue through employee stock option of the year 2011 was NT\$62,620,000 (6,262,000 shares). ▶ Received Research & Development Innovation Prize from the Dept. of Industrial Technology (DoIT) of Ministry of Economic Affairs for PEP02 project in phase II gastric cancer study.
2012	<ul style="list-style-type: none"> ▶ Initiated global phase 3 study on PEP02/MM-398 with metastatic pancreatic cancer; the first patient was dosed, PharmaEngine received the milestone payment of US\$5 million. ▶ Taiwan FDA approved phase III pancreatic cancer study. ▶ The new share issue through employee stock option of the year 2012 was NT\$8,890,000 (889,000 shares). ▶ PharmaEngine, Inc. and Nanobiotix S.A. entered into an Asia-Pacific Exclusive License and Collaboration Agreement for NBTXR3, a radioenhancer. ▶ Won Technology Transfer gold medal for PEP02 project at the 2012 Taipei Biotech Award. ▶ Completed the fund raising (NT\$183.4 million). ▶ PharmaEngine, Inc. debuted IPO on Taipei Exchange Securities Market and began trading under the ticker "4162.TT" on Sept. 18, 2012.
2013	<ul style="list-style-type: none"> ▶ PharmaEngine and Guangzhou BeBetter Medicine Technology signed a Collaboration and Research Agreement. ▶ Published studies of nanoliposomal irinotecan (PEP02, MM-398) in gastric cancer in Annals of Oncology. ▶ Published studies of nanoliposomal irinotecan (PEP02, MM-398) in late stage pancreatic cancer in British Journal of Cancer. ▶ Completed the fund raising (NT\$80 million). ▶ Achieved patient enrollment goal for phase III metastatic pancreatic cancer study of PEP02 (MM-398). ▶ The new share issue through employee stock option of the year 2013 was NT\$2,790,000 (279,000 shares).
2014	<ul style="list-style-type: none"> ▶ PharmaEngine announced that MM-398 (PEP02) in combination with 5-FU/LV met the primary endpoint for overall survival in phase III post-gemcitabine metastatic pancreatic cancer study. ▶ Global phase 3 (NAPOLI-1) full data of MM-398 (PEP02) for metastasis pancreatic cancer study was presented orally at ESMO World Congress on Gastrointestinal Cancer. ▶ PharmaEngine and Merrimack amended MM-398 License Agreement; PharmaEngine received US\$7 Million and was eligible for up to US\$39.5 Million in sublicense revenues. ▶ The new share issue through employee stock option of the year 2014 was NT\$14,570,000 (1,457,000 shares).

Year	Milestones
2015	<ul style="list-style-type: none"> ▶ Presented expanded analyses of Phase III MM-398 NAPOLI-1 study at the 2015 ASCO GI substantiated the positive results of MM-398 in combination with 5-FU/LV. ▶ Annual innovation prize awarded by Monte Jade Science and Technology Association of Taiwan. ▶ US FDA accepted New Drug Application (NDA), PharmaEngine received the milestone payment of US\$5 million. ▶ Filed Marketing Authorization Application for MM-398 (PEP02) with EMA, PharmaEngine received the milestone payment of US\$11 million. ▶ US FDA and TFDA approved ONIVYDE[®] for the treatment of metastatic pancreatic cancer. ▶ Published the ONIVYDE[®] phase III NAPOLI-1 study data in The Lancet. ▶ ONIVYDE[®] won the Gold Prize of the pharmaceutical and technology research bioaward from Taiwan Ministry of Health & Welfare and Ministry of Economic Affairs. ▶ The new share issue through employee stock option of the year 2015 was NT\$1,440,000 (144,000 shares).
2016	<ul style="list-style-type: none"> ▶ Taiwan FDA approved the product license of ONIVYDE[®]. ▶ The ONIVYDE[®] regimen was recognized as a category 1 second-line therapy in 2016 US National Comprehensive Cancer Network (NCCN) guidelines for patients with metastatic adenocarcinoma of the pancreas who have previously been treated with gemcitabine-based therapy. ▶ Korean Ministry of Food and Drug Safety (MFDS) accepted the submission of new drug application (NDA) of ONIVYDE[®], PharmaEngine received the milestone payment of US\$10 million. ▶ Initiated a global pivotal trial of PEP503 (NBTXR3) in soft tissue sarcoma in Asia Pacific region. ▶ The new share issue through employee stock option of the year 2016 was NT\$1,820,000 (182,000 shares). ▶ Gained the Gold Medal Award of 2016 BIO Taiwan sponsored by Taiwan Biotechnology Industry Organization. ▶ Won the Go-Global Gold Medal Award of 2016 Taipei Biotech Awards sponsored by Taipei City Government. ▶ Submission for CE Marking of PEP503 (NBTXR3) in Europe by Nanobiotix was accepted. ▶ The new share issue through capitalization of 2016 earnings was NT\$203,122,000 (20,312,200 shares). ▶ ONIVYDE[®] in combination with 5-fluorouracil and leucovorin for the treatment of metastatic adenocarcinoma of the pancreas in patients who have progressed following gemcitabine based therapy was granted the marketing authorization by the European Medicines Agency, PharmaEngine received the milestone payment of US\$25.5 million. ▶ The first patient was dosed in a phase Ib/II trial of PEP503 (NBTXR3) of head and neck cancer. ▶ The PharmaEngine ONIVYDE[®] R&D team won the 2016 Technology Management Award sponsored by Chinese Society for Management of Technology (CSMOT).
2017	<ul style="list-style-type: none"> ▶ The new share issue through employee stock option of the year 2017 was NT\$1,530,000 (153,000 shares).

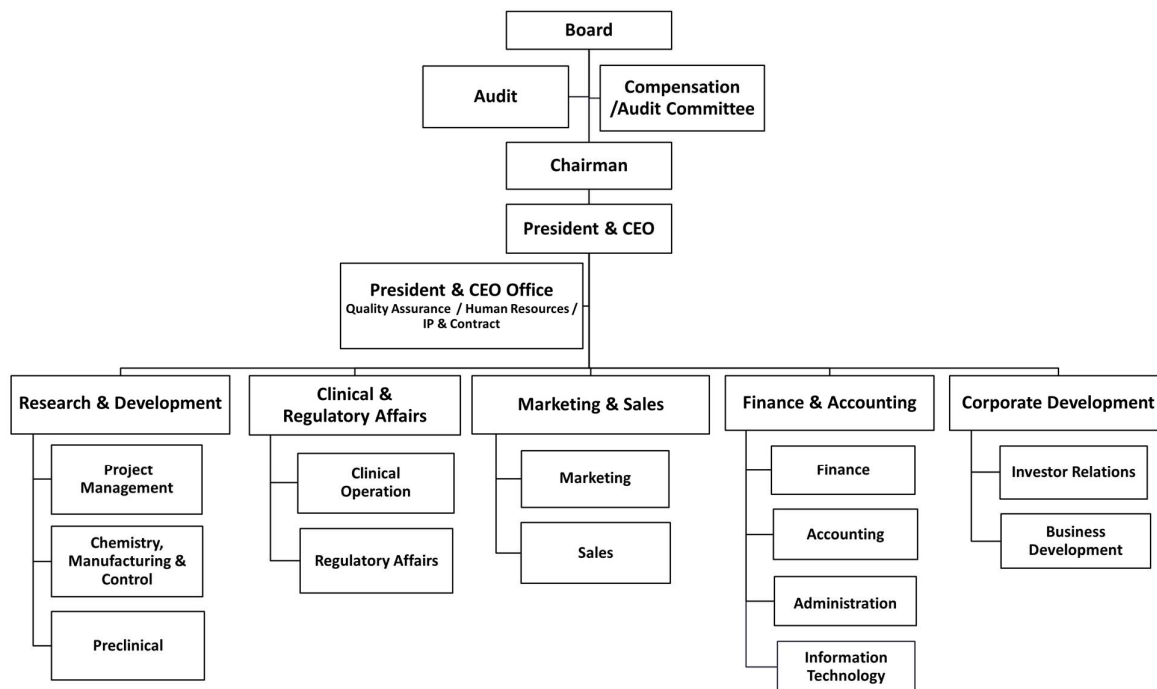
Year	Milestones
	<ul style="list-style-type: none"> ▶ Presented the study results of phase I/II head and neck cancer trial of PEP503(NBTXR3) at 2017 ASCO. ▶ The Korea Ministry of Food and Drug Safety (MFDS) approved ONIVYDE® for the treatment of metastatic pancreatic cancer, and PharmaEngine received the milestone payment of US\$25 million. ▶ The new share issue through capitalization of 2016 earnings and capital surplus was NT\$245,166,400 (24,516,640 shares). ▶ Patient inclusion for Phase II/III trial of PEP503 (NBTXR3) in soft tissue sarcoma was completed. ▶ The Singapore Health Sciences Authority (HSA) approved ONIVYDE® for the treatment of metastatic pancreatic cancer.
2018	<ul style="list-style-type: none"> ▶ Singapore Health Sciences Authority approved ONIVYDE® for the treatment of metastatic pancreatic cancer. ▶ The new share issue through employee stock option of the year 2018 was NT\$250,000 (25,000 shares). ▶ ONIVYDE® was launched in the third major European country, and PharmaEngine received the milestone payment of US\$3 million. ▶ ONIVYDE® obtained reimbursement from Taiwan's National Health Insurance Administration. ▶ PharmaEngine's partner, Nanobiotix, presented positive results from the global pivotal trial of PEP503 (NBTXR3) in patients with soft tissue sarcoma in oral presentation at ESMO 2018 Congress and 2018 ASTRO Annual Meeting. ▶ The new share issue through employee stock option of the year 2018 was NT\$1,490,000 (149,000 shares).
2019	<ul style="list-style-type: none"> ▶ The new share issue through employee stock option of the year 2018 was NT\$1,690,000 (169,000 shares). ▶ Handling the cancellation of treasury shares of NT\$8,050,000 ▶ PEP503 (NBTXR3) received CE Mark enabling commercialization in 27 European Union countries under the brand name of Hensify® for the treatment of locally advanced soft tissue sarcoma. ▶ PharmaEngine's partners Ipsen and Servier announced positive initial results for ONIVYDE® as a second-line treatment for phase II/III small cell lung cancer, and announced that the trial had entered phase II patient enrollment.
2020	<ul style="list-style-type: none"> ▶ ONIVYDE® in combination with 5-fluorouracil (5-FU) and leucovorin (LV) for the treatment of metastatic adenocarcinoma of the pancreas in patients who have progressed following gemcitabine based therapy was granted the marketing authorization approval by the Ministry of Health, Labor and Welfare(MHLW), Japan. ▶ Ipsen, PharmaEngine's partner , announced that US FDA granted Fast Track designation to ONIVYDE® as the first-line combination treatment for metastatic pancreatic cancer.PEP503(NBTXR3) ▶ Handling the cancellation of treasury shares of NT\$700,000 ▶ The rectal study of PEP503 (NBTXR3) entered into phase II part, and initiated the patient recruitment. ▶ PharmaEngine and Sentinel Oncology entered into an exclusive collaboration and license agreement for SOL-578, a Chk1 inhibitor. ▶ US FDA granted Fast Track designation to ONIVYDE® as an investigational second-line monotherapy treatment for small cell lung cancer

Year	Milestones
2021	<ul style="list-style-type: none"> ▶ The aggregate net sales of ONIVYDE® in the Europe and Asia regions in 2020 reached the first sales milestone. PharmaEngine received the first sales milestone payment, US\$20 million. ▶ PharmaEngine and Nanobiotix mutually agreed to terminate the exclusive license and collaboration agreement for PEP503(NBTXR3) ▶ PharmaEngine released the data of Phase II clinical studies of ONIVYDE® combination therapy in squamous cell carcinoma of the head and neck and the esophagus that has failed prior platinum-based chemotherapy or concurrent chemoradiotherapy in 2021 ASCO symposium (2021 ASCO).
2022	<ul style="list-style-type: none"> ▶ PharmaEngine released the preliminary data of Phase I clinical studies of ONIVYDE® in combination with LONSURF® in treating multiple solid tumors in ASCO-GI 2022. ▶ Handling the cancellation of treasury shares of NT\$1,000,000 ▶ ONIVYDE® in combination with fluorouracil (5-FU) and leucovorin (LV) has been approved by China National Medical Products Administration (NMPA). ▶ The new shares issue through employee restricted stock awards of the year 2022 was NT\$900,000 (90,000 shares). ▶ PharmaEngine exercised option for a Worldwide Exclusive License Agreement to Sentinel Oncology Limited's CHK1 inhibitor (In-License) ▶ Onivyde regimen (NALIRIFOX) demonstrated statistically significant improvement in overall survival in 1L PDAC
2023	<ul style="list-style-type: none"> ▶ Phase 1 clinical study of PEP07 has been approved by Australia HREC and acknowledged by Australia TGA ▶ PharmaEngine was approved by the Ministry of Economic Affairs as a “Biotech and Pharmaceutical Company”

III. Corporate Governance Report

3.1 Organization Structure

3.1.1 Organizational Chart



Note : the Company has no investee enterprises currently.

3.1.2 Department function description

Department	Function description
President & CEO Office	<p>Responsible for leading company's operating and business directions, through internal control and budget system planning with business performance audit, while participate in R&D planning and consultation. Department includes:</p> <ul style="list-style-type: none"> • QA department: Responsible for overall quality of the project management planning and implementation controlling, collaborate project team to continuous improve quality. • HR department: Responsible for planning and implementing of human resources management and strengthen human capital. • IP & Contract: Responsible for the assessment and management of intellectual property rights and regulations and the development and management of the contract.
Audit	In charge of internal auditing process of the group.
Research & Development	Responsible for pre-clinical research, scientific evaluation of new projects and product manufacturing control planning, as well as overall project planning and execution control, and control the progress, budget, and risk of completing the project.
Clinical and Regulatory Affairs	<ul style="list-style-type: none"> • Clinical Development: Responsible for planning and implementing of clinical trials, includes trial proposal preparation and submission, the selection of test center and the host, the selection of CRO, trials followed by ICH-GCP guidance, progress reports, test drug adverse reaction reports, statistical analysis reports and test reports, etc. • Regulatory Affairs: Assist new project assessment and submission in regard to regulation requirements, responsible for product inspection and registration, and establish a good relationship with pharmacological organizations.
Marketing & Sales	Responsible for the marketing strategy layout for products and business planning and execution.
Finance & Accounting	Responsible for the company's financial, accounting, administrative, general procurement, and computer systems and security related issues.
Corporate Development	Responsible for the planning and recommendation of the Company's operation and development, the evaluation and introduction of the project, the planning and implementation of the external and foreign investment cases, and maintain relationship among investors.

3.2 Directors, Presidents, Vice Presidents, Assistant V.P., and Department Heads

3.2.1 Directors

March 26, 2023

Title	Nationality/ Country of Origin	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan	Legal Representative: Jan-Yau Hsu	Male 70-79	Sept. 1, 2022	2.8	Sept. 1, 2022	0	0	0	0	0	0	0	0	Master in Department of Statistics at National Chengchi University Chairman, Taiwan Stock Exchange	None	none	none	none
		TTY Biopharm Co., Ltd.		May 27, 2022	3	Aug. 12, 2002	25,866,808	17.76%	25,866,808	17.75%	0	0	0	0					
Director	Taiwan	Legal Representative: Wen-Hung Hsu	Female 50-59	May 27, 2022	3	May 27, 2022	0	0	0	0	0	0	0	National Chengchi University	1. Senior Vice President - WT Mi3.croelectronics Co., Ltd. 2. Director- WT Microelectronics (HONG KONG) Co., Ltd. 3. Director- WT Technology Pte. Ltd. 4. Director- WT Microelectronics Singapore Pte. Ltd. 5. Director- WT Microelectronics (Malaysia) Sdn. Bhd. 6. Director- WT Technology (H.K.) Limited. 7. Director- WT Solomon QCE Limited 8. Director- Wonchang Semiconductor Co., Ltd. 9. Director- WT Technology Korea Co., Ltd. 10. Director- BSI Semiconductor Pte. Ltd. 11. Director- MSD Holdings Pte. Ltd. 12. Director- Analog World Co., Ltd. 13. Director- Brillnics Inc. 14. Chairperson- Wen You Investment Co., Ltd. 15. Chairperson- Tang Ye Investment Co., Ltd.	none	none	none	
		TTY Biopharm Co., Ltd.		May 27, 2022	3	Aug. 12, 2002	25,866,808	17.76%	25,866,808	17.75%	0	0	0						0

																	16. Supervisor- Shaoyang Investment Co., Ltd. 17. Chairperson- Shao Cheng Investment Co., Ltd. 18. Chairperson- Shao Chih Cheng Co., Ltd. 19. Director- Brillnics (Taiwan) Inc. 20. Director- WT Semiconductor Holdings Pte. Ltd. 21. Director- Excelpoint Technology Pte. Ltd.			
Director	Taiwan	Legal Representative: Rui-Wen Wu	Male 40-49	May 27, 2022	3	Jan. 19, 2018	0	0	0	0	0	0	0	Master in law at Chinese Culture University. Director, CY Biotech Company Limited	1. Special Assistant of General manager- TTY Biopharm Co., Ltd 2. Director- CY Biotech Company Limited	none	none	none		
		TTY Biopharm Co., Ltd.				Aug. 12, 2002	25,866,808	17.76%	25,866,808	17.75%	0	0	0						0	
Director	Taiwan	Legal Representative: Ming-Shiang Wu	Male 50-59	May 27, 2022	3	May 27, 2022	0	0	0	0	0	0	0	Bachelor of Medicine, College of Medicine, National Taiwan University PhD, The Graduate Institute of Clinical Medicine College of Medicine National Taiwan University	1. Superintendent- National Taiwan University Hospital 2. Distinguished Professor- Department of Internal Medicine, College of Medicine, National Taiwan University 3. President- the Gastroenterological Society of Taiwan 4. Secretary General- Taiwan Society of Internal Medicine 5. President- Formosa Medical Association	none	none	none		
		National Development Fund, Executive Yuan				Sep. 17, 2004	22,585,654	15.51%	22,585,654	15.50%	0	0	0						0	
Director	Taiwan	Legal Representative: Yi-Hui Lin	Male 40-49	May 27, 2022	3	May. 15, 2018	0	0	0	0	0	0	0	Master in Department of Public Administration and Policy at National Taipei University	Director- Audit Affairs at National Development Fund, Executive Yuan.	none	none	none		
		National Development Fund, Executive Yuan				Sep. 17, 2004	22,585,654	15.51%	22,585,654	15.50%	0	0	0						0	
Director	Taiwan	Ming-Feng Hou	Male 60-69	May 27, 2022	3	Aug. 26, 2021	0	0	0	0	0	0	0	Doctor of Medicine, Kaohsiung Medical University Former Superintendent, Kaohsiung Medical University Chung-Ho Memorial Hospital	1. Professor of Surgery- Kaohsiung Medical University Chung-Ho Memorial Hospital 2. Advisor- Board of Directors of Kaohsiung Medical University	none	none	none		

																	3. Professor- Department of Biomedical Science and Environmental Biology, College of Life Science, Kaohsiung Medical University 4. President-Taiwan Surgical Association 5. President- Kaohsiung Cancer Prevention and Education Society 6. President-Kaohsiung College of Healthcare Professionals and Executives 7. Director-Institute for Biotechnology and Medicine Industry 8. Director-Taiwan Hospital Association 9. Director-Taiwan Nongovernmental Hospitals & Clinics Association 10. Director-Taiwan Clinical Oncology Society 11. Executive Director- Taiwan Medical Association			
Independent Director	Taiwan	Chih-Li Wang	Male 60-69	May 27, 2022	3	Jun. 13, 2019	3,021	0.002%	3,021	0.002%	0	0	0	0	Bachelor of Accountancy, Soochow University	1. Accountant- Moores Rowland CPAs 2. Independent Director- TSH Biopharm	none	none	none	
Independent Director	Taiwan	Ming-Daw Chang	Male 60-69	May 27, 2022	3	May 27, 2022	0	0	0	0	0	0	0	0	Master in Department of Law at Chinese Culture University	1. Chairman- Bank of Panhsin 2. Chairman- Panhsin International Leasing Co., Ltd.	none	none	none	
Independent Director	Taiwan	Chien-Huang Lin	Male 50-59	May 27, 2022	3	Aug. 26, 2021	0	0	0	0	0	0	0	0	EMBA of College of Management, National Taiwan University Doctor of Philosophy, Institute of Pharmacology, College of Medicine, National Taiwan University Master of Science, Institute of Pharmacology, College of Medicine, National Taiwan University Bachelor of Science, School of Pharmacy, College of Pharmacy, Taipei Medical University	1. President- Taipei Medical University 2. Professor- Graduate Institute of Medical Science, Taipei Medical University 3. Director- National Applied Research Laboratories 4. Director- Center for Drug Evaluation, Taiwan 5. Director- Professor C.Y. Lee Foundation	none	none	none	

Chart 1. Major shareholders of institutional shareholders

Mar. 26, 2023

Name of Institutional shareholders	Name of Major shareholders
TTY Biopharm Co., Ltd	Dawan Technology Company Limited (9.46%) , Fubon Life Insurance Co., Ltd. (3.67%) , Nan Shan Life Insurance Co., Ltd (2.35%) , Chang, Wen-I (2.43%) , Hsiao, Ying-Chun (2.01%) , Chang, Jun-Ren (1.57%) , Chang, Wen-Ling (1.68%) 、 Chang , Wen-Hwa (1.77%) , Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan) (1.37%) , Investment account of Norges Bank managed by Citibank Taiwan (1.35%)
National Development Fund, Executive Yuan	-

Chart 2. Principal Shareholder of Corporate Shareholders with a Juridical Person as its Main Shareholder

Mar. 26, 2023

Name of Major Shareholders	Major Shareholders of Institutional shareholders
Dawan Technology Company Limited	Hsiao, Yu-Bin (36.98%) 、 Hsiao, Ying-Chun (28.69%) 、 Li-Yuan Welfare Charitable Trust (11.02%) 、 Xu, Mei-Qin (9.14%) 、 Wu, Yong-Liang (8.50%) 、 Hsiao, Jia-Yu (3.11%) 、 Hsiao, Jia-Bin (2.56%)
Nan Shan Life Insurance Co., Ltd	潤成投資控股(股)公司 (89.55%) 、 潤華染織廠(股)公司 (1.34%) 、 杜英宗 (1.16%) 、 潤泰興(股)公司 (0.97%) 、 潤泰創新國際(股)公司 (0.23%) 、 潤泰全球(股)公司 (0.21%) 、 元新投資(股)公司 (0.16%) 、 潤泰租賃(股)公司 (0.13%) 、 吉品投資(股)公司 (0.11%) 、 朋城(股)公司 (0.09%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)

Chart 3. Independence of directors and supervisors

Mar. 26, 2023

Name	Criteria	Meet One of the Following Professional Qualification and Experience Requirements, Together with at Least Five Years Work Experience				Independent Criteria (Note)											Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	There is no one of the circumstances of Article 30 of the Company Act.	1	2	3	4	5	6	7	8	9	10	11	
TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu	-	-	v	v	v	v	v	v	v	-	v	v	v	v	v	-	None
TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu	-	-	v	v	v	v	v	v	v	-	v	v	v	v	v	-	None
TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu	-	-	v	v	v	v	v	v	v	-	v	v	v	v	v	-	None
National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	Distinguished Professor-Department of Internal Medicine, College of Medicine, National Taiwan University	-	v	v	v	v	v	v	v	-	v	v	v	v	v	-	None
National Development Fund, Executive Yuan Representative: Yi-Hui Lin	-	-	v	v	v	v	v	v	v	-	v	v	v	v	v	-	None
Ming-Feng Hou	Professor-Kaohsiung Medical University College of Life Science	Professor of Surgery-Kaohsiung Medical University Chung-Ho Memorial Hospital	v	v	v	v	v	v	v	v	v	v	v	v	v	v	None
Chih-Li Wang (Independent Director)	-	Accountant-Moores Rowland CPAs	v	v	v	v	v	v	v	v	v	v	v	v	v	v	1
Ming-Daw Chang (Independent Director)	-	-	v	v	v	v	v	v	v	v	v	v	v	v	v	v	None
Chien-Huang Lin (Independent Director)	Professor and Director-Graduate Institute of Medical Science, Taipei Medical University	-	v	v	v	v	v	v	v	v	v	v	v	v	v	v	None

Note: Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates.;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a remuneration committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT500,000";
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
11. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Chart 4. Diversity and Independence of Board of Directors

(1) Diversity of Board of Directors

A. Diversity Policy

- a. It is specified in the “Articles of Incorporation” that the election of directors follows the candidate nomination system and in the “Corporate Governance Best-Practice Principles” and the “Procedures for Election of Directors” that the composition of the Board of Directors shall be diversified and the diversification policy shall be prepared in terms of the Company’s operation, operational pattern, and developmental demand and shall cover, without limitation, the basic requirements and values and professional skills and knowledge.
- b. Election of directors follows the candidate nomination system and is based on the “Procedures for Election of Directors.” In addition, the Company defined the “Board of Directors Performance Evaluation Guidelines” on March 19, 2015. Through the items to be evaluated of performance, including the control over the Company’s goals and tasks, awareness of responsibilities, involvement in operation, internal relations management and communication, professional functions and continuing education, internal control, and expression of specific opinions, etc., the validity in the operation of the Board of Directors is confirmed and the performance of directors is served as reference in the future while directors are being screened. The operational performance of the Board of Directors and functional committees is evaluated every year.
- c. The Company continues with its director succession program; the director candidate database is created according to the criteria below:
 - (a) Integrity, accountability, innovation, and decision-making capability, agreement with the core values of the Company and possession of the professional knowledge and skills that will help with the Company’s operation and management.
 - (b) Possession of the industrial experience relevant to the business operated by the Company. It is expected that the addition of such member will help the Company continue to maintain a Board of Directors that is effective, synergistic, diversified, and meets the needs of the Company and there shall be at least one female director and the overall expertise of the Board of Directors shall cover operation strategies, accounting and taxation, finance, law, administration, and experience in Biotech Industry. The screening process for the list of director candidates of the Company has to meet the eligibility review and related requirements in order to make sure that suitable new director candidates can be effectively identified and selected when an opening becomes available or addition is planned.
 - (c) For the succession plan for the Company’s Board of Directors, multiple high-ranking managers possess the required managerial capability and professionalism in the Company at present. Meanwhile, the Company will recruit professional talent externally to be ready for the succession of directors. As for the independent directors, they need to have work experience in business, legal affairs, finance, accounting, or corporate business according to law. The Company will hire independent directors according to its actual operational demand and in compliance with the “Independent Director Eligibility Review Regulations” to further make the best of corporate governance.

B. Specific goals of the Board of Directors diversification policy and their fulfillment:

Specific goal	Fulfillment
Cross-disciplinary diversified complementary capabilities	The 9 members of the 8th intake of Board of Directors (including 3 independent directors), in general, specialize in statistics, medicine, pharmacology, biotechnology, accounting, law, and corporate management. The composition of the Board of Directors meets the operational and developmental demand of the Company. Independent Director Chih-Li Wang, in particular, is a professional CPA and has had worked as CPA for more than 20 years.
Composition of the Board of Directors (such as age and gender)	The Company consists of 6 ordinary directors, who serve a term of 1.97 years on average, and 3 independent directors, who have served for about 2.29 years on average. All of the directors are ROC nationals. The independent directors account for 33%. None of the directors is an employee of the Company. In terms of age, 2 directors are 40-49 years old; 3 are 50-59 years old, 3 are 60-69 years old, and 1 is 70-79 years old. Besides the foregoing, the Company values gender equality in the composition of the Board of Directors. For the current intake, there is one female member, accounting for 11%. In the future, the effort to increase the ratios of independent directors and female directors will be continued.
The operational performance of the Board of Directors and functional committees is evaluated every year	Since 2015, the operational performance of the Board of Directors and functional committees has been evaluated once a year, with the results reported to the Board of Directors. In addition, such evaluation is performed by commissioned external experts once every 3 years.

(2) Independence of Board of Directors

At present, there are 9 directors (including 3 independent directors), and independent directors account for 1/3 of all directors; legal person directors have 3 seats and 2 seats respectively, and ordinary directors have 1 seat.

- A. According to Article 26-3, Paragraph 3 of the Securities and Exchange Act, unless approved by the competent authority, the directors of the company shall have more than half of the seats, and shall not have spouses or relatives within the second degree of kinship. There are 9 directors in the eighth session of the board of directors of the company. The directors have no relationship between spouses or relatives within the second degree of kinship, which complies with Article 26-3-3 of the Securities and Exchange Act.
- B. Pursuant to Article 26-3, Paragraph 4 of the Securities and Exchange Act, unless the company has been approved by the competent authority, there shall be at least one seat between supervisors or between supervisors and directors. The Company has set up an audit committee since June 15, 2016 so it's not applicable.

3.2.2 President, Vice President, Assistant V.P. and Department Heads

Mar. 29, 2022

Title	Nationality/ Country of Origin	Name	gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Taiwan	Hong-Ren Wang Ph.D.	male	Jan. 20, 2021	32,000	0.02%	0	0	0	0	- Ph.D. degree in Materials Science and Engineering from Massachusetts Institute of Technology in Cambridge, Massachusetts - M.S. degree in Materials Science and Engineering from National Tsing Hua University in Taiwan - Vice President of Product Development in Proteostasis Therapeutics	None	none	none	none
Vice President, Corporate Development	Taiwan	Chi-Hsing Chang	male	Jan. 01,2014	210,000	0.14%	0	0	0	0	-Master's Degree of Accounting , National Taiwan University -Manager, Investment Banking Department, MasterLink Securities Corporation -Special Project Director of Administrative Department, TTY Biopharm Co., Ltd.	None	none	none	none
Senior Director, Marketing & Sales	Taiwan	Peter Wu	male	Jan. 01,2017	16,586	0.01%	0	0	0	0	-Taipei Medical University, major in Pharmacy, -Product & Sales manager in Novartis and Kirin (Taiwan) for specialized in the oncology product	None	none	none	none

Title	Nationality/ Country of Origin	Name	gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director, Finance & Accounting	Taiwan	Yu-Syuan Tsao	female	May 17,2021	6,000	0.00%	0	0	0	0	-MBA, University of Detroit Mercy -Manager, Finance & Accounting, Merck Ltd.. -Associate Manager, Finance & Accounting, 104 Corp.	None	none	none	none
Associate Director, Audit	Taiwan	Tony Hong	male	Oct. 17,2005	3,000	0.00%	7,000	0.00%	0	0	-Taipei Medical University, major in Pharmacy - RA Assistant Manager, Everlight Chemical Industrial Corporation - QA & RD Supervisor, Zin-Chin Pharmaceutical Industrial Cooperation - QA Supervisor, Hoechst Pharmaceutical Cooperation	None	none	none	none

3.3 Remuneration of Directors, Supervisors, Presidents and Vice Presidents

(1-1) Remuneration Paid to Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees							Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash		Stock
Chairman	Legal Representative: Jan-Yau Hsu	1,763	1,763	0	0	0	0	12	12	1,775	1,775	0	0	0	0	0	0	0	0	1,775	1,775	None
	TTY Biopharm Co., Ltd.	0	0	0	0	451	451	0	0	451	451	0	0	0	0	0	0	0	0	451	451	
Director	Legal Representative: Rui-Wen Wu	0	0	0	0	0	0	108	108	108	108	0	0	0	0	0	0	0	0	108	108	None
	TTY Biopharm Co., Ltd.	0	0	0	0	1,350	1,350	0	0	1,350	1,350	0	0	0	0	0	0	0	0	1,350	1,350	
Director	Legal Representative: Wen-Hung Hsu	0	0	0	0	0	0	60	60	60	60	0	0	0	0	0	0	0	0	60	60	None
	TTY Biopharm Co., Ltd.	0	0	0	0	810	810	0	0	810	810	0	0	0	0	0	0	0	0	810	810	
Director	Legal Representative: Ming-Shiang Wu	0	0	0	0	0	0	60	60	60	60	0	0	0	0	0	0	0	0	60	60	None
	National Development Fund, Executive Yuan	0	0	0	0	810	810	0	0	810	810	0	0	0	0	0	0	0	0	810	810	
Director	Legal Representative: Yi-Hui Lin	0	0	0	0	0	0	60	60	60	60	0	0	0	0	0	0	0	0	60	60	None

	National Development Fund, Executive Yuan	0	0	0	0	1,350	1,350	48	48	1,398 0.44	1,398 0.44	0	0	0	0	0	0	0	0	1,398 0.44	1,398 0.44	
Director	Ming-Feng Hou	0	0	0	0	1,350	1,350	128	128	1,478 0.46	1,478 0.46	0	0	0	0	0	0	0	0	1,478 0.46	1,478 0.46	None
Independent Director	Chih-Li Wang	1,560	1,560	0	0	0	0	168	168	1,728 0.54	1,728 0.54	0	0	0	0	0	0	0	0	1,728 0.54	1,728 0.54	None
Independent Director	Ming-Daw Chang	931	931	0	0	0	0	90	90	1,021 0.32	1,021 0.32	0	0	0	0	0	0	0	0	1,021 0.32	1,021 0.32	None
Independent Director	Chien-Huang Lin	1,560	1,560	0	0	0	0	168	168	1,728 0.54	1,728 0.54	0	0	0	0	0	0	0	0	1,728 0.54	1,728 0.54	None
Former Chairman	Legal Representative: Ted Tu	2,737	2,737	0	0	0	0	36	36	2,773 0.87	2,773 0.87	0	0	0	0	0	0	0	0	2,773 0.87	2,773 0.87	None
	TTY Biopharm Co., Ltd.	0	0	0	0	899	899	0	0	899 0.28	899 0.28	0	0	0	0	0	0	0	0	899 0.28	899 0.28	
Former Director	Legal Representative: Wen-Hwa Chang	0	0	0	0	0	0	48	48	48 0.02	48 0.02	0	0	0	0	0	0	0	0	48 0.02	48 0.02	None
	TTY Biopharm Co., Ltd.	0	0	0	0	540	540	0	0	540 0.17	540 0.17	0	0	0	0	0	0	0	0	540 0.17	540 0.17	
Former Director	Legal Representative: Chi-Ying Huang	0	0	0	0	0	0	48	48	48 0.02	48 0.02	0	0	0	0	0	0	0	0	48 0.02	48 0.02	None
	National Development Fund, Executive Yuan	0	0	0	0	540	540	0	0	540 0.17	540 0.17	0	0	0	0	0	0	0	0	540 0.17	540 0.17	
Former Independent Director	Sonny Wang	629	629	0	0	0	0	88	88	717 0.22	717 0.22	0	0	0	0	0	0	0	0	717 0.22	717 0.22	None

Remuneration Bracket

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	1. TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu 2. TTY Biopharm Co., Ltd. Former Representative: Wen-Hwa Chang 3. National Development Fund, Former Executive Yuan Representative: Chi-Ying Huang 4. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 5. TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu 6. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu 7. Sonny Wu	1. TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu 2. TTY Biopharm Co., Ltd. Former Representative: Wen-Hwa Chang 3. National Development Fund, Former Executive Yuan Representative: Chi-Ying Huang 4. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 5. TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu 6. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu 7. Sonny Wu	1. TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu 2. TTY Biopharm Co., Ltd. Former Representative: Wen-Hwa Chang 3. National Development Fund, Former Executive Yuan Representative: Chi-Ying Huang 4. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 5. TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu 6. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu 7. Sonny Wu	1. TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu 2. TTY Biopharm Co., Ltd. Former Representative: Wen-Hwa Chang 3. National Development Fund, Former Executive Yuan Representative: Chi-Ying Huang 4. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 5. TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu 6. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu 7. Sonny Wu
NT\$1,000,001 ~ NT\$2,000,000	1. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu 2. Chih-Li Wang 3. Ming-Daw Chang 4. Chien-Hunag Lin 5. Ming-Feng Hou	1. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu 2. Chih-Li Wang 3. Ming-Daw Chang 4. Chien-Hunag Lin 5. Ming-Feng Hou	1. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu 2. Chih-Li Wang 3. Ming-Daw Chang 4. Chien-Hunag Lin 5. Ming-Feng Hou	1. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu 2. Chih-Li Wang 3. Ming-Daw Chang 4. Chien-Hunag Lin 5. Ming-Feng Hou
NT\$2,000,001 ~ NT\$3,500,000	1. National Development Fund, Executive Yuan 2. TTY Biopharm Co., Ltd. Former Representative: Ted Tu	1. National Development Fund, Executive Yuan 2. TTY Biopharm Co., Ltd. Former Representative: Ted Tu	1. National Development Fund, Executive Yuan 2. TTY Biopharm Co., Ltd. Former Representative: Ted Tu	1. National Development Fund, Executive Yuan 2. TTY Biopharm Co., Ltd. Former Representative: Ted Tu
NT\$3,500,001 ~ NT\$5,000,000	TTY Biopharm Co., Ltd.	TTY Biopharm Co., Ltd.	TTY Biopharm Co., Ltd.	TTY Biopharm Co., Ltd.
NT\$5,000,001 ~ NT\$10,000,000				
NT\$10,000,001 ~ NT\$15,000,000				
NT\$15,000,001 ~ NT\$30,000,000				
NT\$30,000,001 ~ NT\$50,000,000				
NT\$50,000,001 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	15	15	15	15

(2-1) Remuneration of President and Vice President

Unit: NT\$ Thousand

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Hong-Ren Wang													
Vice President, Corporate Development	Chi-Hsing Chang	10,511	10,511	108	108	5,488	5,488	2,402	0	2,402	0	18,509	18,509	None
												5.81	5.81	

Remuneration Bracket

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000		
NT\$1,000,001 ~ NT\$2,000,000		
NT\$2,000,001 ~ NT\$3,500,000		
NT\$3,500,001 ~ NT\$5,000,000	Chi-Hsing Chang	Chi-Hsing Chang
NT\$5,000,001 ~ NT\$10,000,000		
NT\$10,000,001 ~ NT\$15,000,000	Hong-Ren Wang	Hong-Ren Wang
NT\$15,000,001 ~ NT\$30,000,000		
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	2	2

(2-2) Names and distribution of employees' compensation- President and Vice President

Unit: NT\$ thousands

Manager	Title	Name	Stock	Cash	Total	Ratio of total compensation to net income (%)
	President	Hong-Ren Wang	0	3,450	3,450	1.08
	Vice President, Corporate Development	Chi-Hsing Chang				
	Senior Director, Marketing & Sales	Peter Wu				
	Director, Finance & Accounting	Yu-Syuan Tsao				
	Associate Director, Audit	Tony Hong				

3.3.1 The ratio of remuneration paid to the directors, independent directors, presidents and vice presidents of the Company and the companies included in the financial statement in year 2021 and 2022 to the net income, in addition the relevancy of remuneration policy, standard and combination, remuneration procedure, operating performance and risk.

1. Remuneration analysis of the last two years:

Title	Ratio of total amount to the net income (%)			
	2021		2022	
	From this company	Companies included in the financial statement	From this company	Companies included in the financial statement
Directors	3.84	3.84	4.14	4.14
Independent Directors	1.03	1.03	1.63	1.63
Presidents and Vice Presidents	4.87	4.87	5.81	5.81
Total	9.74	9.74	11.58	11.58

2. Remuneration policies, standards and procedures

(1) Directors and Independent Directors:

- A. Directors: It's divided into business expenses and surplus distributions. Both categories are referring to Articles of Incorporation and "Salary policies, systems, standards and structures".
- B. Chairman: It's divided into business expenses 、 salary and surplus distributions. All categories are referring to Articles of Incorporation and "Salary policies, systems, standards and structures".
- C. Independent Directors: It's divided into business expenses and salary. Both categories are referring to Articles of Incorporation and "Salary policies, systems, standards and structures". However, Independent directors no longer participate in the annual earnings distribution.

(2) Presidents and Vice Presidents:

The remuneration of the Company's Presidents and Vice Presidents includes salary, allowances, bonuses and employee remuneration, these are determined and referred to the Company's "Salary policies, systems, standards and structures".

3. Procedure of remuneration guideline

(1) Directors(Including Independent Directors):

Compensations of the Company Directors (including Independent Directors) are processed in line with the Company's Articles of Incorporation. The compensations are distributed after the Remuneration Committee takes the Company's operating performance of the year and evaluation results in accordance with the Board Performance Evaluation into consideration and submits reasonable compensations for Directors (including Independent Directors) to the Board of Directors for approval.

- (2) Presidents and Vice Presidents:
Remunerations are determined by the Company's KPI, achievement of the Company's annual operating goals, and personal performance appraisal. Annual salary adjustment list determination should be presented by the president for chairman's acknowledgement, while the Remuneration Committee examines the reasonableness and submits to the Board of Directors for approval.
4. Relevancy of operating performance, responsibilities, future risks, and time invested.
Remuneration of the Company's Directors, Independent Directors, and managers is based on the Company's overall performance in the market position, industry salary standard, growth cycle, and internal equity, which has a high degree of relevance to the Company's operating performance, responsibility, risks, and time invested. Managements and remuneration committees regularly review the Company's payroll policy to ensure competitive advantage and risk control of human resources.

3.3.2 Top ten bonus employees

Unit: NT\$ Thousand

Title	Name (in the order of the number of strokes in the surnames)	Bonus
President	Hong-Ren Wang	5,052
Senior Director, Marketing & Sales	Peter Wu	
Senior Director, Clinical Development	Brian Shen	
Director, IP & Contract	Selena Kuo	
Associate Director, Audit	Tony Hong	
Vice President, Corporate Development	Chi-Hsing Chang	
Director, Finance & Accounting	Yu-Syuan Tsao	
Associate Director, Preclinical Research	Bettice Chen	
Associate Director, Preclinical Research	Jack Cheng	
Associate Director, Business Development	Roger Hsieh	

3.4 Corporate Governance

3.4.1 Operation of the Board of Directors

1. Attendance of directors of the last 8(A) board of director meetings in recent years

Jan. 1, 2022 to Dec. 31, 2022

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Chairman	TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu	2	0	100	Newly Appointed on Sept. 1, 2022
Director	TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu	8	0	100	
Director	TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu	4	0	100	Elected on May 27, 2022
Director	National Development Fund, Executive Yuan Representative: Yi-Hui Lin	8	0	100	
Director	National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	4	0	100	Elected on May 27, 2022
Director	Ming-Feng Hou	8	0	100	
Independent Director	Ming-Daw Chang	4	0	100	Elected on May 27, 2022
Independent Director	Chien-Huang Lin	8	0	100	
Independent Director	Chih-Li Wang	8	0	100	
Former Chairman	TTY Biopharm Co., Ltd. Representative: Ted Tu	6	0	100	Replacement of representative by the corporate director on Aug. 31, 2022
Former Director	TTY Biopharm Co., Ltd. Representative: Wen-Hwa Chang	4	0	100	Discharged due to expiry of term of office on May 26, 2022
Former Director	National Development Fund, Executive Yuan Representative: Chi-Ying Huang	4	0	100	Discharged due to expiry of term of office on May 26, 2022
Former Independent Director	Sonny Wang	4	0	100	Discharged due to expiry of term of office on May 26, 2022

2. Attendance of directors of the last 1 (A) board of director meetings in current year

Jan. 1, 2023 to Apr. 14, 2023

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu	1	0	100.0	
Director	TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu	1	0	100.0	
Director	TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu	1	0	100.0	
Director	National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	1	0	100.0	
Director	National Development Fund, Executive Yuan Representative: Yi-Hui Lin	1	0	100.0	
Director	Ming-Feng Hou	1	0	100.0	
Independent Director	Chih-Li Wang	1	0	100.0	
Independent Director	Ming-Daw Chang	1	0	100.0	
Independent Director	Chien-Huang Lin	1	0	100.0	

Supplementary information:

1. For any operations of the board meeting listed below, the date of the meeting, the term, the proposal, the independent directors, and the response of the Company to the statement must all be detailed:

(1) Matters listed in article number 14, tier 3 of the Securities and Exchange Act:

Meeting Date	Period	Proposal	Independent Director Opinions	Company Opinions
Jan. 27 2022	7th session of the 22th meeting	Discussion and assessment of the examination of the independence, competency qualifications and fees of Accountants Discussion the amendment to "Procedures for Election of Directors" Discussion the cancellation of treasury shares Discussion the proposal for releasing the prohibition on Directors from participation in competitive business	All passed	Approved by all attended directors
Mar. 8 2022	7th session of the 23th meeting	Discussion of 2021 annual "Assessment on the Effectiveness of Internal Control System" Discussion the amendment to "Operational Procedures for Acquisition & Disposal of Asset"	All passed	Approved by all attended directors
Apr. 11 2022	7th session of the 24th meeting	Discussion the authorization of negotiation proposal	All passed	Approved by all attended directors
May 27	8th session of the	Discussion of the election of the chairman of 8th	All passed	Approved by all attended directors

2022	1st meeting	session Discussion of the new candidates for the Audit Committee Discussion of the new candidates for the Remuneration Committee		
Jul. 26 2022	8th session of the 2nd meeting	Discussion of the authorization of PEP07 contract signing Discussion of the number of shares granted for issuance of new restricted stock awards Discussion of the Chairman's remuneration Discussion of the Director's carriage and transportation expenses Discussion of the Independent Director's remuneration Discussion of the amendments to the "Procedures for the Prevention of Insider Trading" Discussion of the amendments to the "Corporate Governance Codes of Practice"	All passed	Approved by all attended directors
Sept. 1 2022	8th session of the 1st interim meeting of the board	Discussion of the by-election of the chairman of the Company	All passed	Approved by all attended directors
Oct. 27 2022	8th session of the 3rd meeting	Discussion of the authorization of PEP07 CRO contract signing Discussion of the amendments to the "Rules of Procedure for Board of Directors Meetings" Discussion the amendment to "Operational Procedures for Acquisition & Disposal of Asset" Discussion of the amendments to the "Internal control system and other management systems - Financial statement preparation process management" Discussion of the amendments to the "Procedures for handling material inside information"	All passed	Approved by all attended directors
Mar. 2 2023	8th session of the 4th meeting	Discussion and assessment of the examination of the independence, competency qualifications and fees of Accountants	All passed	Approved by all attended directors

(2) In addition to matters listed above, other independent directors who oppose or retain the opinion and have a record or written statement: None

2. For circumstance where the directors avoid conflicted interest cases should list the name of the directors, the proposal, the reasons for the avoidance, and voting result in details:

Date	Name of Director	Proposal	Reasons for the Avoidance	Voting Result
111.07.26	Ted Tu	The Chairman's remuneration	The director is the interested party	Avoided and did not participate in voting
111.07.26	Ming-Daw Chang, Chien-Huang Lin, Chih-Li Wang	The Independent Director's remuneration	The independent directors are the interested parties	Avoided and did not participate in voting

3. The evaluation cycle and period, evaluation scope, method and evaluation content and other information of the self (or peer) evaluation of the Board of Directors:

Cycle	Period	Scope	Method	Content	Result
Yearly	Jan. 1, 2022 to Dec. 31, 2022	the Board	self-assessment of the Board	1. Involvement in the company's operation 2. Enhancement of the quality of the board's decision-making 3. Makeup and structure of the board 4. Election of board members and	Above 4.93 (Excellent)

				continuing knowledge development 5.Internal control	
Yearly	Jan. 1, 2022 to Dec. 31, 2022	the individual board members	self-assessment of board members	1.Understanding of the company's goals and mission 2.Awareness of director's duties 3. Involvement in the company's operation 4.Internal relationship and communication 5.Director's professionalism and continuing knowledge development 6.Internal control	Above 4.95 (Excellent)
Yearly	Jan. 1, 2022 to Dec. 31, 2022	the functional committees	self-assessment of the functional committees	1.Involvement in the company's operation 2.Awareness of the committee's duties 3. Enhancement of the quality of the committee's decision-making 4.Makeup of the committee and election of its members 5.Internal control	4.98-5.00 (Excellent)
Once every 3 years	Dec. 1, 2020 to Nov. 30, 2021	the Board	Appointment of external professional organizations to evaluate	The structure of the board, guidance and authorization, supervision, communication, internal control and risk management, self-discipline of the board of directors and others, such as board meetings, support systems, etc.	On January 21, 2022, this organization conducted an on-site visit to the Company, and issued an evaluation report on February 7, 2022, which comprehensively sorted out its comments and suggestions to the Company's board of directors.

4. Objective of the Board's in the current and recent years(e.g. establishment of the Audit Committee, improvement of the information transparency...etc.) and performance evaluation.
- (1) The Company participated in the 9th (2022) corporate governance evaluation, and the Securities and Futures Institute will issue the result by end of April 2023.
- (2) The performance evaluation report of Board of Directors
- A. Self-evaluation result for the operational effectiveness of the Board of Directors is 4.93, Excellent.
- B. The evaluation result from the external professional organization (every 3 years): the Company appointed to Taiwan Corporate Governance Association (TCGA) to evaluate and TCGA assigned 3 experts to audit and review the Company's documents from Dec. 1, 2020 to Nov. 30, 2021 and visited the Company on January 21, 2022 and issued an evaluation report on February 7, 2022.
- (3) The Audit Committee and the Remuneration Committee completed the performance evaluation report for functional committees. The self-evaluation results are listed as follow:
- A. Self-evaluation result for the operational effectiveness of the Remuneration Committee is 5, Excellent.
- B. Self-evaluation result for the operational effectiveness of the Audit Committee is 4.98, Excellent.

3.4.2 The operation of the Audit Committees or Supervisors involving in the operation of the Board of the Directors meetings

1. The operation of the Audit committees :

- (1) The Audit Committee consists of three independent directors and aims to help the Board of Directors fulfill its obligation to supervise the quality and integrity of implementation by the Company in terms of accounting, audit, and financial reporting procedures and financial control.

The Audit Committee met 7 times in 2022 and matters deliberated primarily include:

- A. Audit of financial statements and the accounting policy and procedure
- B. Internal control system and related policies and procedures
- C. Compliance
- D. Related party transactions by managers and directors, if any, and possible conflicts of interest
- E. Corporate risk management and information security
- F. Experience, independence, and performance evaluation of CPAs
- G. Delegation, dismissal, or rewards of CPAs
- H. Appointment and dismissal of financial supervisors
- I. Fulfillment of responsibilities of Audit Committee
- J. Audit Committee performance evaluation self-assessment questionnaire

- (2) Financial Statement Review

The Board of Directors prepared and submitted the 2022 Business Report, financial statements, and the profit distribution proposal. Financial statements, in particular, have been audited by PwC Taiwan, with the Audit Report issued. The above-mentioned Business Report, financial statements, and profit distribution proposal have been reviewed by the Audit Committee and no inconsistency has been found.

- (3) Evaluation of the validity of the internal control system

The Audit Committee evaluates the validity of the policy and procedure of the Company's internal control system (that covers financial, operational, risk management, information security, outsourcing, and compliance control measures) and reviews periodic reports submitted by the Company's Audit Department, the CPAs, and the management, including risk management and compliance. With reference to the Internal Control - Integrated Framework of the internal control system released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee believes that the risk management and internal control systems of the Company are valid. The Company has adopted necessary control mechanisms to supervise and correct non-compliant behavior.

- (4) Delegation of CPA

The Audit Committee is empowered to supervise the independence of the CPAs and the accounting firm in order to ensure impartiality of financial statements. The Company has formulated the "General Principles of Pre-approval Non-Assurance Service Policy" and the pre-approval list in accordance with the "International Code of Ethics for Accountants (IESBA Code)" revised by the International Ethics Standards Board for Accountants (IESBA). Except for the tax-related services or pre-approved non-assurance services, the CPAs and the accounting firm may not provide the Company with other services. All the services provided by the CPAs and the accounting firm must be approved by the Audit Committee.

In order to ensure the independence of the CPAs and the accounting firm, the Audit Committee has prepared the independence evaluation form as prescribed in Article 47 of the Certified Public Accountant, and in the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10, “Integrity, Impartiality, Objectivity, and Independence” and evaluates the independence, professionalism, and competence of CPAs, such as whether they are mutually related parties of the Company, have mutual business relationships with the Company or financial interests in the Company. In addition, ask the CPAs to provide the statement of independence of accountants and adopt the auditing quality indicators (AQIs) to more effectively and objectively evaluate the capabilities and commitments of the accounting firm and the audit team to improve quality of audits by evaluating the quantification indicators of audit quality (five major constructs, namely professionalism, quality control, independence, supervision, and innovation, respectively).

It was reviewed and approved during the 4th meeting of the 3rd intake of Audit Committee on March 2, 2023 and the 4th meeting of the 8th intake of Board of Directors on March 2, 2023 that CPAs Yu, Shu-Fen and Liang Hua-Ling of PwC Taiwan had fulfilled the independence and competency evaluation criteria and can serve as the CPAs to review the Company’s finance and taxation.

(5) Attendance of Independent directors of the last 7 (A) board of Auditing Committees meetings in recent years

Jan. 1, 2022 to Dec. 31, 2022

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ming-Daw Chang	3	0	100.0	Elected on May 27, 2022
Independent Director	Chih-Li Wang	7	0	100.0	Re-elected on May 27, 2022
Independent Director	Chien-Huang Lin	7	0	100.0	Re-elected on May 27, 2022
Former Independent Director	Sonny Wang	4	0	100.0	Discharged due to expiry of term of office on May 26, 2022

(6) Attendance of Independent directors of the last 1 (A) board of Auditing Committees meetings in current years

Jan. 1, 2023 to Apr. 14, 2023

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ming-Daw Chang	1	0	100.0	
Independent Director	Chih-Li Wang	1	0	100.0	
Independent Director	Chien-Huang Lin	1	0	100.0	

Supplementary information:

- For any operations of the auditing committees listed below, the date of the meeting, the term, the proposal, the independent director’s objections or reservations or critical suggestions, and the response of the Company to the statement must all be detailed.

(1) Listed items under Article 14-5 of Securities and Exchange Act:

Meeting Date	Period	Proposal	Independent director's objections or reservations	Audit Committee's Resolutions	Company Opinion
Jan. 27 2022	2th session of the 15th meeting	Discussion and assessment of the examination of the independence, competency qualifications and fees of Accountants Discussion the amendment to Procedures for Election of Directors" Discussion the cancellation of treasury shares Discussion the proposal for releasing the prohibition on Directors from participation in competitive business	None	All passed	Approved by all attended directors
Mar. 8 2022	2th session of the 16th meeting	Discussion of 2021 annual "Assessment on the Effectiveness of Internal Control System" Discussion the amendment to "Operational Procedures for Acquisition & Disposal of Asset"	The cash dividend per share was revised from 2.5 to 2.7 proposed by the independent director	All passed	Approved by all attended directors
Apr. 11 2022	2th session of the 17th meeting	Discussion the authorization of negotiation proposal	None	All passed	Approved by all attended directors
May 27 2022	3rd session of the 1st meeting	Discussion of the Convener for the Audit Committee	None	Elected Ming-Daw Chang as the Convener	Not applicable
Jul. 26 2022	3rd session of the 2nd meeting	Discussion of the authorization of PEP07 contract signing Discussion of the report of the Company's 2022 second quarter of consolidated financial statements report Discussion of the number of shares granted for issuance of new restricted stock awards Discussion of the amendments to the "Procedures for the Prevention of Insider Trading" Discussion of the amendments to the "Corporate Governance Codes of Practice"	None	All passed	Approved by all attended directors
Oct. 27 2022	3rd session of the 3rd meeting	Discussion of the authorization of PEP07 CRO contract signing Discussion of the amendments to the "Rules of Procedure for Board of Directors Meetings" Discussion the amendment to "Operational Procedures for Acquisition & Disposal of Asset" Discussion of the amendments to the "Internal control system and other management systems - Financial statement preparation process management" Discussion of the amendments to the "Procedures for handling material inside information"	None	All passed	Approved by all attended directors
Mar. 2 2023	3rd session of the 4th meeting	Discussion and assessment of the examination of the independence, competency qualifications and fees of Accountants Discussion of 2022 annual "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" review	None	All passed	Approved by all attended directors

(2) In addition to the list above, any of the other proposals approved by two third of all attended directors but did not authorized by audit committees: None

2. For independent directors avoid interests cases should list the name of Supplementary information: the directors, the proposal, the reasons for the avoidance, and voting result in details:

Date	Name of Director	Proposal	Reasons for the Avoidance	Voting Result
2022.07.26	Ming-Daw Chang, Chien-Huang Lin, Chih-Li Wang	The Independent Director's remuneration	The independent directors are the interested parties	Avoided and did not participate in voting

3. The negotiation among independent directors, auditing manager and accountants :

- (1) Discussion among accountant, independence directors and other corporate governance departments after initial audition of every quarter financial statement done by the accountant, then make reports.
- (2) Audit supervisor shall present audit result report to independence director on a monthly basis.
- (3) Audit supervisor shall report independence director immediately on major financial, business matters with the cause and the company resolution to it.

2.The operation of supervisors involved in the Board meeting

The Company has set up an audit committee since June 15, 2016, so it is not applicable.

3.4.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed companies”?	V		The Company has established the “Corporate Governance Best Practice Principles” with reference to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on Company’s website.	None
2. Shareholding structure & shareholder’s right				
(1) Does the company establish an internal operating procedure to deal with shareholder’s suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has a spokesperson, an acting spokesperson and an investor interface on its website to handle matters such as shareholder recommendations and queries. The Company stipulates “Procedures for Handling Material Inside Information” to regulate notification and handling procedures when major event occurs in order to take timely and appropriate action, deal with various unexpected situations, and implement measures according to regulations.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company always gets a hold of its major shareholders as well as the ultimate owners of those shares through shareholders list and monthly share change list based on declarations by directors and managers from the shareholding agency.	None

<p>(3) Does the company established and execute the risk management and firewall system within its conglomerate structure?</p>	<p>V</p>	<p>(3) The matters among the Company and the related enterprises are determined by the Company’s “Internal Control System”, “Internal Audit System” and relevant laws and regulations and the related major transactions should be approved by the Board of Directors, or/and reported to/or approved by the shareholders' meeting.</p>	<p>None</p>
<p>(4) Does the company establish internal rules against insiders trading with undisclosed information?</p>	<p>V</p>	<p>(4) In accordance with Article 4 of the “Codes of Ethical Conduct”, directors or managers of the Company shall avoid the opportunity to use the Company’s assets, information or position of the job for personal gain. Also, under Article 15 of “Procedures for Ethical Management and Guidelines for Conduct” permission, employees shall comply with the provisions of the Securities and Exchange Act, avoiding the use of undisclosed information to engage in insider trading, or to disclose it to others to prevent others using undisclosed information for insider trading. The Company already specifically states in the “Anti-insider Trading Management Regulations” that directors and insiders may not trade the shares in their possession for the 30 days before the annual financial report is announced and for the 15-day closure duration before the quarterly financial report is announced. The Company notified the directors and insiders on January 30, 2023, the date of the fourth meeting of the eighth Board of Directors, and the closure duration before each quarterly financial report was announced in order to prevent the directors from violating the said Regulations.</p>	<p>None</p>

		<p>On December 2, 2022, the education and communication of applicable laws and regulations on “Anti-insider Trading” for 2 hours were done. After the course was completed, presentations and video files were placed in the internal employee system and provided to those who did not attend it on that day. New hires are educated and communicated on “Anti-insider Trading” during pre-service training.</p>	
<p>3. Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors establish a diversity policy, set up the goals, and implement them accordingly?</p>	<p>V</p>	<p>(1) The diversity policy and the goals of the Board of Directors of the Company are as follow: 1.Diversity Policy: It is specified in the “Articles of Incorporation” that the election of directors follows the candidate nomination system and in the “Corporate Governance Best-Practice Principles” and the “Procedures for Election of Directors” that the composition of the Board of Directors shall be diversified and the diversification policy shall be prepared in terms of the Company’s operation, operational pattern, and developmental demand and shall cover, without limitation, the basic requirements, values, professional skills and knowledge. In addition, the Company defined the “Board of Directors Performance Evaluation Guidelines” on March 19, 2015. Through the items to be evaluated of</p>	<p>None</p>

performance, including the control over the Company's goals and tasks, awareness of responsibilities, involvement in operation, internal relations management and communication, professional functions and continuing education, internal control, and expression of specific opinions, etc., the validity in the operation of the Board of Directors is confirmed and the performance of directors is served as reference in the future while directors are being screened. The operational performance of the Board of Directors and functional committees is evaluated every year. Every three years, the evaluation should be carried out by an external professional independent organization or an external team of experts and scholars.

2. The implementation of diversity is as follows:

Name	Gender	Age	Tenure	Operaion strategy management capability	Accounting/ financial/ legal capability
Jan-Yau Hsu	male	70-79 years old	less than 3 years	V	V
Rui-Wen Wu	male	40-49 years old	3-6 years	V	V
Wen-Hung Hsu	female	50-59 years old	less than 3 years	V	V
Yi-Hui Lin	male	40-49 years old	3-6 years	V	V
Ming-Shiang Wu	male	50-59 years old	less than 3 years	V	
Ming-Feng Hou	male	60-69 years old	less than 3 years	V	
Chih-Li Wang	male	60-69 years old	3-6 years	V	V
Ming-Daw Chang	male	60-69 years old	less than 3 years	V	
Chien-Huang Lin	male	50-59 years old	less than 3 years	V	

Name	Management ability	Crisis management ability	Industrial knowledge and expertise	Macro views on international markets	Organization and leadership
Jan-Yau Hsu	√	√	√	√	√
Rui-Wen Wu	√	√	√	√	√
Wen-Hung Hsu	√	√	√	√	√
Yi-Hui Lin	√	√		√	
Ming-Shiang Wu	√	√	√	√	√
Ming-Feng Hou	√	√	√	√	√
Chih-Li Wang	√	√	√	√	
Ming-Daw Chang	√	√	√	√	√
Chien-Huang Lin	√	√	√	√	√

3. The goals and implementation :

Specific goal	Fulfillment
Cross-disciplinary expertise and diversified complementary capabilities	The 9 members of the 8th term of Board of Directors (including 3 independent directors), in general, specialize in statistics, medicine, pharmacology, biotechnology, accounting, law, and corporate management. The composition of the Board of Directors meets the operational and developmental demand of the Company. Independent Director Chih-Li Wang, in particular, is a professional CPA and worked as CPA for more than 20 years.
Composition of the Board of Directors (such as age and gender)	The Company consists of 6 ordinary directors, who serve a term of 1.97 years on average, and 3 independent directors, who have served for about 2.29 years on average. All of the directors are ROC nationals. The independent directors account for 33%. None of the directors is an employee of the Company. In terms of age, 2 directors are 40-49 years old; 3 are 50-59 years

<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the Company establish methodology to evaluate the performance of its Board of Directors on an annual basis, report the results of performance to the Board of Directors, and use the results as a reference for directors' remuneration and renewal?</p>	<p>V</p> <p>V</p>		<p>old, 3 are 60-69 years old and 1 is 70-79 years old. Besides the foregoing, the Company values gender equality in the composition of the Board of Directors. For the current term, there is one female director, accounting for 11%. In the future, the effort to increase the ratios of independent directors and female directors will be continued.</p> <p>(2) Except for setting up the Remuneration Committee and the Audit Committee by law, the Company does not have other functional committees.</p> <p>(3) The Company has passed the stipulated performance evaluation measures of the Board of Directors on March 19, 2015, which regulated that internal performance evaluation shall be implemented at least once a year and external evaluation from professional independent institutions or external expert and scholar team shall be conducted once every three years. The performance evaluation procedure for the Board of Directors will be explained as follows.</p> <p>A. Ensuring the unit to be evaluated and its scope (e.g., the whole board of directors, remuneration, or individual board members, etc.).</p> <p>B. Establishment of evaluation method (internal self-evaluation of board of directors, self-evaluation of board members (evaluating his/her own performance or his/her peers), peer evaluation, delegating external professional institutions, expert evaluations, etc.).</p>	<p>The company does not have other functional committees.</p> <p>The company has formulated a performance evaluation method for the board of directors. Performance evaluation is conducted annually and regularly. External evaluation is appointed every three years. However, the results of these evaluations have not been used as a reference for the remuneration of individual directors and the nomination for renewal.</p>
---	-------------------	--	---	--

		<p>C. Evaluation Implementation Unit comprises of independent directors.</p> <p>D. Upon the end of every year, each implementation unit collects the relevant information about the activity of the Board of Directors and distributes relevant self-assessment survey such as “ Board (Functional Committee) Performance Self-Evaluation Questionnaire” or “ Board (Self or Peer) Member Self-evaluation Questionnaire”. After collection is completed uniformly by the hosting implement unit or Meeting Affair Unit of Board of Directors, regarding the rating formulation for evaluation indicator of Article 8, the evaluation result report shall be recorded and the report shall be submitted to Board of Directors for review and improvement.</p> <p>The measurement items of the board performance evaluation include: (a) The involvement in the company's operations; (b) Enhancement of the quality of the board's decision-making; (c) Makeup and structure of the board; (d) Election of board members and continuing knowledge development; (e) Internal control. Upon the members of Board complete “Board Member Self-Evaluation Questionnaire”, the hosting Meeting Affair Unit of Board will make statistics based on the data collected and submit the evaluation result to the independent directors and report in the board meeting.</p>	
--	--	---	--

		<p>E. In November 2021, the Company entrusted the Taiwan Corporate Governance Association as an external organization to evaluate the efficiency (including performance) of the Board of Directors in 2021 (December 1, 2020 to November 30, 2021). The Association not only reviewed the relevant documents provided by the Company for evaluation, but also appointed three evaluation experts to the Company for on-site visit on January 21, 2022, interviewed the Chairman, President, independent directors and corporate governance officer, accounting & finance director, and internal auditing officer and issued the evaluation report of the efficiency (including performance) of the Board of Directors on February 7, 2022. The evaluation results have been completed and reported at the board meeting on March 8, 2022. The general comments and recommendations of the evaluation results are summarized as follows:</p> <ol style="list-style-type: none">1. It is recommended that the Company consider reducing one seat of non-independent director and increase one seat of independent director for the composition of the next Board of Directors. It is also recommended that the Company consider setting up a non-statutory functional committee.2. It is recommended that the Company formulate an integrated "Risk Management Policy and System" that is more in line with the Company's needs.	
--	--	---	--

<p>(4) Does the company regularly evaluate the independence of CPAs?</p>	<p>V</p>	<p>3. It is recommended that the Company optimizes the disclosure of corporate governance information on the website, set up a corporate governance section on the official website, and regularly review and continuously update it to facilitate the reference of shareholders and other stakeholders.</p> <p>F. Internal assessment results of the performance evaluation for the Board of Directors, the Remuneration Committee, and the Audit Committee were reported in the Board of Directors' meeting held on March 2, 2023. Recommendations for improvements were compiled and reported as follow.</p> <p>Recommendations for improvement:</p> <ol style="list-style-type: none"> 1. Under the leadership of the new chairman, the function and power of Board of Directors operates better. 2. The directors actively participate in the Board of Directors, implement corporate governance, and safeguard the rights and interests of shareholders. <p>(4) The Board of Directors of the Company evaluates the CPAs once a year according to the following items:</p> <p>A. Adopting the auditing quality indicators (AQIs) to more effectively and objectively evaluate the capabilities and commitments of the accounting firm and the audit team to improve quality of audits by evaluating the quantification indicators of audit quality (five major constructs, namely professionalism, quality control,</p>	<p>None</p>
--	----------	---	-------------

independence, supervision, and innovation, respectively).

B. Evaluating if the CPAs maintains its independence to the Company to meet the requirements of Article 7 of 10 of the Code of Ethics for Certified Public

Accountants “Independence of Audit and Review” defined by the CPA Associations, R.O.C. In addition, obtain the statement of independence of accountants

C. Audit and non-audit services provided by accountants, and ensure that non-audit services will not affect the result of the audit.

D. Investigation of the certified public accountant fees paid by industry peers.

E. Assessing and auditing the reasonableness of the fees.

The evaluation result reported to the Board of Directors on March 2, 2023 is listed as follows:

Through assessments, we identified the Certified Public Accountants Yu, Shu-Fen and Liang Hua-Ling from PwC Taiwan are qualified for independence and competency, and their public audit fees are still reasonable. We will hire them as our CPAs for the Company’s 2023 financial reports.

<p>4. Does the company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?</p>	<p>V</p>	<p>The Company passed the resolution at the board meeting on May 2, 2019 on the appointment of Vice President Chi-Hsing Chang of the Corporate Development Department as the supervisor of corporate governance, responsible for related corporate governance businesses, safeguarding shareholders' interests and strengthening the functions of the Board of Directors. Vice President Chang has the qualification of certified public accountant and has over 20 years of experience in managing matters including the financial accounting and deliberation of public companies. His main duties are to provide the information required by the Directors and Independent Directors for the carrying out of business and the latest development of the laws and regulations related to the operation of the Company to assist the Directors and Independent Directors to comply with the laws and regulations, to assist in the preparation of the meeting materials for the Board of Directors, Audit Committee, Remuneration Committee, and shareholders' meetings, to handle the related preparation works for convening meetings and the meeting minutes for the BoD meetings and the shareholders' meeting, to handle company registration and changes thereof, to regularly review and revise various regulations related to corporate governance, and to handle the announcement declarations as required by the relevant regulations of listed companies and regularly report to the Board of Directors the review results of the independent directors' qualifications in nomination, election, and during their tenure, the implementation of ESG and integrity operation, and all related operations to comply with the Company Act, Securities Trading Act, "Corporate Governance Best Practice Principles" and other relevant laws and regulations based on the spirit and requirements of corporate governance.</p>	<p>None</p>
--	----------	---	-------------

		<p>In addition, after taking office as the new directors of the current session, he arranged for the Company's management to introduce the functions and operations of various departments, so that the new directors can understand the management team and the Company's operation; provided the directors with information about the professional courses and helped to arrange for the directors' advanced studies in order to assist the Board of Directors and individual directors in performing their duties.</p> <p>Trainings done by the supervisor of corporate governance in 2022:</p> <table border="1" data-bbox="821 542 1535 906"> <thead> <tr> <th data-bbox="821 542 1451 586">Course</th> <th data-bbox="1451 542 1535 586">Hours</th> </tr> </thead> <tbody> <tr> <td data-bbox="821 586 1451 651">Practical measures to improve and implement the three lines of defense in effective risk management and control</td> <td data-bbox="1451 586 1535 651">6</td> </tr> <tr> <td data-bbox="821 651 1451 711">ISSB S2 Industry Analysis and Practical Application Guidelines (Part 2)</td> <td data-bbox="1451 651 1535 711">3</td> </tr> <tr> <td data-bbox="821 711 1451 771">Concept Analysis of ISSB S2 Standard of "Task Force on Climate-related Financial Disclosures, TCFD"</td> <td data-bbox="1451 711 1535 771">3</td> </tr> <tr> <td data-bbox="821 771 1451 867">"Revision of Internal Control System Standards" and "Information Security" Regulations Compliance and Fraud Prevention Practices</td> <td data-bbox="1451 771 1535 867">6</td> </tr> <tr> <td data-bbox="821 867 1451 906">Investigation practice and case analysis of corporate frauds</td> <td data-bbox="1451 867 1535 906">6</td> </tr> </tbody> </table>	Course	Hours	Practical measures to improve and implement the three lines of defense in effective risk management and control	6	ISSB S2 Industry Analysis and Practical Application Guidelines (Part 2)	3	Concept Analysis of ISSB S2 Standard of "Task Force on Climate-related Financial Disclosures, TCFD"	3	"Revision of Internal Control System Standards" and "Information Security" Regulations Compliance and Fraud Prevention Practices	6	Investigation practice and case analysis of corporate frauds	6	
Course	Hours														
Practical measures to improve and implement the three lines of defense in effective risk management and control	6														
ISSB S2 Industry Analysis and Practical Application Guidelines (Part 2)	3														
Concept Analysis of ISSB S2 Standard of "Task Force on Climate-related Financial Disclosures, TCFD"	3														
"Revision of Internal Control System Standards" and "Information Security" Regulations Compliance and Fraud Prevention Practices	6														
Investigation practice and case analysis of corporate frauds	6														
<p>5. Does the company establish a communication channel (including but not limited to shareholders, employees, customers and suppliers) and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?</p>	V	<p>In pursuit of sustainable development, the Company has a deep understanding of the significance of stakeholders and continuously carries out our commitment toward the society, with the anticipation of establishment of transparent and effective communication channel. The Company has established stakeholders area on the website to assist the stakeholders to understand us. Moreover, the Company has set up a contact window, contact number, and e-mail for the sake of responding and illustrating the significant issues of corporate social responsibility or other relevant matters. In</p>	None												

		<p>order to respond properly to the important issues that the stakeholders are interested in, each division works together to take charge of communication with the stakeholders respectively and report to Board of Directors periodically after summarizing the information.</p> <p>Upholding the spirit of corporate sustainable operation and continuous improvement, the Company continuously communicates with the stakeholders and understands the needs of stakeholders as a reference for company policies and plans. During the implementation of policy planning and projects, the Company is willing to understand what feedback from stakeholders is at any time as the matter of follow-up improvements.</p>	
6. Does the company appoint a professional shareholders service agency to deal with shareholder affairs?	V	The Company has appointed a professional stock agency – The Yuanta Securities for shareholders’ affairs.	None
7. Information Disclosure			
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V	(1) The Company has disclosed the financial data and corporate governance information on the website.	None
(2) Does the company have other information disclosure channels(e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V	(2) The Company has set up a Chinese and English corporate website and designated a spokesman and IR to collect and announce information to ensure the information that could affect the decision-making of shareholders and interested parties can be disclosed in a timely manner. In addition, the spokesman for the Company is Vice President, Chi-Hsing Chang, and deputy spokesman is Senior Director	None

<p>(3) Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	<p>V</p>	<p>Peter Wu. The spokesman and deputy spokesman have a certain degree of understanding of the Company's finance, business and coordinate various departments to provide relevant information, and speak on behalf of the Company. Participated in 5 institutional investors' conferences in 2022.</p> <p>(3) Accounting treatment from the Company can comply with the rule of announcement before deadline but the improvement is expected to be made by 2024.</p>	<p>To be improved</p>
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights for stakeholders, customer police implementation, and purchasing D&O insurance for directors and supervisors)?</p>	<p>V</p>	<p>Please refer to "Summary for 8" for the details.</p>	<p>None</p>
<p>9. Specify the company's improvements in accordance with the recently released evaluations of corporate governance by the Corporate Governance Center of the Taiwan Stock Exchange Corporation</p>	<p>V</p>	<p>Please refer to "Summary for 9" for the details.</p>	<p>None</p>

(TWSE). As for those yet to be improved, account for the Company's list of priorities and their implementation.				
---	--	--	--	--

Summary for 8: Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights for stakeholders, directors' and supervisors' policies, and purchasing insurance for directors and supervisors)?

(1) Employee rights and welfares

In order to seek the sustainable business operating and growth, the Company adopts humanized management since founding, gives colleagues full respect and care, provides the group insurance, regular health check-up, on-the-job training, studying abroad, and awards to senior employees and excellent job performance employees, sets up complete welfare approach, implements welfare measures, strengthens the full range care to employees, and provides a joyful and high quality working environment. Please refer to Section 5 Employee/Employer Relations of Chapter 5 Overview of business operation.

(2) Investors relations

- A. The Company values the shareholders' equity with professional service teams such as spokesperson and stock registrar to ensure the best service quality and smooth communication channels with the the shareholders. The Company keeps an excellent relationship with shareholders by holding annual shareholders' meetings, responding to shareholders' recommendations positively, presents business operation results, annual business operation plans, and future development strategy and effects on the industrial environment.
- B. The Company attends the investors' conference held by the domestic and international securities firms and the competent securities authority on a quarterly basis, reports the latest corporate operational, financial, and R&D status of the Company to the domestic and international institutions so that the Company's information is communicated to the investing public more transparently, rapidly, and correctly. Related video files of the online investor conference on March 3, 2023, have been uploaded to the Market Observation Post System.
- C. Information disclosure is also an important part of the investor service. The Company has invested a lot of resources to meet the principles of disclosure of information with integrity, immediacy, fairness and transparency in recent years. In addition to the real-time status from MOPS, "Investors" section on the Company's website also provides material information about the Company's governance to ensure information transparency, enhance the corporate image, and safeguard the interests of shareholders.
- D. The shareholders' meeting of the Company has adopted the electronic voting rights since 2015.

(3) Customers relations

The Company follows “Good Clinical Practice (GCP)” when conducting clinical trials, uphold the ethical principles of medical research of the Declaration of Helsinki, to ensure the rights, safety, and well-being of the subjects. It is our obligation to inform and protect each participant in human clinical trials; in addition, the Company will insure clinical trial relevant insurance for the clinical trial, to ensure the compensation of the subject if there is any physical damage due to the participation in the clinical trial.

The Company has joined the Drug Injury Relief System in accordance with the law; hence, it contributes 0.05% of its sales in the previous year to the drug injury relief fund. In addition, the Company takes out product liability insurance to protect patients against damages arising from drug defects or unknown adverse reactions.

ONIVYDE® is the Company’s current product that has been approved with drug license issued by Taiwan TFDA and launched in June 2016.

The Company did not violate the laws relating to the health and safety, information and marks, or marketing promotion in 2022. In addition, there is no selling of prohibited or controversial products and no complaints about violations of customer privacy and loss of customer information.

(4) Stakeholders’ right

A. Identify and communicate with stakeholders

The Company's stakeholders include shareholders (investors), employees, in-license or out-license partners, customers, suppliers & CRO, charity groups, communities, government agencies, and media. The Company maintains good relationships with stakeholders, implements internal and external communication for each matter. According to the projects concerned by the stakeholders, the responsibilities and work plans of the relevant units are separately included. The environment tends to evolve, and amendments to the decree can also be handled through the cooperation of various units. In order to meet the expectations of stakeholders, the Company ensures that relevant work is achieved through various communication methods, while in the meantime, it maintains the unimpeded communication channels. The operating team regularly provides feedback on relevant information as a reference for future improvement or planning.

• Channels for communication open to PharmaEngine stakeholders

Stakeholder	Main issues	Channels for communication and frequency	2022 Important Activity
Shareholders and Investors	<ul style="list-style-type: none">• Operating and financial status• Business performance• Corporate governance• Risk management	<ul style="list-style-type: none">• Shareholders’ Meeting• Investors’ Conference• MOPS• Regular announcement of financial statements and annual report	<ul style="list-style-type: none">• Held institutional investors’ conferences and road shows 5 times in 2022.

		<ul style="list-style-type: none"> • Stock agency • Information disclosed online • Answering the investors by telephone or e-mail 	<ul style="list-style-type: none"> • Held shareholders' meeting 1 time and Board of Directors 8 times.
Employees	<ul style="list-style-type: none"> • Welfare policy • Labor relations • Labor rights • Training • Workplace health and safety 	<ul style="list-style-type: none"> • Labor conference • Internal website • Welfare Committee • Employee feedback line and mailbox • Regular fire safety propaganda provided by the building management committee • Annual health check 	<ul style="list-style-type: none"> • Held labor-management meeting 4 times • Promoted "Employee Leave and Travel Subsidy Program" • Promoted "Employee Health Check Care Program " • More than 50 pieces of information about employee benefits and training were announced internally in 2022.
In-license or Out-license partners	<ul style="list-style-type: none"> • Operating and financial status • Business performance • Risk management • Legal compliance 	<ul style="list-style-type: none"> • E-mail • Regular visits • Occasional meetings 	<ul style="list-style-type: none"> • Held group meetings regularly
Customers	<ul style="list-style-type: none"> • Product quality and safety • Service quality • Marketing communications • Customer rights & interests and privacy 	<ul style="list-style-type: none"> • Telephone or e-mail • Regular check-up on warehousing and transportation companies • Regular patient meetings • Regular participation in medical associations • Academic seminars • Information disclosed online 	<ul style="list-style-type: none"> • 6 pancreatic cancer patient meetings • Product introduction in medical centers and hospitals • 2022 World Pancreatic Cancer Day activities
Suppliers and CRO	<ul style="list-style-type: none"> • Procurement Practice • Perpetual purchasing • Communication Policy 	<ul style="list-style-type: none"> • Unscheduled supplier visits and audits • Telephone or e-mail • Unscheduled vendor meeting 	<ul style="list-style-type: none"> • 3 GxP supplier capability assessments before cooperation • Schedule supplier audits to include ESG-related issues 2 times

			<ul style="list-style-type: none"> • Audited by email • On-line meeting
Charity groups	<ul style="list-style-type: none"> • Charities and fundraising • Community work 	<ul style="list-style-type: none"> • Regular charity events • ESG Report preparation every year • Regular visually-impaired massage 	<ul style="list-style-type: none"> • Visually impaired massage • Volunteer activity of “Do One Thing for Tamsui River” • Held one training for GHG inventory • A total of 35 employees participated in public welfare activities, and the service hours totaled 70 hours in 2022
Communities	<ul style="list-style-type: none"> • Environmental management • Legal compliance 	<ul style="list-style-type: none"> • Building Management Center • Participating in fire drills 	<ul style="list-style-type: none"> • Participated in fire drill 1 time
Government agencies	<ul style="list-style-type: none"> • Legal compliance • Labour relations • Participation in public policies 	<ul style="list-style-type: none"> • Advocacy of decrees and the promotion of related systems • Formulation of related specifications • Competent authority meetings and seminars 	<ul style="list-style-type: none"> • Contacted the authority by its office phone number and e-mail
Media	<ul style="list-style-type: none"> • Business performance • Operating and financial status • Legal compliance 	<ul style="list-style-type: none"> • Press release • Spokesman system • Information disclosed online • Public relations department 	<ul style="list-style-type: none"> • Material information and press release were issued 40 times

B. Responses and responsibilities to stakeholders

In the sustainable development of the enterprises, we must constantly communicate with interested parties to understand the needs of stakeholders as the reference of the company policy and plan development. The company should always listen to the feedbacks from the stakeholders as a follow-up to improve the subject during the policy and plan implementation process.

The Company also presented and communicated its “communication with stakeholders” during the Board of Directors meeting on October 27, 2022. It covered the purpose of communicating with stakeholders, the major topics of borders, major issues concerning stakeholders, identification of and communication with stakeholders, exchanges with stakeholders, and reflections upon and improvements of communication with stakeholders, etc.

Improvements are done according to the resources available in the Company each year and with reference to practices of benchmark enterprises and will serve as the bases for improvements to be made in the coming year. The major improvements of 2022 included simultaneously releasing material information in Chinese/English, disclosing the Interim Financial Report in English, holding at least one investors' conference every quarter, referring to SASB to disclose the related ESG information and obtain third-party verification of the Sustainability Report, disclosing the related information and prior annual greenhouse gas emissions, amount of water consumed, and total weight of waste in compliance with the framework of the Task Force on Climate-Related Financial Disclosures (TCFD), and introducing ISO 27001 and carbon inventory check, etc.

(5) Trainings done by Directors: Directors of the Company participated in relevant training by professional needs in 2022

Title	Name	Organization	Course	Hours
Chairman	Jan-Yau Hsu	Securities & Futures Institute	The international trend of Net-Zero Carbon Emissions and Taiwan's actions in promoting Zero-Carbon transition	3
		Taiwan Corporate Governance Association	Prevention and Control of Insider Trading	3
Director	Rui-Wen Wu	Taiwan Institute of Directors	SAP NOW TAIWAN Create a sustainable and intelligent enterprise	3
		Securities & Futures Institute	The international trend of Net-Zero Carbon Emissions and Taiwan's actions in promoting Zero-Carbon transition	3
		Taiwan Corporate Governance Association	The keyway to sustainable management of enterprises - external innovation	3
		Taiwan Corporate Governance Association	Prevention and Control of Insider Trading	3
Director	Wen-Hung Hsu	QIC, Georgeson, and Taiwan Stock Exchange	Discussion on Independent Directors and Board Supervision from International Viewpoint	1
		Taiwan Institute for Sustainable Energy	Taishin International Bank's 30th Anniversary Sustainability Net Zero Summit Forum – Conscientious Net Zero Achieves Sustainability 2030	3
		Taiwan Stock Exchange	International Twin Summit Online Forum	2
		Securities & Futures Institute	2022 Annual Insider Trading Prevention Promotion Conference	3
Director	Ming-Shiang Wu	Taiwan Corporate Governance Association	Discussion on the Key Issues of Merger and Acquisition Integration in the Process of Enterprise Merger and Acquisition	3
		Taiwan Corporate Governance Association	Building a risk-intelligent organization - from fraud risk prevention, detection, investigation to crisis management	3

Director	Yi-Hui Lin	Taiwan Investor Relations Institute	Digital Governance Enhances Directors and Supervisors' Risk Control and Crisis Management	3
		Taiwan Investor Relations Institute	The international trend of Net-Zero Carbon Emissions and Taiwan's actions in promoting Zero-Carbon transition	3
Director	Ming-Feng Hou	Taiwan Corporate Governance Association	Analysis and decision-making application of corporate financial information	3
		Taipei Exchange	Insider Shareholding Publicity Seminar for OTC and Emerging OTC Companies	3
Independent Director	Chien-Huang Lin	Taiwan Corporate Governance Association	How Audit Committees Interpret and Use Audit Quality Indicators (AQI)	3
		Taiwan Corporate Governance Association	How to understand the financial report to check the company's operation	3
Independent Director	Chih-Li Wang	Taipei Exchange	Insider Shareholding Publicity Seminar for OTC and Emerging OTC Companies	3
		Securities & Futures Institute	The international trend of Net-Zero Carbon Emissions and Taiwan's actions in promoting Zero-Carbon transition	3
		Taiwan Corporate Governance Association	Prevention and Control of Insider Trading	3
Independent Director	Ming-Daw Chang	Securities & Futures Institute	Advanced Seminar on Directors and Supervisors and Corporate Governance Supervisor Practice	3
		Taiwan Academy of Banking and Finance	FinTech and Money Laundering Prevention	3
		Taiwan Corporate Governance Association	Prevention and Control of Insider Trading	3

(6) The implementation of risk management policies and risk measurement standards:

A. The risk management responsibilities of the major divisions of the Company are as follow:

Department	Risk management responsibility
General Manager Office	Risk management of business decision-making, intellectual property rights, and product quality.
Internal Audit Office	Risk management of internal control and internal audit related.
Clinical & Regulatory Affairs	Risk management of research and development of clinical trials, pharmaceutical compliance and product registration.

Corporate Development	Risk evaluation of new drugs research from competitors and new project introduction, and risk management of sales market after product launch.
Finance & Accounting	Risk evaluation management of financial matters, response strategy implementation, operations, and information security evaluation.
Rersearch & Development	Risk management of pre-clinical animal pharmacology, toxicology, pharmacokinetics and clinical trials related research, external research and development management and project planning, implementing, controlling related matters, new drugs research and development, manufacturing and analysis.
Marketing and Sales	Risk evaluation management of products related supply, marketing or sales and account related matters.

B. The implementation of risk management policies:

a. Risk management of the new drug development

The Company's research risk management items include evaluation and introduction of new projects, quality management, process development control, pharmacology and toxicology research, clinical research management, regulatory inspection and registration management, project results management, promotion of new products, and document maintenance and security.

b. Protect clinical subjects, to ensure rights, safety and well-being of test subject

The Company follows "Good Clinical Practice (GCP)" when conducting clinical trials, uphold the ethical principles of medical research of the Declaration of Helsinki, to ensure the rights, safety, and well-being of the subjects. It is our obligation to inform and protect each participant in human clinical trials; in addition, the Company will insure clinical trial relevant insurance for the clinical trial, to ensure the compensation of the subject if there is any physical damage due to the participation in the clinical trial.

c. Quality policy

The Company manages the new drug research and development projects, adhere to quality with an innovative spirit, and focus on comprehensive quality management. The Company also complies with the principles of Good Distribution Practice (GDP), Good Manufacturing Practice (GMP), Good Laboratory Practice (GLP), Good Clinical Practice (GCP), and international regulations to achieve goals of the safety of new drugs research and development, efficiency, and consistency quality to raise the new drug research and development level and improve medicine development and quality.

d. Notification of adverse drug reaction on clinical subjects

The occurrence of serious adverse drug reactions caused by the drug during clinical trials, regardless of the occurrence happened in Taiwan or outside of Taiwan, the Company will notify the Ministry of Health and Welfare or Taiwan Drug Relief Foundation.

e. Drug safety monitoring management

Risk management of the drug after launch is based on the safety of the patient's medication. The establishment of drug safety notification system ensures the adverse drug reaction control and tracking after new drug launch to avoid serious adverse drug reaction. Through the risk control method to reduce or avoid the risk of medication, monitor the possibility of adverse reaction, provide the relevant information of the drug, and clearly inform the risk or adverse reaction caused by the medication.

f. Drug supply, inventory management, and marketing risk

For the post-marketing risk management of drugs of the Company, in addition to pharmacovigilance, the stability in the supply and marketing legitimacy need to be taken into consideration so that the inventory may remain at an economically reasonable level and the economic burden from excessive stocks or undermined benefits of patients as a result of shortage in supply may be avoided. To cope with the impacts of COVID-19, the Company coordinated with the suppliers to increase flexibility in the supply lead time, and to also adequately increase the safety inventory level and take the advantage of the inventory that exercises the buffering, regulating, and balancing effects so that normal supply of medications for use at domestic healthcare facilities remains, despite the fluctuations in the supply of products. Marketing of drugs shall meet the requirements of the Pharmaceutical Affairs Act in Taiwan.

g. Information Security Management

Please refer to 5.6.Information Security Management

C. Implementation of risk evaluation criteria

- a. The Company's "Risk Management Regulations" were approved by the Board of Directors on August 22, 2014. Risk management (including information security risk management) operations, such as risk management policies and procedures, risk management scope, risk management organizational structure, risk management operation status and so on, were reported to the Board of Directors on October 27, 2022.
- b. Besides continuing with general risk management operations, in 2022, multiple risk management projects were implemented in response to the COVID-19 pandemic, information security, and regulatory changes and passed the information security management system (ISO/IEC ISO27001:2013) verification review on January 13, 2023.

- (7) Customer policy implementation: The Company is committed to improve the quality of the products and processing technology to provide the excellent service quality to customers. The Company follows customer complaints regulations and offers the customer complaints channel when a complaint is filed.
- (8) Liability insurance for the Directors purchased by the Company: The Company insured the Directors and managers and the insurance coverage is US\$7 million to assist the Directors and managers to reduce the risk of litigation and claims when conducting business with the duty of care.

(9) Courses related to corporate governance done by the Company's managers:				
Title	Name	Organization	Course	Hours
Vice President	Chi-Hsing Chang	Accounting Research and Development Foundation	Practical measures to improve and implement the three lines of defense in effective risk management and control	6
		Accounting Research and Development Foundation	ISSB S2 Industry Analysis and Practical Application Guidelines (Part 2)	3
		Accounting Research and Development Foundation	Concept Analysis of ISSB S2 Standard of "Task Force on Climate-related Financial Disclosures, TCFD"	3
		Accounting Research and Development Foundation	"Revision of Internal Control System Standards" and "Information Security" Regulations Compliance and Fraud Prevention Practices	6
		Accounting Research and Development Foundation	Investigation practice and case analysis of corporate frauds	6
Associate Director	Tony Hong	The Institute of Internal Auditors	Operational system audit focus and integration of cross-cycle operations	6
		The Institute of Internal Auditors	Financing and real estate, plant and equipment management cycle audit practice	6

(10) The Company's financial information personnel acquired certificate issued by competent authorities:

Title	Name	Certification
Vice President	Chi-Hsing Chang	Certified public accountant of Republic of China
Audit Manager	Tony Hong	Certified Quality Technician (CQT) ; ISO 9001 internal auditor qualification certificate
Director, Finance & Accounting	Yu-Syuan Tsao	Certified public accountant of Republic of China ; Certified Public Accountant (USA)

Summary for 9: Specify the company's improvements in accordance with the recently released evaluations of corporate governance by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE). As for those yet to be improved, account for the company's list of priorities and their implementation.

The Company participated in the 9th (2022) corporate governance evaluation, as the results of the Securities and Futures Development foundation of the Republic of China will be published by end of April 2023.

Major suggestions and improvements of the 9th (2022) corporate governance evaluation:	
Major suggestions	Improvement
Does the company record important content of shareholders' questions and company's replies in the minutes of General Meeting of Shareholders?	To be improved in 2023
Has the Company published the annual financial reports within two months after the end of the fiscal year?	To be improved by 2024
Does the company's shareholders' meeting use online live broadcast or upload the whole process of uninterrupted audio and video recording after the shareholders' meeting?	To be improved in 2023
Does the board of directors of the company regularly (at least once a year) evaluate the independence and suitability of certified accountants with reference to audit quality indicators (AQIs)?	Improved in 2023
Introduce information security management system standards such as ISO27001 system	Improved in 2023
Has the company disclosed and obtained external verification of annual greenhouse gas emissions, water consumption, and total weight of waste for the past two years?	To be improved in 2023

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Company has set up the Remuneration Committee whose duties are mainly to formulate and review the policies, systems, standards and structures of the Directors' and managers' performance evaluation and salary remuneration.

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director (Convener)	Chien-Huang Lin	Professor and Director-Graduate Institute of Medical Science, Taipei Medical University	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Chih-Li Wang	-	Accountant- Moores Rowland CPAs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Ming-Daw Chang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note : Remuneration Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates.;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000";
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

Remuneration Committee Operation Information

1. The Company's Remuneration Committee is composed of three members.
2. The tenure for the members of the Remuneration Committee is from May 27, 2022 to May 26, 2025.
3. Operation of Remuneration Committee
 - (1) In the recent year, 3 meetings had been held and their attendances illustrated as follow:

Jan. 1, 2022 to Dec. 31, 2022

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Chien-Huang Lin	3	0	100.0	Re-elected on May 27, 2022
Committee Member	Chih-Li Wang	3	0	100.0	Re-elected on May 27, 2022
Committee Member	Ming-Daw Chang	2	0	100.0	Elected on May 27, 2022
Former Committee Member	Charles Chiang	1	0	100.0	Discharged due to expiry of term of office on May 26, 2022

- (2) In the current year, 1 meeting had been held and their attendances illustrated as follow:

Jan. 1, 2023 to Apr. 14, 2023

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Chien-Huang Lin	1	0	100.0	
Committee Member	Chih-Li Wang	1	0	100.0	
Committee Member	Ming-Daw Chang	1	0	100.0	

Other supplement information:

1. If board of directors do not accept or correct recommendations from remuneration committees, the date of the meeting, the term, the proposal, the results voted by board of directors and the response of the company to the statement must all be detailed (examples: if the board of directors approved the remuneration rate is higher than the recommendation of remuneration committee suggested, reasons and differences must all be detailed): None
2. If any members have objections or reservations, and on record or a written statement on the decisions made by remuneration committees, the date of the remuneration committees' meeting, the term, the proposal, members suggestions or objections must all be detailed:

Meeting Date	Period	Proposal	Remuneration Committee's Resolutions	Company Opinion
Mar. 8 2022	18 th meeting of the 4 th session	1. Proposal of issuing RSU 2. 2022 Salary Adjustment 3. 2021 Performance bonus and special bonus 4. 2021 Remuneration ratio of Directors and Employees	1. All passed 2. Revised by Chi-Li Wang's suggestion, the remaining all passed 3. All passed 4. All passed	Approved by all attending directors
May 27 2022	1 st meeting of the 5 th session	Election of the Convener for the Remuneration Committee	Elected Chien-Huang Lin as the Convener	Not Applicable

Jul. 26 2022	2 nd meeting of the 5 th session	1.2021 Distribution of remuneration of directors 2.2021 Distribution of remuneration of employees 3.The number of shares granted for issuance of new restricted stock awards 4.The Chairman's remuneration 5.The Directors' transportation expenses 6.The Independent Directors' remuneration	1.All passed 2.All passed 3.All passed 4.All passed 5.All passed 6.All passed	Approved by all attending directors
Mar. 2 2023	3 rd meeting of the 5 th session	1.2023 Salary Adjustment 2.2022 Performance bonus 3.2022 Remuneration ratio of Directs 4.2022 Remuneration ratio of Employees	1.All passed 2.All passed 3.All passed 4.All passed	Approved by all attending directors

3. Terms of reference of the Remuneration Committee:

- (1) Regularly review the organization rules of the Remuneration Committee and propose recommendations on amendment.
- (2) Establish and regularly review the policies, systems, standards and structures of salary and remuneration.
- (3) Establish and regularly review the performance evaluation standards for directors and managers, annual and long-term performance targets.
- (4) Regularly assess the attainment of the performance goals of the directors and managers of the Company, and determine the details and amount of individual salary and remuneration based on the evaluation results obtained from the performance evaluation standard.
- (5) The proportion of short-term performance bonuses issued to directors and senior managers and partial changes to the payment time of salary and remuneration.

3.4.5 Operational Status of Internal Audit

1. Internal Audit Organization and Operation

The Company has set up the Audit Office under the Board of Directors that is configured with full-time auditors as required by Article 11 of the “Regulations Governing Establishment of Internal Control Systems by Public Companies” promulgated by the Securities and Futures Bureau, Financial Supervisory Commission R.O.C. (Taiwan).

The Audit Office prepares the annual audit plan based on the results of risk assessment and as required by law; it shall cover items to be audited on a monthly basis. Once the plan is submitted to and approved by the Audit Committee and the Board of Directors, it is enforced accordingly. The Audit Office precisely performs audits according to the plan in order to evaluate how the internal control system of the Company is enforced and the scripts and related materials are enclosed as the audit report. The audit report and the tracking/improvement report are handed to each independent director and the Chairman by the end of the following month. The Audit Officer shall attend the Audit Committee meeting and routine Board of Directors meetings and give a presentation on audits. At the end of a year, each department shall evaluate its internal control independently. For the validity of the design and implementation of the internal control system, the self-evaluation report of each department, once reviewed by the Audit Office, is submitted to the Audit Committee and the Board of Directors to be discussed and approved along with the internal control deficiencies and correction of abnormalities found by the Audit Office and will be the primary bases for the Board of Directors and the general manager in the evaluation of the validity of the internal control system as a whole and issuance of the Internal Control System Statement. The Audit Office completes various online declaration processes by the given deadline as required by the competent authority.

2. Appointment/Dismissal, evaluation, and compensation for internal auditors

Internal auditors, besides meeting the competence criteria for internal auditors defined by the FSC, shall be appointed or dismissed with prior review by the audit officer and approval by the Chairman and it is specified in the “Audit Committee Charter” and the “Procedure for Board of Directors Meetings” that the appointment/dismissal of the Internal Audit Officer is subject to approval by the Audit Committee and the Board of Directors. In addition, according to the “Salary policies, systems, standards and structures”, and the “Performance Evaluation Management Regulations”, the compensation and remuneration and the annual evaluation of internal auditors are to be reviewed by the audit officer and then approved by the Chairman. The compensation and remuneration of the Audit Officer are based on the annual performance evaluation results and are to be reviewed by the Remuneration Committee and then approved by the Chairman. Related guidelines are disclosed in the section for internal regulations on the Company’s website.

3. Internal audit system

The Audit Officer shall be detached, independent, objective, and impartial, in scrupulously performing audits and attend the Audit Committee and Board of Directors meetings periodically to give a presentation on major findings during audits and follow up on subsequent improvements. The Audit Officer deals with reports through the Company’s whistle-blowing system and also those through the Audit Committee’s mailbox and reporting hotline.

3.4.6 The difference between the implementation of social responsibility fulfillment and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and its reasons:

Evaluation Item	Implementation Status			Deviations from “The Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, and senior management authorized by the Board of Directors to handle and supervised by the Board of Directors?	V		<p>Governance framework in the promotion of sustainable development, implementation status of respective organizations in the company, their annual implementation status, frequency of reporting to the Board of Directors, and supervision of the Board of Directors over sustainable developments:</p> <p>1. The Company formed the Corporate Social Responsibility (Part-time) Unit in 2011: The General Manager’s Office and the Finance and Accounting Department are responsible for planning and implementing annual community service events, encouraging all employees and their family members to take part in the service, reinforcing the disclosure of information on corporate social responsibilities and prepare the CSR report. The “ESG Working Group” was formed in October 2020; its name was changed to “Sustainability Promotion Group” in March 2022. The Vice President of Corporate Development serves as the convener and appoints the executive secretary and task forces in charge of corporate governance, environmental sustainability, employee care, social involvement, and product service. The Group is responsible for identifying sustainability issues concerning the</p>	None

Company's operation and on which stakeholders focus, preparing short-term, mid-term, and long-term sustainable development plans and working directives, appropriating budget concerning respective organizations and sustainable development, planning and implementing annual plans and tracking their implementation effectiveness to make sure that the sustainable development strategy is fully consolidated as part of the daily operation of the Company.

2. The overview of implementation in 2022 is given below:

(1) Built a green life - protect the environment

- A. Continued carbon inventory checks of electricity consumed, water usage, and trash generated in offices.
- B. Entrust PwC Accounting Firm to understand the comprehensive scope of carbon footprint verification and provide the related greenhouse gases inspection trainings.
- C. Organized the "Do One Thing for Tamsui River" campaign and environmental education promotions in November.
- D. Promoted green consumption: Daily purchases of computer equipments were based on products carrying the Green Symbol.

(2) Care for and be a friend to society - social involvement

- A. Shared industrial experience with 3 domestic universities
- B. Held the World Pancreatic Cancer Day event with the hospital
- C. Organized 6 pancreatic cancer patient meetings with the hospitals
- D. Shared 6 health education articles online

(3) Care for and be a friend to society - talent development

- A. Fitness analysis of employees was included in the annual performance review and assistance was given in career planning and development, goal-setting, and educational

- | | | | |
|--|--|---|--|
| | | <p>training.</p> <ul style="list-style-type: none"> B. Conducted periodic educational training on awareness of human rights C. Performed team building to reinforce cohesiveness among employees <p>(4) Worked together in industrial growth - innovation, research and development</p> <ul style="list-style-type: none"> A. Devoted to exploratory studies in the hope of finding the target of the drug relatively precisely B. Took part in cross-disciplinary expert advisory or academic symposiums in order to increase the knowledge. C. Reduced unnecessary animal experiments D. Continued to explore and develop possible drugs and technologies. <p>(5) Worked together in industrial growth - information security</p> <ul style="list-style-type: none"> A. Planned complete remote office systems, measures, and equipment. B. Performed the business continuity planning exercise for the system and specific people in November, 2022. C. Jointly defined the information security protection goals and safeguarding and disaster recovery plans to minimize the information security risk. <p>(6) Worked together in industrial growth - corporate governance</p> <ul style="list-style-type: none"> A. Formed the exclusive sustainability unit to plan sustainability issues B. Planned and evaluated digital transformation C. Organized corporate governance communication courses (to protect against insider trading, intellectual property rights, ESG, etc.) <p>(7) Worked together in industrial growth - industrial co-prosperity</p> <p>Investigated items with possible influence on ESG issues of PharmaEngine in the biotech industry</p> | |
|--|--|---|--|

3. The Sustainability Promotion Group reports to the Board of Directors at least once a year.
 Reports to the Board of Directors on March 2, 2023, included (1) Sustainable Development Strategy Blueprint, (2) Sustainable Development Action Plan, (3) Sustainability Promotion Group members, and (4) 2023 Plan.
4. Supervision over Sustainable Development by the Board of Directors:
 The Board of Directors continues to supervise sustainable developments of the Company in accordance with the Sustainable Development Management Directives and Action Plan reflective of major issues and risk management policies.

Aspect		Topic	Approach
Build a Green Life (E)	Value environmental and climate issue initiatives and improve the operational approach	Protect the Environment	<ul style="list-style-type: none"> * Reduce waste of energy and resources and introduce equipment or policies that can effectively improve energy and resources * Introduce the train of thought of circular economy and reduce waste * Reinforce climate and environmental issue initiatives and reinforce recognition of colleagues and collaborators
Care for and Be a Friend to Society (S)	Drive changes in society by applying expertise and focus on employees and human right issues	Societal Involvement	<ul style="list-style-type: none"> * Care for social issues and human right issues and continue to follow up on subsequent outcome * Care for patients and medical institutions and build friendly social services
		Talent Development	<ul style="list-style-type: none"> * Value employee growth and plan a clear occupational development blueprint * Protect the human rights of employees and create an optimal working environment
Join Hands in Industrial Growth (G)	Proactively innovate on R&D and reinforce sustainability of internal operations and external collaborators	Innovative R&D	<ul style="list-style-type: none"> * Continue to develop competitive diversified medications and satisfy medical demand * Ensure quality, safety, and compliance of products
		Information Security	* Introduce safe information security equipment and management procedures
		Corporate Governance	<ul style="list-style-type: none"> * Include ESG in the operational policy * Reinforce the audit mechanism and strictly prohibit improper acts against the business * Reinforce internal communication and operational approaches
		Industrial Co-prosperity	* Drive suppliers or other collaborators to act proactively on ESG matters

<p>2. Has the Company established a dedicated (or part-time) unit for promoting CSR, performed risk assessment on environmental, social, and corporate governance issues relating to the Company's operations and formulated relevant risk management policies or strategies based on materiality?</p>	<p>V</p>	<p>The Company performs risk assessments on environmental, social, and corporate governance issues relating to the Company's operations and formulated "Regulations Governing Risk Management" and "Risk Management Strategies for New Drug Development".</p>	<p>None (Note: The Company does not have any subsidiaries.)</p>								
		<table border="1"> <thead> <tr> <th data-bbox="806 381 982 475">Material Topic</th> <th data-bbox="982 381 1266 475">Risk Assessment Item</th> <th data-bbox="1266 381 1633 475">Risk Management Policy or Strategy</th> </tr> </thead> <tbody> <tr> <td data-bbox="806 475 982 1239">Environment</td> <td data-bbox="982 475 1266 1239">Environmental protection and ecological conservation</td> <td data-bbox="1266 475 1633 1239"> <p>1. The Company is committed to environmental protection, responds to green environmental protection policies, formulates key implementation plans each year, and regularly tracks and reviews the progress of various targets to ensure that they are achieved.</p> <p>2. The Company formulates its internal audit plan on a yearly basis in order to review the Company's compliance with the related regulations and audits the operating procedures to confirm if they comply with the relevant rules and regulations.</p> </td> </tr> <tr> <td data-bbox="806 1239 982 1365">Society</td> <td data-bbox="982 1239 1266 1365"> <p>1. Occupational safety</p> <p>2. Product safety</p> </td> <td data-bbox="1266 1239 1633 1365"> <p>1. The Company regularly holds fire drills and office safety training each year to nurture</p> </td> </tr> </tbody> </table>	Material Topic	Risk Assessment Item	Risk Management Policy or Strategy	Environment	Environmental protection and ecological conservation	<p>1. The Company is committed to environmental protection, responds to green environmental protection policies, formulates key implementation plans each year, and regularly tracks and reviews the progress of various targets to ensure that they are achieved.</p> <p>2. The Company formulates its internal audit plan on a yearly basis in order to review the Company's compliance with the related regulations and audits the operating procedures to confirm if they comply with the relevant rules and regulations.</p>	Society	<p>1. Occupational safety</p> <p>2. Product safety</p>	<p>1. The Company regularly holds fire drills and office safety training each year to nurture</p>
Material Topic	Risk Assessment Item	Risk Management Policy or Strategy									
Environment	Environmental protection and ecological conservation	<p>1. The Company is committed to environmental protection, responds to green environmental protection policies, formulates key implementation plans each year, and regularly tracks and reviews the progress of various targets to ensure that they are achieved.</p> <p>2. The Company formulates its internal audit plan on a yearly basis in order to review the Company's compliance with the related regulations and audits the operating procedures to confirm if they comply with the relevant rules and regulations.</p>									
Society	<p>1. Occupational safety</p> <p>2. Product safety</p>	<p>1. The Company regularly holds fire drills and office safety training each year to nurture</p>									

					<p>employees' abilities in emergency response and self-safety management.</p> <p>2. The Company's products comply with various product and service regulations set forth by the government and meet various practices, including Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), and Good Laboratory Practice (GLP). In addition, the Company provides stable product quality through stringent quality management system. At the same time, in order to ensure product quality, the Company has set up a product section on its website and strengthens communication with customer, so the co-prosperous relationships with customers can become the cornerstone of sustainable development for the Company.</p> <p>3. The Company takes out related clinical trial insurance for clinical trials to ensure the compensation</p>	
--	--	--	--	--	---	--

				<p>of the subject if there is any physical damage due to participation in the clinical trial.</p> <p>4. The Company has joined the Drug Injury Relief System in accordance with the law; hence, it contributes 0.05% of its sales in the previous year to the drug injury relief fund. In addition, the Company takes out product liability insurance, US\$10M dolloars, to protect patients against damages arising from drug defects or unknown adverse reactions</p>	
			Corporate Governance	<ol style="list-style-type: none"> 1. Socioeconomic and legal compliance 2. Enhancing the functions of directors and fulfilling their responsibilities 3. Communication with the stakeholders 	<ol style="list-style-type: none"> 1. The Company ensures that all the employees and operations at the Company truly comply with the relevant laws and regulations by establishing a governance organization and implementing the internal control mechanism. 2. In order to enhance the functions of Directors and ensure that they understand their legal liabilities, the Company makes arrangements every year for

				<p>Directors to attend courses on related topics and provides Directors with the latest regulations, institutional developments, and policies.</p> <p>3. The Company insured the Directors and managers and the insurance coverage is US\$7 million to assist the directors and managers to reduce the risk of litigation and claims when conducting business with the duty of care.</p> <p>4. As the Company attaches great importance to investor relations, the Company has established various communication channels to actively communicate with investors. Furthermore, the Company has also set up an investor mailbox, where the spokesperson is responsible for handling the mailbox and responding to investors' mails.</p> <p>5. Please refer to “3.4.3 Corporate Governance Execution Status and Deviations from</p>	
--	--	--	--	---	--

				<p>“Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, “Summary for 8”, (4) Stakeholders’ right for Responses and Responsibilities to Stakeholders.</p>	
<p>3. Sustainable Environment Development</p> <p>(1) Does the company establish proper environmental management systems based on the characteristics of their industries?</p>	V		<p>(1) We are a biotech company adopting the “Virtual Pharmaceutical Company” operational pattern; based on the operational nature of the Company, ordinary offices are needed. The Company is located in Taipei City, not an ecology protection area or habitat, and does not have plants or laboratories, which means that the ecology of protected species is not affected, and is not found with incidents in violation of environmental protection laws and regulations and major leaks. Circumstances such as the export of hazardous wastes as defined in the Basel Convention are also not found. The Company only has 30-plus employees. The use of energy, water, and wastes management are not major issues for the Company.</p> <p>We check direct emissions (scope 1) and indirect emissions (scope 2) of greenhouse gases according to the GHG Protocol released by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). For the mid-term and long-term plan, we will gradually check other indirect emissions (scope 3) in order to reduce the amount of water and electricity as well as wastes and carbon emissions generated during operation.</p>	None	
<p>(2) Does the company endeavor to utilize all resources more efficiently and use</p>	V		<p>(2) Due to the specific operational characteristics of the Company, the main energy consumption comes from purchased electricity, diesel fuel for emergency generators in the building, and</p>	None	

<p>renewable materials which have low impact on the environment?</p>		<p>gasoline for official vehicles. Since there is no production process, there is no process emission source. The water used in the Company's operations is mainly general wastewater. The general wastewater is discharged into the sewage treatment plant through the sewage of Taipei City, and the waste is divided into two categories:</p> <p>A. Recycle items: Newspaper, Xerox paper, magazines etc. and various bottles, cans, glasses, metal scraps and etc. are collected together by the commissioned recycle company. Scrapped computer equipments are collected by the commissioned recycle companies or by the public welfare department, donated to the disadvantaged groups. Kitchen waste is commissioned by the recycle companies.</p> <p>B. Unrecycled items: These are general daily waste and is collected by the building's central management committee.</p> <p>Although energy consumption, water use, and waste management are not major issues of the Company, we still introduce circular economy thinking, reduce waste, strengthen climate and environmental issues through the results of carbon footprint verification and greenhouse gas verification, enhance the awareness of colleagues and cooperative units in order to reduce the carbon emissions generated in the operation process.</p>	
<p>(3) Does the company assess the current and future potential risks and opportunities of climate change to the company, and adopt measures to respond to climate-related issues?</p>	<p>V</p>	<p>(3) As impacts from climate change are increasingly severe throughout the world, personnel and financial losses related to disasters are also mounting accordingly. In consideration of the Company's operations on the impacts of ecological benefits, operational activities including research and development and services are executed in accordance with the principle of environmental protection to reduce the impact of the Company's operations on the natural environment. Measures taken include reducing resource and energy consumption from products and services, reducing emissions of pollutants and waste, proper disposal of waste, increasing recyclability and reusability of</p>	<p>None</p>

<p>(4) Does the company count the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and does the company formulate policies on energy saving and carbon reduction, reduction of greenhouse gas and water consumption or other waste management?</p>	<p>V</p>	<p>resources, maximizing sustainable use of renewable resources, and increasing the effectiveness of products and services. Due to the nature of our operations, the Company consumes relatively little power and water, and we have no material environmental capital expenditure.</p> <p>Since 2021, the Company has been identifying climate change risks, including the analysis of the direct or indirect impacts brought by extreme weather and the risks and opportunities brought by regulatory, technical, or market demand transformational impacts and other humanity and social aspects for the Company's operational activities. Based on the analysis findings, the risk management strategy plan is created as the core of the climate change action and related opportunities are identified to mitigate risks and capture business opportunities. Please refer to "8. Clarification of the sustainable environment issue of the Company: Related disclosure in response to climate change" for details.</p> <p>(4) 1. Greenhouse Gas:</p> <p>Due to the specific operational characteristics of the Company, the Company currently has office space only and does not have its own production sites or laboratories. The main direct energy emission (scope 1) comes from the gasoline for official vehicles and the emissions of refrigerants from freezers and refrigerators. The indirect energy emissions (scope 2) mainly comes from the imported electricity.</p> <p>The statistics of greenhouse gas emissions in the past two years are as follow:</p>	<p>None</p>
---	----------	---	-------------

unit: tCO ₂ e			
Operating Base	Scope	2021	2022
Head Office	1	≈ 64	≈ 56
	2	≈ 75	≈ 72
Total		≈ 139	≈ 128

Note: The above table is based on GHG Protocol to implement the verification and the 3rd party assurance of 2022 annual greenhouse gas emissions is scheduled to be carried out in Q2, 2023.

***Management Policy:**

In addition to the certified computers and printers carrying the “Energy-saving stamp” to reduce the consumption of electricity and to minimize emissions of carbon dioxide, the Company continues to hold educational trainings and communications that help increase environmental protection awareness for the sake of fulfilling sustainable development goals. The Company counts greenhouse gas emissions in the past two years and formulates greenhouse gas emission reduction policies, in which the goal is to reduce per capita carbon dioxide emissions by more than 5% per year.

2. Water Consumption:

Item	Unit	2021	2022
Annual water consumption	ton	841.21	962.7
Number of employees at the	person	32	36

end of the year			
Water consumed per capita	ton/person	26.28	26.74

Note 1: The data in the above table is collected by the Company and has not been confirmed by a third party.

Note 2: Wastewater generated by the Company is discharged into the sewer of Taipei City and then to the sewage treatment plant.

***Management Policy:**

Based on the data provided by the Taipei Water Department, the Company calculated the amount of water used over the past two years (2021-2022); it was 841.21 and 962.7 metric tons, respectively; and the amount of water consumed per capita was 26.28 and 26.74 metric tons, respectively. Accordingly, the corporate water reduction policy was defined. Through continued involvement in the “Do One Thing for Tamshi River” campaign, colleagues are given the idea about environmental protection in the conservation of water; an annual reduction of at least 0.5% of water consumed is set to be the per-capita goal.

3.Total Weight of Waste:

Item	Unit	2021	2022
Auunal total weight of waste	kg	135.75	111.2
Number of employees at the end of the year	person	32	36

			<table border="1"> <tr> <td data-bbox="806 159 1100 251">Weight of waste per capita</td> <td data-bbox="1100 159 1262 251">kg/person</td> <td data-bbox="1262 159 1438 251">4.24</td> <td data-bbox="1438 159 1598 251">3.08</td> </tr> </table>	Weight of waste per capita	kg/person	4.24	3.08	
Weight of waste per capita	kg/person	4.24	3.08					
<p>4. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures</p>	V		<p>Note 1: The data in above table is collected by the Company and has not been confirmed by a third party.</p> <p>Note 2: The waste generated by the Company is general domestic waste, not hazardous business waste.</p> <p>*Management Policy: The Company only has officespace, no production plants or laboratories. Sources of waste are mainly the general domestic waste generated from daily activities of our staff. The Company enforces garbage classification. Reusable materials such as paper, various types of bottles and cans, and leftover. Contractors are to collect them centrally at the building. General domestic waste that cannot be recycled, on the other hand, is to be cleared and processed centrally at the building. Waste of recyclable value, such as scrapped computers and equipments will be cleared and processed by recycling contractors or be donated to disadvantaged groups through the public welfare department.</p> <p>Since 2021, the Company starts to record its total weight of waste. The total weight of the gargabe and reclyed items in 2021 and 2022 are 135.75kg and 111.2kg. The Company sets the target of reducing its total weight of waste by at least 2% each year.</p>	None				

<p>according to relevant regulations and the International Bill of Human Rights?</p>		<p>characteristics in the biotech sector and follows international human rights treaties, such as the “Universal Declaration of Human Rights”, “United Nations Global Compact”, and “International Labour Organization Convention” as well as applicable requirements under the “Labor Standards Act” of Taiwan, which covers compliance with labor laws and regulations, the freedom of association, creation of an equal and friendly workplace, reasonable utilization of working hours, creation of a healthy and safe workplace, harmonious labor-management communication, and privacy protection. The Company also has the Attendance Management Regulations and Sexual Harassment Prevention and Control Measures as well as the Complaint-filing and Discipline Management Regulations, among other related management regulations, in place. The Company communicated on its human rights policy in 2022, which was attended by a headcount of 26 people in total.</p>	
<p>(2) Does the Company formulate and implement reasonable employee benefits measures (including salary, leave and other benefits, etc.), and appropriately reflect the operating performance or results on the compensation of employees?</p>	<p>V</p>	<p>(2) The Company has established and implemented reasonable employee benefit measures and distributes employee bonuses in line with the business performance.</p> <p>1. Employees welfare measures</p> <p>To create a good working environment, attract talents, and encourage employees to serve the Company for long term, the Company sets up “Employee Compensation and Benefits Management Procedure” and “Attendance Management Procedures” and implements welfare measures such as annual bonus, birthday gift, wedding gift, fertility gift, annual gift on Dragon Boat Festival and mid-Autumn Festival, disease and</p>	<p>None</p>

hospitalization condolence money, disaster salvage subsidy, funeral subsidy, health inspection subsidy, domestic and international travel subsidy, insured NT\$3 to 5 million for accident coverage according to job levels, NT\$30,000 for injury medical insurance and hospitalization insurance and so on.

2.Workplace Diversity & Equality

Item		Male		Female	
		2021	2022	2021	2022
No.of Employees	Managerial Officer	4	4	1	1
	RD Employees	8	9	5	7
	Other Employees	5	6	9	9
	Total	17	19	15	17
No.of Employees_Beginning		17	17	14	15
No.of Employees_New Recruitment		4	4	2	6
New Recruitment %		23.53	21.05	13.33	35.29
Staff Turnover		4	2	1	4
Staff Turnover %		23.53	10.52	6.67	23.53
No.of Employees_Ending		17	19	15	17
Average Year		47.54	46.10	41.55	40.61
Average Job Tenure		9.08	7.14	4.85	4.43

3.Salary Policy and Implementation

The employee salary policy of the Company follows the “Salary Policies, Systems, Standards and Structures” and the performance bonus, sales bonus, temporary bonus, and project

<p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p>	<p>V</p>	<p>bonus are distributed in cash considering the financial outlook, operational status, fulfillment of the Company’s operational goals, and contribution of each employee. The remuneration to employees is distributed according to the distribution ratio specified in Clause 25 of the Articles of Incorporation and the fulfillment of annual operational goals.</p> <p>(3) The Company provides a safety and healthy working environment for employees, implements “Employee Rules”, stipulate safety management matters for employees to follow, insures group insurance and reimburses employees every two years to do health general checkups.</p> <p>1. The building where the Company is located is regularly disinfected and office cleaning is carried out. The building management committee randomly carries out fire drill rehearsal such as the proper way of using fire extinguishers and fire hose and hires professionals to give lessons on CPR and AED. In addition, the Company gave 3 people a training course for disaster prevention, including fire and earthquake in 2022.</p> <p>2. The building where the Company is located entrusts a qualified fire engineering company to conduct annual fire safety equipment testing.</p> <p>3. In 2022, the Company has not experienced any occupational injury, occupational disease or fatal accident among its employees.</p>	<p>None</p>
---	----------	--	-------------

<p>(4) Does the company provide its employees with career development and training sessions?</p>	<p>V</p>	<p>(4) The Company has established employee education and training programs to develop the competency of the employees. According to the Company's education and training procedures, each department sets a budget every year, carries out education and training during the year to strengthen the professional qualities of colleagues and improve work efficiency and quality. Its training includes expatriate training, internal training, on-the-job training, and organizing the "Pleasant Reading Club" to give timely feedback on sharing experiences.</p> <p>1. External training :</p> <p>(1) Domestic: Employees can choose to attend training courses organized by domestic institutions for continuing education with the budget appropriated for educational training by each department or the employees; any excess, once approved by the General Manager as an exception, will be subsidized by the Company as required.</p> <p>(2) International: In order to absorb new professional knowledge and skills available in other countries and to develop talents, the Company will send people to overseas institution to attend educational training courses if they are considered to be practically necessary.</p> <p>2. Internal training :</p> <p>(1) Pre-service: Such training aims to help new staff get to know the scope of operation, operational overview, and corporate culture of the Company and abide by the regulatory system so that they may hopefully be competent at work in the future. Such training courses cover the founding visions and operational strategies, operational pattern, corporate organization and functionality, introduction of technologies introduced, an update on the domestic and international</p>	<p>None</p>
--	----------	--	-------------

		<p>pharmaceutical sectors, clinical development and research, medicinal laws and regulations, official document management, R&D accomplishments management regulations, intellectual property rights, administrative and accounting flows, information resources, benefits and obligations, ESG, prevention against insider trading, and introduction of major responsibilities of each department.</p> <p>(2) Language: Foreign teachers are hired by the Company for onsite teaching in order to improve foreign language proficiency; there are writing and daily conversation sessions arranged periodically.</p> <p>(3) Other internal training: For the sake of improving the professional knowledge and skills of employees so that the performance at work may be enhanced, educational training is provided as practically needed through workshops or seminars organized internally. In addition, the Company will hire external professional lecturers as needed to provide educational training in the Company so that more colleagues can take part and learn.</p> <p>3. In-service :</p> <p>In order to develop high-ranking professional managers with an international horizon and comprehensive strategic thinking, employees who have officially worked for more than a year may attend related continuing education programs such as medicine-related graduate school, MBA, or EMBA programs offered by graduate institutes of domestic or international universities (including cram schools) as they wish.</p> <p>4. Implementation of educational training programs in 2022 is given below:</p> <p>Course title: ESMO 2022, Statistical Design of Clinical Trial Research Lecture Series, GHG Protocol, Greenhouse Gas Emissions Inventory training course, The New Revolution of</p>	
--	--	---	--

<p>(5) Does the company comply with relevant laws and regulations and international standards for the health and safety of customers, customers privacy, marketing and labeling of products and services, and formulated relevant consumer or client protection policies and complaint procedures?</p>	<p>V</p>	<p>Drug Discovery: Big Data and Artificial Intelligence Innovation, Practical measures to improve and implement the three lines of defense in effective risk management and internal control, Operational system audit focus and integration of cross-cycle operations, Foreign Business Negotiation Law Course (2022), Fierce Leadership Training, Enterprise fraud detection and prevention practice, ISO27001 introduction summary and content, Trade Secret Protection and Regulatory Compliance, 37 in total.</p> <ul style="list-style-type: none"> ● Annual education and training costs: NT\$669,000 dollars ● Total trainees: 219 people ● Total training time: 769 hours ● The average number of training hours per year is as follows: <table border="1" data-bbox="863 667 1577 889"> <thead> <tr> <th colspan="2">Items</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Average training time (hour)</td> <td>Managerial officer</td> <td>20.9</td> <td>22</td> </tr> <tr> <td>R&D Employees</td> <td>20.1</td> <td>33.8</td> </tr> <tr> <td>Other Employees</td> <td>17.7</td> <td>15.6</td> </tr> </tbody> </table> <p>(5)</p> <p>1. According to “Regulations for Medicament Recall” and “Guidance for Good Pharmacovigilance Practice” from central competent health authority, the Company has set up the “Recall Procedure” and “Pharmacovigilance Management” for the product on the market to protect the right of consumers. The Company has joined the Drug Injury Relief System in accordance with the law; hence, it contributes 0.05% of its sales in the previous year to the drug injury relief fund and insures the</p>	Items		Male	Female	Average training time (hour)	Managerial officer	20.9	22	R&D Employees	20.1	33.8	Other Employees	17.7	15.6	<p>None</p>
Items		Male	Female														
Average training time (hour)	Managerial officer	20.9	22														
	R&D Employees	20.1	33.8														
	Other Employees	17.7	15.6														

<p>(6) Does the company formulate a supplier management policy which requires supplier to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and how their implementation is?</p>	<p>V</p>	<p>liability insurance to protect the rights and interests of consumers and medical institutions.</p> <p>2. The Company follows “Good Clinical Practice (GCP)” when conducting clinical trials, uphold the ethical principles of medical research of the Declaration of Helsinki, to ensure the rights, safety and well-being of the subjects. It is our obligation to inform and protect each participant in human clinical trials, in addition, the company will insure clinical trial relevant insurance for the clinical trial to ensure the compensation of the subject if there is any physical damage due to participation in the clinical trial.</p> <p>3. The Company has established stakeholders and complaint system area on the company website, set up contact window and complaint window to protect the right of consumers and questions.</p> <p>(6) Sustainable Supply Chain Management: In order to ensure that suppliers understand their corporate social responsibilities and the requirements of the Code of Ethics and to gradually improve their corporate social responsibilities and their performance under the Code of Ethics, the Company defined the Supplier Management Policy that requires compliance with applicable regulations governing suppliers while they collaborate with the Company in terms of environmental protection, safety, or health in an joint effort to boost the sustainable supply chain management quality and to fulfill its corporate social responsibilities.</p> <p>*Supplier Management Policy:</p>	<p>None</p>
--	----------	---	-------------

		<ol style="list-style-type: none"> 1. Select suppliers according to their social responsibilities and their performance under the Code of Ethics and choose well-performing suppliers. 2. Encourage all suppliers to sign the Social Responsibility and Code of Ethics Commitment. 3. Arrange at least one site audit of major suppliers a year to evaluate the performance of suppliers in social responsibilities and under the Code of Ethics and follow-up on improvement measures. 4. Discontinue the partnerships right away if it is found that the supplier deliberately uses child labor, forced labor, or has other serious violations of labor laws and regulations. 5. Discontinue the partnerships right away if it is found that the supplier is dishonest, violates others' intellectual property rights, bribes customers, and is involved in other inappropriate interests. 6. Strictly prohibit pursuit of interest taking advantage of one's duty at work; in case of bribery, violation of the obligation to keep business information confidential, and any other criminal liability, it will be handled according to applicable laws. 7. Abide by the non-use of conflict minerals procurement policy. 8. Abide by the green procurement policy. <p>*Supplier Screening Criteria: The Company established the "Supplier Evaluation Mechanism" (Ethics Sustainability Indexes Rating Mechanism) to periodically manage, evaluate, assist, and</p>	
--	--	--	--

		<p>follow up on improvements made by contractors. Evaluations are performed on a yearly basis on Q (Quality), C (Cost), D (Delivery), S (Services), and S (Safety). If a supplier has acquired a certificate on environmental protection or the management of hazardous substances (ISO 14001, ISO 45000, OHSAS 18001, and IECQ QC 080000) or is certified under the Responsible Business Alliance (RBA) Code of Conduct, additional points will be given so as to guide and demand compliance of suppliers with applicable policies on sustainable management of suppliers.</p> <p>*Supplier Evaluation:</p> <p>Before the Company does business with a major supplier, the supplier evaluation will take place and whether or not the supplier has undesirable records of environmental pollutions or violations of laws will be examined in order to ensure that collaborating suppliers are consistently legal certified suppliers with good business reputations. While trading and collaborating with suppliers, impartiality and rigidity are the principles to be followed. The services provided by the suppliers and their quality are audited and suppliers are asked to follow applicable requirements of the Environmental Protection Act and the labor safety and health laws and regulations in the specific country.</p> <p>The drug, ONIVYDE[®], which the Company sells in the Taiwan market now is supplied 100% by the US IPSEN Cambridge. The plant has been relocated recently and hence it will be supplied 100% by France Ipsen Signes in the future.</p>	
--	--	--	--

		<p>Suppliers of general purchases are local ones. In addition, depending on the needs for different research stages in the development of new drugs, domestic and international CDMOs (Contract Development and Manufacturing Organizations) and CROs (Contract Research Organizations) are authorized to conduct related trials and studies. We have been maintaining optimal interactive relationships with suppliers and CDMOs and CROs.</p> <p>*Supplier Evaluation Implementation Status:</p> <p>The Company, since 2022, has gradually included key suppliers, suppliers of labor service, and new suppliers in the evaluation. Results of evaluations have revealed that all suppliers in the environment domain agree to work with the Company and devote themselves to improve environmental protection measures in terms of energy, waste, water and electricity, and reduced greenhouse gas emissions. As far as society is concerned, some suppliers are aware of the possibility of their risk management impacting operations of the Company. A total of 5 qualified suppliers was evaluated in 2022 and the results mainly ranged from A to C; they fulfilled quality, service, and lead time requirements. The additional 4 suppliers completed the evaluation and were rated A+ and A; all of them are included in the roster of qualified suppliers. In summary, the Company performed the supplier evaluation in 2022; no suppliers were rated E requiring discontinuation of purchases or additional suppliers rated C requiring assistance, improvement, and tracking.</p>	
--	--	--	--

<p>5.Does the company refer to the reporting standards or guidelines which are accepted internationally for compiling reports which disclosed the non-financial information of the company, such as the sustainable report? Does the previous report obtain the assurance or verification statement of a verification unit from the third party?</p>	<p>V</p>	<p>The Sustainability Report The Company’s 2021 Sustainability Report discloses the sustainable development performance in 2021 and addresses issues concerning stakeholders in compliance with the 2016 GRI Standards introduced by the Global Reporting Initiative, the Sustainability Accounting Standards Board (SASB) Guidelines, and the Task Force on Climate-Related Financial Disclosures (TCFD) proposal made by the Financial Stability Board (FSB); the data cover respective departments of the Company. It was already disclosed at the end of September 2022 on the Company website and the Market Observation Post System. (http://www.pharmaengine.com). In addition, the financial data disclosed are quotes from CPA-audited financial statements. For part of the information herein, PwC has provided limited assurance in compliance with the ROC Assurance Guidelines Communique 1 “Assurance Engagements other than Audits or Reviews of Historical Financial Information” released by the Accounting Research and Development Foundation.</p>	<p>None</p>
<p>6.If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company established “Corporate Social Responsibility principles” based on “The Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and revised the name and content of the principles in 2022. In addition, in accordance with the spirit of the regulations, the Company has promoted sustainable development goals, established a sustainable development team and formulated a sustainable development strategy blueprint and an action plan, etc. There is no difference between the Company operation and stipulated principles and we will do our best depending on the resources of the Company,</p>			
<p>7.Other important information to facilitate better understanding of the company’s sustainable development practices: (1) Environmental protection A. Pre-Clinical trial designs:</p>			

The Company implements pre-clinical trial designs following the industry's established practice regulations on the experimental design for the number of test groups to allow the most appropriate design for each testing animal in the number of test groups. In order to achieve human and material management efficiency, the Company completes the pre-clinical trials by achieving a statistical significance number of test groups in general while trying to minimize the number of testing animals to avoid unnecessary quantities of test animals.

B. Production process test design:

In the production process test design, the Company considers the usage of reusable materials, such as glasses or stainless steel on experimental equipment or production equipment, to minimize the use of disposable (one time use) equipment, in order to achieve production operations by waste reducing, material saving and other efficient management.

C. Office area environmental energy saving:

- a. To save energy and achieve the purpose of electricity saving by using LED lighting and energy-efficient lighting.
- b. Central control air conditioning system within the building, switch on during office hour and switch off after work.
- c. Office area greening to reduce carbon emissions.
- d. The usage of "Energy-saving" certified computers and multi-function machines could reduce electricity and carbon dioxide emissions. Total cost of purchasing the "Energy-saving" certified computers and multi-function machines in 2022 is NT\$1,195,000 dollars.

D. In response to the "Do One Thing for Tamsui River" activity organized by CommonWealth Magazine:

Responding to this activity not only raised awareness for the Tamsui River Basin, but also made colleagues understand what problems Tamsui River is facing and what we can do for it.

(2) Social services

The Company has organized many health education seminars in collaboration with many medical institutions in Taiwan over the years. The Company provides the correct treatment concepts and the latest treatment trends through information disseminated by professional personnel and health education by medical personnel, so that patients, their families, and the public can establish a deeper understanding of pancreatic cancer. Moreover, the Company also offers a platform for mutual support, encouragement, and exchange of experience, so as to encourage patients to actively undergo treatment and never give up! PharmaEngine accompanies pancreatic cancer patients throughout their journey to fight cancer. The Company organized 6 pancreatic cancer patient meetings with the hospitals and shared 6 health education articles about pancreatic cancer medication online.

(3) Consumers' right:

- A. To protect clinical subjects, to ensure subjects' rights, safety and welfare

The Company follows “Good Clinical Practice (GCP)” when conducting clinical trials, uphold the ethical principles of medical research of the Declaration of Helsinki, to ensure the rights, safety and well-being of the subjects. It is our obligation to inform and protect each participant in human clinical trials, in addition, the Company will insure clinical trial relevant insurance for the clinical trial to ensure the compensation of the subject if there is any physical damage due to participation in the clinical trial.

B. Quality policies

The Company manages the new drug research and development projects, adhere to quality with an innovative spirit, and focus on comprehensive quality management. The Company also complies with the principles of Good Distribution Practice (GDP), Good Manufacturing Practice (GMP), Good Laboratory Practice (GLP), Good Clinical Practice (GCP), and international regulations to achieve goals of the safety of new drugs research and development, efficiency, and consistency quality to raise the new drug research and development level and improve medicine development and quality.

C. Notification of adverse drug reaction on clinical subjects

The occurrence of serious adverse drug reactions caused by the drug during clinical trials, regardless of the occurrence location, the Company will notify Ministry of Health and Welfare or Taiwan Drug Relief Foundation.

D. Drug safety monitoring management

Risk management of the drug after launch is based on the safety of the patient’s medication. The establishment of drug safety notification system ensures the adverse drug reaction control and tracking after new drug launch to avoid serious adverse drug reaction. Through the risk control method to reduce or avoid the risk of medication, monitor the possibility of adverse reaction, provide the relevant information of the drug, and clearly inform the risk or adverse reaction caused by the medication.

The Company has joined the Drug Injury Relief System in accordance with the law; hence, it contributes 0.05% of its sales in the previous year to the drug injury relief fund. In addition, the Company takes out product liability insurance, US\$10M dollars, to protect patients against damages arising from drug defects or unknown adverse reactions

(4) Human right protection, diversity in workplace/gender equality policy

A. The Company abides government decrees and protects human right. The Company does not use child labor, nor forcing physical labor or overtime and is against discrimination. The Company respects gender, nationality, race, religion, age, and association, sets up labor-management conference and complaints handling channel to maintain human dignity, ensures the diversity in recruitments and the fairness in compensation and promotion opportunities, and creates a harmonious peaceful workplace environment.

- B. The Company does not violate the provisions of child labor hiring, aboriginal rights regulations, labor contract related or labor decree. The Company did not hire any security guards. The Company commissioned Taiwan Shin Kong Security Co., Ltd. for office security.
- C. The Company did not receive any human rights-related cases through the official complaint mechanism in 2022.
- D. The Company's ratio of female employees to total workforce and senior executives:

Index	Percentage (%)	2030 Target
Women account for the total workforce (%)	47%	50%
Women account for senior executives (%)	20%	33%

- E. The Company's gender pay equality index

Pay Equality Index	Gap (%)
Gap between the MEAN in men and women	34.06%
Gap between the MEDIAN in men and women	10.83%
Gap between the MEAN of variable bonus in men and women	19.08%
Gap between the MEDIAN of variable bonus in men and women	9.18%

8. Clarification of the sustainable environment issue of the Company: Related disclosure in response to climate change

1. TCFD domains, climate management key results, and developmental goals

TCFD Domain	Climate Management Key Result	Developmental Goal
Governance	The Board of Directors of PharmaEngine is the highest-ranking governance unit overseeing issues concerning climate change risks and opportunities and is responsible for decision-making and overseeing the climate-related issues and matters. The Sustainability Promotion Group is responsible for the climate change management and for preparing the strategies, evaluating, supervising, and enforcing the climate-related issues and matters; it reports to the Board of Directors at least once a year the ESG implementation status in the Company, reviews the effectiveness, and revises the strategic goals and the related regulatory systems.	<ul style="list-style-type: none"> ● Continue to enhance the control the Board of Directors and the management over low-carbon medications, related scientific knowledge, and international climate-related issues or initiatives, etc. ● The Board of Directors and the management reinforce its supervision over the Company so that the Company can continue with the low-carbon transformation plan.
Strategy	PharmaEngine is devoted to realizing and promoting the combination	● Continue promoting the low-carbon drugs and

	of AI-assisted research and development of new drugs and the green supply chain to hopefully drive the environmental protection awareness in the biopharmaceutical industry and to effectively accomplish the goal of reduced greenhouse gas emissions and provision of low-carbon products and services.	services ● Include net zero emissions as a long-term development goal of the Company
Risk Management	The Sustainability Promotion Group identifies and weighs the transformational and physical risks, stipulates corresponding countermeasures and opportunities, and defines material risk/opportunity indicators and the control mechanism in order to advance fulfillment of substantial environmental goals.	● Strengthen the engagement mechanism with customers in the upstream and the downstream in order to reinforce the impacts the Company has on low-carbon transformation of the biotech industry.
Indicator and Objective	<ul style="list-style-type: none"> ● Define and fulfill the carbon reduction goal of corporate operations. ● Ratio of green packaging materials in products of the Company ● Create a new experimental model of energy conservation and carbon reduction in order to provide the drugs of low-carbon emission densities to the public. 	<ul style="list-style-type: none"> ● Plan to complete Scope 1 and Scope 2 greenhouse gas inventory checks in 2023. ● Set greenhouse gas carbon reduction goals of the Company and periodically disclose phased results. ● Gradually improve existing experiment design and define the low-carbon experimental model according to the strategic planning.

2. Climate Change-related Risk Identification and Countermeasures

Type of Risk		Impact of Risk	Countermeasure and Potential Financial Impact
Transformational Risk	Policy and Regulatory Risk	Climate change-related policy actions will continue. If greenhouse gas emission cap control is activated in the future, such as implementation of the carbon pricing mechanism to reduce greenhouse gas emissions and encouraging improved water consumption efficiency. As the climate change related loss continues to grow, the	PharmaEngine continues to promote low-carbon drugs and services and, for enhanced energy efficiency, will continue to build a low-carbon experimental model according to strategic planning and with gradual improvement of the existing experimental design and reduce environmental impacts. Based on TaiPower data, if the nuclear power is replaced by renewable energy and coal is replaced by natural gas in the future, the

		climate-related lawsuit risk can be increased, too.	power generation cost per kWh in Taiwan will increase by 45.45% in 2025, which, when calculated by a mean price of electricity of NT 2.6/kWh in 2018, it will increase by NT 1.182 per kWh in 2025. When calculated by the mean expenditure of about 145,048 kWh on externally purchased electricity over the past 2 years of PharmaEngine, it is estimated that additional NT\$170,000 will be spent on electricity each year in the future.
	Technical Risk	While the economic system gradually turns towards low-carbon and high-performing technical improvements and innovations, competitive advantages of the Company will be impacted. As such, the timing of when new technologies are developed and used will be the primary uncertainties in the evaluation of technical risk performed by the Company.	PharmaEngine evaluates the impacts of climate change-related policies on the Company as a whole and plans operations for the long term, mid-term, and short term. It is now devoted to promoting the combination of AI-assisted research and development of new drugs and the green supply chain to hopefully improve the Company's competitive advantages applying the said new technology and drive the environmental protection awareness in the biopharmaceutical industry and to effectively accomplish the goal of reduced greenhouse gas emissions.
	Market Risk	Climate change may impact the supply and demand structure on the market and change the product and service mechanism.	In order to enhance its capabilities to undertake the climate change risk, PharmaEngine consolidates its devotion to becoming a low-carbon business for the sake of creating opportunities for revenue and market expansion through creating applicable environmental protection mechanisms and carbon emission control measures. Climate change, however, may impact the stability of the Company's supply. As such, the safe level of inventory stock may rise to result in an increase in the inventory cost. When estimated by about NT\$34 million of the inventory as of the end of 2022, for each 1% of inventory increased, the inventory cost will climb by about NT\$340,000.

	Reputation Risk	Climate change can impact customers or society criticizing if the Company is devoted to low-carbon transformation, which is closely related to the Company's image.	PharmaEngine is devoted to reinforcing its engagement mechanism with customers in the upstream and the downstream in order to reinforce the impacts the Company has on low-carbon transformation of the biotech industry.
Physical Risk	Immediate Risk	Climate change can trigger extreme weather events such as typhoons, floods, and droughts, resulting in damaged assets of the Company or disruption of the supply chain, among other immediate financial impacts.	Extreme weather events caused by climate change can result in disruption of PharmaEngine's supply chain of drug products and inability to ship, among other immediate financial impacts, which, when estimated by the operations of 2022, will cause revenue loss of about NT\$280 million a year. In order to prevent against such situation, PharmaEngine has already included the supply of drugs as a key operational item in its Business Continuity Plan and has defined the emergency response procedure in case of disrupted drug supply.
	Long-term Risk	Long-term changes of the global climate model, such as the possible elevated sea level or long-term heat waves that may be triggered by persistent high temperatures, can drive up the operational cost.	In order to cope with the gradual shortage in resources as a result of climate change, which may drive up the operational cost for the Company, among other long-term financial impacts. In order to prevent against such situation, PharmaEngine has, in the generation of the production process test design, introduced the green packaging material idea and created a new experimental model of energy conservation and carbon reduction, so that drugs of low-carbon emission densities may be provided to the public.

3. Climate Change-related Opportunities and Countermeasures

Type of Opportunity	Description of Opportunity	Countermeasure and Potential Financial Impact
Resource Utilization Efficiency	<ul style="list-style-type: none"> ● Enhance the efficiency of resource utilization, which can bring down the mid-term to long-term operational cost of the Company, and also fulfill the purpose of energy conservation and carbon reduction. 	<ul style="list-style-type: none"> ● Promote green consumption and focus mainly on products carrying the green procurement symbol for office and daily purchases. ● Evaluate the establishment or replacement of low-energy consumption equipment and set reduction goals for electricity and water to enhance the resource utilization efficiency.

<p>Source of Energy</p>	<ul style="list-style-type: none"> ● Promote the electronic management system. ● When adding the new equipments, follow the government's subsidy policy and apply for related energy-saving subsidies. 	<ul style="list-style-type: none"> ● Colleagues are encouraged to commute using public transportation or drive electric cars to work or plant green plants in the office in order to bring down carbon emissions. ● Create the electronic quality management system to ensure the occurrence of GxP activities in respective stages and enhance the effectiveness. ● While making purchases for a self-owned office, choose HVAC, illumination, and water-saving equipments qualified for energy-saving subsidies or consider the construction of self-owned equipment powered by solar or water recycling systems and apply for government-related subsidies.
<p>Products and Services</p>	<ul style="list-style-type: none"> ● Promote low-carbon products and services in response to climate change. 	<ul style="list-style-type: none"> ● Introduce the green packaging material to products of the Company while generating the design of production process test. ● Create a new experimental model of energy conservation and carbon reduction in order to provide drugs of low-carbon emission densities to the public.
<p>Market</p>	<ul style="list-style-type: none"> ● International society continues to value the environmental protection awareness and care for lives on Earth while searching for new business opportunities. 	<ul style="list-style-type: none"> ● AI is applied to the research and development of new drugs in order to find their targets relatively precisely and reduce unnecessary animal experiments. ● Reduce unnecessary animal experiments in honor of animal ethics and to fulfill the 3R essence for laboratory animals.
<p>Resilience</p>	<ul style="list-style-type: none"> ● Enhance the ability to adapt to climate change in order to precisely manage climate change-related risks and keep track of opportunities. 	<ul style="list-style-type: none"> ● Have the Sustainability Promotion Group gather respective groups for the identification of climate change-related risks and opportunities and stipulation of climate change risk management strategies in order to reinforce the ability of the Company to cope with risks.

3.4.7 The company’s fulfillment of ethical corporate management and measures adopted: The Company has established the “Ethical Corporate Management Best Practice Principles” and provided educational training and promotion to employees and management.

Circumstances of the Company fulfilling ethical corporate management and the differences with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed companies and its reasons:

Evaluation Item	Implementation Status			Deviations from “the Ethical Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p>	V		<p>(1) The Company has established the Company’s Code and “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, and provided educational training and promotion to employees and management.</p> <p>The affairs related to corporate integrity management are carried out and promoted by the Corporate Development Department. "Ethical Business Management Work Group Meeting" may be convened when necessary, and will be convened and chaired by Vice President, Chi-Hsing Chang. Based on the scope of duties and functions, all relevant departments will assist the Board of Directors and management officers to establish and supervise the implementation of ethical business</p>	None

<p>(2) Does the company establish an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; formulate a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies?</p>	<p>V</p>	<p>management policy and prevention programs, and the relevant departments will also regularly report implementation status to the Board of Directors. Advocacy and education of all employees are carried out by the HR Department to organize educational training related to ethical business management. In 2022, 189 persons cumulatively received 427 hours of educational training related to ethical business management issues (including courses for legal compliance for ethical business management, drug safety and health management and inspections, accounting system and internal control etc.).</p> <p>(2) The Company has established the “Codes of Ethical Conduct” to make the employees, the management, and the interested parties have a better understanding and more compliant with the Company’s ethical standards. In order to prevent the risk of corruption and bribery, the Company has established “Ethical Corporate Management Best Practice Principles ” and “Procedures for Ethical Management and Guidelines for Conduct” as a code of conduct for the Directors, Independent Directors, senior managers and all practitioners. Among them, the rules of “Ethical Corporate Management Best Practice Principles ” code:</p>	<p>None</p>
--	----------	--	-------------

<p>(3) Does the company establish relevant policies that are duly enforced to prevent unethical conduct, provide implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	<p>V</p>	<p>The directors, managers, employees or persons with substantial control of the company shall not be in the process of engaging in business activities directly or indirectly, promise, require or receive any improper interests or engage in other dishonest behaviors that violate integrity, involve illegality, or breach of fiduciary duties in order to obtain or maintain benefits. Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, managerial officers, employees or substantial controllers or other stakeholders.</p> <p>(3) The Company has established the relevant procedures such as “Complaint Policies for Violating Ethical Management” and “Rewards and Punishment Management Regulation” and provided educational training and promotion to employees and management.</p> <p>When the Company's auditors perform internal audit, they will perform professional duties to prevent frauds with thorough investigation. They maintain a vigilant attitude towards possible frauds, errors, omissions, waste, and conflict of interests. Any serious illegality or violation of regulations is considered and precautions are taken. If there is any</p>	<p>None</p>
---	----------	--	-------------

			<p>suspected or detected fraudulent situation, it will promptly notify the appropriate supervisor to investigate and deal with it; for related corporate governance systems, internal control systems and management practices that are more likely to have risks of corruption and bribery, they are included in annual audits. Based on the annual audit plan formulated by the risk assessment management operation, the focus and frequency of audits for routine checks will be improved with reference to the past findings of various units.</p>	
<p>2. Fulfill operation integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p>	<p>V</p> <p>V</p>		<p>(1) Assessment must be done before the Company cooperates with important customers to avoid customers with non-integrity records.</p> <p>(2) The Company has set up an adjunct business unit for corporate integrity management which is the Corporate Development Department. Vice President, Chi-Hsing Chang, is responsible for promoting the implementation of corporate integrity management, assisting the Board of Directors and management to formulate and supervise the implementation of integrity management policies, and prevention plans to ensure that the integrity management is implemented. And the adjunct unit shall report its implementation results and supervision to the Board of Directors at least once every six months.</p>	<p>None</p> <p>None</p>

		<p>The Company's policy executed in 2022:</p> <p>A. Education training: Regulations, check, risk management and fraud prevention in the training courses for new employees and other training courses are planned to strengthen the implementation of law-abiding concepts and prevent the occurrence of dishonest behaviors.</p> <p>B. Regular examination Risk management and assessment for fraud of all operational activities are carried out and deficiency found in semi-annual assessment of operation is remedied to achieve effective control and implementation. It is independently audited by the auditing unit to ensure the operation of the overall business and to manage and prevent dishonest behaviors. Integrity management is included in the performance assessment of employees, and a clear reward and punishment system is established. There was no corruption and fraud nor anti-competitive act in 2022.</p> <p>C. Whistleblower system and protection Specific reporting systems are established in “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical</p>	
--	--	---	--

		<p>Management and Guidelines for Conduct” to actively prevent dishonest behaviors and encourage internal and external employees to report dishonest behaviors or misconducts. The independent directors are responsible for handling external reporting affairs, and assigning the Audit Committee as the internal unit to handle internal reporting and reports of unfair conducts by colleagues. The stakeholder area on the Company's official website provides effective communication methods for employees, shareholders, stakeholders, and external parties and discloses the emails of the Audit Committee (independent directors) for direct contact. If the reporting affairs involve directors and senior managers, they will be reported to independent directors. A protection system is established to keep the identity and reportings of whistleblowers confidential. The whistleblowers will not be treated improperly during the process. In 2022, there was no external reporting cases or internal employee reporting. The Company will continue to encourage the reporting of dishonest behaviors or misconduct under the premise of keeping the identity of the whistleblowers confidential, so as to strengthen the prevention of fraud and corruption and</p>	
--	--	---	--

<p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	<p>V</p>		<p>continue to implement integrity management.</p> <p>(3) The Company’s “Internal Control System and Regulation Management ” prevents insider trading and related party transaction.</p>	<p>None</p>
<p>(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p>	<p>V</p>		<p>(4) The Company has established effective accounting and internal control systems. Audit plans based on the assessment of unethical conduct has its ethical conduct program audited by internal auditors or CPA periodically and regularly reports the implementation of the inspection to the Board of Directors.</p> <p>For related corporate governance systems, internal control systems and management practices that are more likely to have risks of corruption and bribery, they are included in annual audits. Based on the annual audit plan formulated by the risk assessment management operation, the focus and frequency of audits for routine checks will be improved with reference to the past findings of various units.</p>	<p>None</p>
<p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>V</p>		<p>(5) The Company sends participants to take training courses related to ethical management and gives relevant educational training courses in the company.</p>	<p>None</p>
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity</p>	<p>V</p>		<p>(1) The Company has established “Complaint Policies for Violating Ethical Management”. When the</p>	<p>None</p>

<p>hotline? Can the accused be reached by an appropriate person for follow-up?</p>		<p>employee reports any dishonesty behavior, when verified, a bonus will be given according to the “Rewards and Punishment Management Regulation”. The Company stipulates in the Article 21 of “Procedures and Guidelines of Ethical Management”:</p> <ul style="list-style-type: none"> A. Complaints involving general employees should be reported to department head and complaints involving directors or managers should be reported to independent directors. B. The unit in charge and manager or employee who got reported shall identify the relevant facts immediately, and if necessary, provide assistant through regulatory compliance or other relevant departments. C. If the violator is proven to violate the relevant laws or ethical management policies of the Company, the person should be immediately required to stop the relevant behavior and be handled properly, if necessary, through legal procedures to request damage reimbursement to maintain the Company’s reputation and interest. D. Acceptance of complaint, investigation process, investigation result should be retained in written documents or preservation electronically for five years. If the litigation is related to the content of 	
--	--	---	--

<p>(2) Does the company establish standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p>	<p>V</p>	<p>the report before the period, relevant information should be kept until the end of the litigation.</p> <p>E. For the complaint that has been verified, the Company has the responsibility to review the internal control system and procedures, given out improvement proposals to avoid the same behavior occurs again.</p> <p>F. The unit in charge should report the complaint contents, solution process, follow-up review and improvements to the Board of Directors.</p> <p>The Company's contact channels are as follow: Tel : +886 2 2515-8228 #106 E-mail : audit@pharmaengine.com</p> <p>(2) The Company has established “Complaint Policies for Violating Ethical Management”, stipulated the relevant reporting channel and processing procedures. The whistleblower should report the following in written document to the Company:</p> <p>A. Whistleblower’s name, ID card number or passport ID number, permanent/ mailing address, service authorities/unit, name of the person in violation or other characteristics identification.</p> <p>B. Violation of ethical management policies</p> <p>C. Relevant proven information</p> <p>In addition, the processing procedures include the following:</p>	<p>None</p>
---	----------	--	-------------

		<p>A. The Audit Office will be responsible for coordinating and handling whistleblowing cases once they are received. After identifying and documenting the identity of the whistleblower, information and contents of the whistleblowing case will be scanned, documented, and reported to either the Chairman or any of the Independent Directors.</p> <p>B. After the case is established, based on the nature of the case, after ensuring confidentiality of the whistleblower, the Audit Office may ask any of the relevant departments for assistance in handling the case if necessary.</p> <p>The Audit Office shall handle the case if the corruption or other components that cannot be clearly identified. The information shall be reported to the Independent Directors if involving a Director or a senior manager or any other material legal violation.</p> <p>C. After accepting a whistleblowing case and reporting it in line with relevant procedures, the Audit Office shall ask the relevant department(s) to handle the case, and the relevant department(s) shall appropriately handle the case and submit the implementation to the Audit Office for approval. The Audit Office will inspect the legality, reasonableness, and practicality of the</p>	
--	--	---	--

<p>(3) Does the company provide proper whistleblower protection?</p>	<p>V</p>	<p>implementation and determine whether to continue processing, reinspect, or mark the case as completed.</p> <p>D. The unit accepting the whistleblowing case shall not disclose the name or identity of the whistleblower. In case of information leak, disincentive or disciplinary measures will be given in line with relevant regulations. The Company established individual complaint channel on the company website and internal website for internal employees and outsiders.</p> <p>(3) The Company has established “Complaint Policies for Violating Ethical Management”, stipulated the complaint acceptance unit and people who handle the case should treat all complaints confidentially and protect the name, living places, and identification information of whistleblowers. The Company also promised not to dispose the whistleblower improperly or unfavorably.</p>	<p>None</p>
<p>4. Strengthening information disclosure Does the company disclose its Ethical Corporate Management Best Practice Principles and the results of its implementation on the company’s website and MOPS?</p>	<p>V</p>	<p>The Company has established the Enterprise Ethical section on the website to promote and disclose ethical management relevant information and regularly reports the implementation status of ethical management relevant matters to the Board of Directors. Company Website (http://www.pharmaengine.com).</p>	<p>None</p>
<p>5. If the company has established the Ethical Corporate Management Best Practice Principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation:</p>			

The Company has established “Ethical Corporate Management Best Practice Principles” based on “The Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, the Company’s operation does not have any difference from stipulated principles and executes normally.

6. Other important information to facilitate a better understanding of the company’s Ethical Corporate Management Best Practice Principles (e.g., review and amend its policies):
- (1) The Company’s directors attended 69 hours of company management related training courses in 2022 , the Company also sent employees to participate courses held by Securities & Futures Institute, Taiwan Corporate Governance Association, and Taipei Exchange.
 - (2) The Company has established “Procedures for Handling Material Inside Information” and disclosed on the company’s website (<http://www.pharmaengine.com>) to establish the Company a better internal material information process and disclosure mechanism to avoid improper information leak and to ensure the consistency and correctness of information announced to the public.
 - (3) The Company has disclosed the revised “Ethical Corporate Management Best Practice Principles” on the company website. (<http://www.pharmaengine.com>)

3.4.8 Access to Corporate Governance Best Practice Principles and relevant regulations:

The Company has implemented practical code of corporate management and related regulations, please see on: <http://www.pharmaengine.com>

3.4.9 Any other important information to facilitate better understanding of the Company’s corporate governance practices:

The Company has implemented “Codes of Ethical Conduct”, “Responsibilities of Independent Directors” and “Sustainable Development Practice Principles”, the Company drafted the corporate social responsibility report and disclosed it on MOPS and on the company website at the end of September, 2022.

The Company stipulated the code of conduct and ethics of employees in the regulation of Ethical Corporate Management Best Practice Principles: The Company’s directors, managers, employees or substantive controllers, shall not directly or indirectly provide, promise, request or accept any unfair benefits during the business conduct, or conducting integrity violation, unlawful or fiduciary duties and other acts of dishonesty in order to obtain or maintain the interests. The subject of the preceding act includes public officials, political participants, political parties and party members, as well as any public, private enterprise or institution and its directors (members of the council), managers, employees, substantive controller or any other interested parties.

The Company regulates that all employees are subject to the code of conduct and are committed to upholding corporate assets, interests, and imaging, according to laws and ethical principles. The Company analyzes business activities with high risk of dishonesty in the business scope and strengthens the relevant preventive measures. The precautionary measures cover the following:

- Bribe and bribery
- Provide illegal political contributions

- Inappropriate charitable donations or sponsorships
- Provide or accept unreasonable gifts, hospitality or other improper benefits

The Company shall specify the precaution regulations for actual controller when conducting business, which covers the following matters:

- The determination criteria of providing or accepting improper benefits
- The procedure of providing or processing legal political contributions
- The standard of provideing or processing charity donations and sponsorships
- Regulations for avoiding the conflicts of interests, and the declaration and processing procedures
- Regulations for confidential and sensitive information obtained through business.
- Regulations and processing procedures for suppliers, customers, and business transactions involving in misconduct actions
- Processing procedures for identifying the violation of the Ethical Corporate Management Best Practice Principles
- Disciplinary punishment against violators

3.4.10 Internal Control System Execution Status

1. Statement of Internal Control System

PharmaEngine Company Limited Statement of Internal Control System

March 2, 2023

PharmaEngine Company Limited has conducted a self-check of internal control for the year of 2022. The results are as follows:

- (1) The Company acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established. The purposes of the Internal Control System are to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance, safeguard of assets, etc.), the reliability of financial reports, and the compliance with applicable laws and regulations.
- (2) The Company also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three goals referred to above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
- (3) The Company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the "Guidelines for the Establishment of Internal Control System by Public Companies" (referred to as the "Guidelines" hereinafter). The evaluation of the internal control system adopted by the said Guidelines has the internal control system divided into the following five factors based on the process of the management control: 1. Environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each component comprises certain factors. Please refer to the Guidelines for preceding items.
- (4) The Company has assessed and evaluated the effectiveness of the internal control system design and implementation in accordance with the internal control system criteria referred to above.
- (5) Based on the evaluation of the aforementioned system, the Company considered the Internal Control System as of December 31, 2022 (including supervision and management of subsidiaries), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and obeying the related internal control system of the relevant laws, are all effective, and it can ensure that the aforementioned goals to be reasonably reached.

- (6) This Statement of Internal Control System is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts like pretense and concealment involved in the above-mentioned statement, the Company will assume the legal responsibilities according to Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- (7) This Statement of Internal Control System had been approved by the Board of Directors at the meeting of March 2, 2023 with 9 directors presented at the meeting and none disagreeing with this Statement of Internal Control System.

PharmaEngine, Inc.

Chairman: Jan-Yau Hsu

General Manager: Hong-Ren Wang

2. Appointed accountants audit internal control system, should disclose accountant audition result: None

3.4.11 During in the most recent year and up to the date of the annual report, where the company and its internal personnel were punished in accordance with the law, or the company has punished its internal personnel for violating the provisions for the internal control system, if the results of penalty could make a significant impact on shareholders' equity or the price of securities, the content of the penalty, major faults and the circumstances of improvement shall be listed here : None

3.4.12 During the most recent fiscal year and the current fiscal year up to the printing date of this annual report, major decision-making of the shareholders' meeting and board of directors' meeting:

1. 2022 important decision-making of shareholders' meeting and implementation review: (Date of meeting: May 27, 2022)
 - (1) Acceptance of 2021 annual business report and financial statements
Implementation review: approved
 - (2) Acceptance of the proposal for distribution of 2021 profits.
Implementation review: approved and distributed cash dividends on September 2, 2022 (cash dividends of NT 2.7 per share)
 - (3) Acceptance of amendment to "Operational Procedures of Loaning Funds to Others"
Implementation review: approved
 - (4) Acceptance of amendment to "Operational Procedures for Acquisition & Disposal of Asset"
Implementation review: approved
 - (5) Acceptance of amendment to "Procedures for Election of Directors"
Implementation review: approved
 - (6) Acceptance of amendment to "Articles of Incorporation"
Implementation review: approved
 - (7) Acceptance of issuance of restricted stock awards
Implementation review: approved. Issued 90,000 shares through employee restricted stock awards on July 26, 2022
 - (8) To elect new Directors (including Independent Directors)
Implementation review: elected 9 Directors (including 3 Independent Directors) and took office after the election
 - (9) Proposal for releasing the prohibition on incumbent and newly elected Directors and their representatives from participation in competitive business
Implementation review: approved

2. Major Resolution of Board Meetings

Date	Major resolutions
Jan. 27, 2022	Acceptance of the examination of the independence, competency qualifications and fees of Accountants Acceptance of the Election of Directors (including Independent Directors) Acceptance of releasing the prohibition on newly elected Directors and their representatives from participation in competitive business Acceptance of Amendments to the Company's "Procedures for Election of Directors" Acceptance of the date of 2022 shareholders' meeting, the proposals from more than 1% shareholders and the nomination of candidates for directors Acceptance of second time cancellation of the Company treasury shares
Mar. 8, 2022	Acknowledgment of the Report of the company prepares its own financial statement, improvement program, liquidation progress of French subsidiary and 2022 ESG program Acknowledgment of the Report of internal audit Acknowledgment of the Report on self- evaluation of Board Members, Remuneration and Audit Members and the external-evaluation of Board Members operation performance in 2021 Acceptance of the discussion of new projects Acceptance of the 2020 Business Report and Financial Statements Acceptance of 2020 employees' and directors' remuneration ratios Acceptance of 2020 employees' bonus and special bonus Acceptance of 2022 salary adjustment Acceptance of issuance of restricted stock awards Acceptance of the proposal of 2021 profit distribution Acceptance of the "2021 annual internal control announcement" Acceptance of the amendments to the Company's "Procedures for Asset Acquisition & Disposal" Acceptance of the amendments to the Company's "Articles of Incorporation" Acceptance of the term of the eighth office of directors Acceptance of the amendments to the Meeting Agenda of Annual Meeting of Shareholders
Apr. 11, 2022	Acknowledgment of the Report of Regulations updated Acceptance of the authorization of negotiation proposal Acceptance of the Candidates of Directors (Independent Directors)
Apr. 28, 2022	Acceptance of the report of the Company's 2022 first quarter of consolidated financial statements report
May 27, 2022	Acceptance of the election of the chairman of 8th session Acceptance of the new candidates for the Audit Committee Acceptance of the new candidates for the Remuneration Committee
Jul. 26, 2022	Acknowledgment of the report of finance, business, and Capacity improvement plan for financial report preparation, and internal audit report

	<p>(includes the implement result of Ethical Corporate Management Codes of Practice)</p> <p>Acknowledgment of greenhouse gas inventory and verification schedule plan and 2022 corporate governance evaluation improvement plan</p> <p>Acceptance of the authorization of PEP07 contract signing</p> <p>Acceptance of the report of the Company's 2022 second quarter of consolidated financial statements report</p> <p>Acceptance of 2021 distribution of directors' remuneration</p> <p>Acceptance of 2021 distribution of employees' remuneration</p> <p>Acceptance of the number of shares granted for issuance of new restricted stock awards</p> <p>Acceptance of the Chairman's remuneration</p> <p>Acceptance of the Director's carriage and transportation expenses</p> <p>Acceptance of the Independent Director's remuneration</p> <p>Acceptance of the amendments to the "Procedures for the Prevention of Insider Trading"</p> <p>Acceptance of the amendments to the "Corporate Governance Codes of Practice"</p> <p>Acceptance of the 2021 ex-dividend record date and distribution date for cash dividends</p> <p>Acceptance of 2022 the number of shares for issuance of new restricted stock awards (RSA) and the determination of the record date for capital increase</p>
<p>Sept. 1, 2022 Interim meeting of the board</p>	<p>Acceptance of the by-election of the chairman of the Company</p>
<p>Oct. 27, 2022</p>	<p>Acknowledgment of the Report of finance, business, and Capacity improvement plan for financial report preparation, 2022 directors' liability insurance policy and contents, and internal audit report</p> <p>Acknowledgment of the risk management operation status report, intellectual property management and application report, communication with interested parties report, and Greenhouse gas inventory and verification schedule plan implementation report</p> <p>Acceptance of the report of the Company's 2022 third quarter of consolidated financial statements report</p> <p>Acceptance the authorization of PEP07 CRO contract signing</p> <p>Acceptance of 2023 annual company operating goals and budget</p> <p>Acceptance of 2023 annual internal audit plan</p> <p>Acceptance of the amendments to the "Rules of Procedure for Board of Directors Meetings"</p> <p>Acceptance of the amendments to the "Regulations Governing the Acquisition and Disposal of Assets"</p> <p>Acceptance of the amendments to the "Internal approval authority measures"</p> <p>Acceptance of the amendments to the "Internal control system and other management systems - Financial statement preparation process management"</p> <p>Acceptance of the amendments to the "Procedures for handling material inside information"</p>

	Acceptance of the follow-up stock disposal plan for participation of Formosa Pharmaceuticals cash capital increase
Mar. 2, 2023	<p>Acknowledgment of the report of finance, business, and internal audit report (includes the implement result of Ethical Corporate Management Codes of Practice)</p> <p>Acknowledgment of 2022 annual ESG implementation results and 2023 annual plan report, 2022 annual ESG assurance fee, 2023 annual tax visa public expenses (including the actual investment inspection of undistributed surplus) and review of non-supervisory full-time employees' salary information checklist public expense reports, 2022 annual Remuneration Committee, Audit Committee and Board of Directors self-assessment results report</p> <p>Acceptance of the introduction an anti-cancer drug to sell in Taiwan market</p> <p>Acceptance of the 2022 annual financial report and business report</p> <p>Acceptance of the assessing the independence, qualification, and remuneration of accountants</p> <p>Acceptance of the Proposed document of the Company's "General Principles of Pre-approval Non-Assurance Service Policy" and Pre-approval List.</p> <p>Acceptance of 2022 performance bonus</p> <p>Acceptance of 2023 salary adjustment</p> <p>Acceptance of 2022 employees' remuneration ratio</p> <p>Acceptance of 2022 directors' remuneration ratio</p> <p>Acceptance of 2022 distribution of directors' remuneration</p> <p>Acceptance of the proposal of 2022 profit distribution</p> <p>Acceptance of 2022 annual "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" review</p> <p>Acceptance of the remaining stock disposal plan for the participation of Formosa Pharmaceutical's cash capital increase case</p> <p>Acceptance of the date of holding the 2023 shareholders' meeting, and the time, place and related matters for accepting proposals from more than 1% shareholders</p>

3.4.13 During the most recent fiscal year and the current fiscal year up to the printing date of this annual report, any directors or supervisors have different opinions in record or in written to Board meeting resolution, please describe its content: None

3.4.14 During the most recent fiscal year and up to the date of publication of the annual report, a summary of resignations and dismissals of the Company's chairman, general manager, accounting officer, financial officer, chief internal auditor, corporate governance supervisor and research and development officer: None

3.5 Information of CPA Service Fee

3.5.1 Information of CPA Service Fee

Unit: NTS Thousand

CPA Firm	Name of CPAs	Audit Period	Audit Fee	Non-audit Fee	Total	Remark
PwC Taiwan	Liang, Hua-Ling Yu, Shu-Fen	Jan. 1, 2022 to Dec. 31, 2022	1,535	1,531	3,066	

Note: Non-auditing Fee: Tax Audit Fee \$185 thousand, Provision of Tax Consulting Services Fee \$916 thousand, English Translation Service Fee \$180 thousand, Fee for the Application of 2022 Issuance of RSU \$130 thousand, 2021 ESG Report Assurance Fee \$100 thousand, and Fee for Review of Information about Salary of Full-time Employees Who Are Not In A Managerial Position \$20 thousand.

3.5.2 If The Audit Fee Paid In the Year of Changing To another CPA Firm Is Less Than the Audit Fee Paid In the Prior Year, Shall State the Amount of Reduction, Ratio, and Reasons: Not applicable

3.5.3 If the Audit Fee Is Decreased More than 10% from that of the Prior Year, Shall State the Amount of Audit Fee Reduced, Ratio, And Reasons: The decrease in audit fee compared to the prior year is NT\$340 thousand and the reduction ratio is 18.13%. The reason of the reduction is that this year, the amounts of the English Translation Service and the Review of Information about Salary of Full-time Employees Who Are Not In A Managerial Position have been moved to the column of non-audit fees, and there is no investee enterprises in 2022.

3.6 Replacement of accountant information: Not applicable

3.7 During the most recent fiscal year, the Company's directors, general managers, financial or accountant managers who has worked at certified accountant office or any related enterprises, should disclose the name, title and working period of the certified accountant office or related enterprises: None

3.8 During the most recent two years and the current fiscal year up to the printing date of this annual report, changes in shareholding and pledge of Directors, Supervisors, Managers, and Shareholders with more than 10% shareholding

3.8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2021		2022		Up to Mar. 26 of the year	
		Holding Increase (Decrease)	Holding Increase (Decrease)	Holding Increase (Decrease)	Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director & more than 10% shareholding	TTY Biopharm Co., Ltd.	0	0	0	0	0	0
Director & more than 10% shareholding	National Development Fund, Executive Yuan	0	0	0	0	0	0
Chairman	Jan-Yau Hsu	0	0	0	0	0	0
President	Hong-Ren Wang	0	0	32,000	0	0	0
Vice President, Corporate Development	Chi-Hsing Chang	0	0	8,000	0	0	0
Senior Director, Marketing & Sales	Peter Wu	0	0	6,000	0	0	0
Director, Finance & Accounting	Yu-Syuan Tsao	0	0	6,000	0	0	0
Associate Director, Audit	Tong Hong	0	0	3,000	0	0	0
Former Chairman	Ted Tu	20,000	0	Note	Note	Note	Note

Note: The Former Chairman's shareholding has no change from Jan. 1, 2022 to Sept. 1, 2023.

3.8.2 Shares Trading with Related Parties: None

3.8.3 Shares Pledge with Related Parties: None

3.9 Information on the Top-10 Shareholders Who Are Affiliates or Related as Spouse or Second Cousins

Mar. 26, 2023

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
TTY Biopharm Co., Ltd.	25,866,808	17.75	0	0	0	0	None	-	
TTY Biopharm Co., Ltd. Representative: Lin Chuan	0	0	0	0	0	0	None	-	
National Development Fund, Executive Yuan	22,585,654	15.50	0	0	0	0	None	-	
Allianz Global Investors Taiwan Intelligence Trends Fund	1,700,000	1.17	0	0	0	0	None		
C. Grace Yeh	1,674,679	1.15	88,656	0.06	0	0	None		
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1,112,457	0.76	0	0	0	0	None		
Pao-Ching Tseng	1,072,000	0.74	0	0	0	0	None	-	
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,053,477	0.72	0	0	0	0	None	-	
Labor Pension Fund (The New Fund) 2022 First Time Discretionary Investment by Fubon Investment Account	877,678	0.60	0	0	0	0	None	-	
TransGlobe Life Insurance Inc.	834,000	0.57	0	0	0	0	None	-	
Xiao Ronghua	783,000	0.54	0	0	0	0	None	-	

3.10 The shareholding of the same invested company by the Company, the directors, the supervisors, the managers or another business that is controlled by the Company directly or indirectly:

Currently, the Company has no investee enterprises.

IV. Stock Subscription

4.1 Capital and Shares

4.1.1 Source of Capital

Unit : Share Thousand, Unit: NT\$ Thousand

Month/ Year	Issuance Price Per Share (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (thousands)	Amount (NT\$ thousands)	Shares (thousands)	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
08/2002	10	100	1,000	100	1,000	Cash Funded	None	
01/2003	10	60,000	600,000	18,000	180,000	Issuance of common stock	None	
05/2004	10	60,000	600,000	45,000	450,000	Issuance of common stock	None	
07/2004	10	60,000	600,000	58,000	580,000	Issuance of common stock	None	
09/2004	10	70,000	700,000	63,000	630,000	Issuance of common stock	None	
07/2009	10	70,000	700,000	44,100	441,000	Capital reduction	None	
02/2010	10	70,000	700,000	60,770	607,700	Issuance of common stock	None	
05/2011	15	120,000	1,200,000	74,100	741,000	Issuance of common stock	None	
09/2011	10	120,000	1,200,000	80,362	803,620	Issuance of stock from exercise of employee stock option	None	
03/2012	10-15	120,000	1,200,000	81,239	812,390	Issuance of stock from exercise of employee stock option	None	
06/2012	10	120,000	1,200,000	81,251	812,510	Issuance of stock from exercise of employee stock option	None	
09/2012	86	120,000	1,200,000	92,085	920,850	Issuance of common stock	None	
03/2013	10-15	120,000	1,200,000	92,239	922,390	Issuance of stock from exercise of employee stock option	None	
06/2013	15	120,000	1,200,000	92,253	922,530	Issuance of stock from exercise of employee stock option	None	
10/2013	142	120,000	1,200,000	100,253	1,002,530	Issuance of common stock	None	
12/2013	10-15	120,000	1,200,000	100,364	1,003,640	Issuance of stock from exercise of employee stock option	None	
03/2014	15	120,000	1,200,000	100,470	1,004,700	Issuance of stock from exercise of employee stock option	None	
06/2014	15	120,000	1,200,000	100,488	1,004,880	Issuance of stock from exercise of employee stock option	None	
09/2014	10-117	150,000	1,500,000	100,850	1,008,500	Issuance of stock from exercise of employee stock option	None	

12/2014	10-117	150,000	1,500,000	101,821	1,018,210	Issuance of stock from exercise of employee stock option	None	
03/2015	117	150,000	1,500,000	101,945	1,019,450	Issuance of stock from exercise of employee stock option	None	
09/2015	117	150,000	1,500,000	101,958	1,019,580	Issuance of stock from exercise of employee stock option	None	
12/2015	117	150,000	1,500,000	101,965	1,019,650	Issuance of stock from exercise of employee stock option	None	
03/2016	15-117	150,000	1,500,000	102,101	1,021,010	Issuance of stock from exercise of employee stock option	None	
06/2016	15-117	150,000	1,500,000	102,142	1,021,420	Issuance of stock from exercise of employee stock option	None	
09/2016	10	150,000	1,500,000	122,454	1,224,542	Issuance of stock from stock dividend	None	
12/2016	97.5	150,000	1,500,000	122,459	1,224,592	Issuance of stock from exercise of employee stock option	None	
03/2017	12.5~97.5	150,000	1,500,000	122,583	1,225,832	Issuance of stock from exercise of employee stock option	None	
06/2017	97.5	150,000	1,500,000	122,612	1,226,122	Issuance of stock from exercise of employee stock option	None	
08/2017	10	180,000	1,800,000	147,128	1,471,288	Issuance of stock from stock dividend	None	
03/2018	10	180,000	1,800,000	147,153	1,471,538	Issuance of stock from exercise of employee stock option	None	
12/2018	10	180,000	1,800,000	147,302	1,473,028	Issuance of stock from exercise of employee stock option	None	
03/2019	10	180,000	1,800,000	146,666	1,466,668	Issuance of stock from exercise of employee stock option Treasury Stock Retired	None	
07/2020	10	180,000	1,800,000	146,596	1,465,968	Treasury Stock Retired	None	
01/2022	10	180,000	1,800,000	145,596	1,455,968	Treasury Stock Retired	None	
09/2022	10	180,000	1,800,000	145,686	1,456,868	Issuance of employee restricted stock awards	None	

Unit: Share

Category of Share	Authorized Capital Stock		
	Outstanding Shares	Unissued Shares	Total
Registered Common Share	145,686,840	34,313,160	180,000,000

4.1.2 Shareholder Structure

Mar. 26, 2023(Unit: Number: Share)

Structure of Shareholders Quantity	Governmental Institution	Financial Institution	Other Legal Persons	Natural Person	Foreign Institutions and Foreign Individuals	Total
Number of Persons	5	1	194	37,264	79	37,543
Shareholding	24,181,963	834,000	31,764,877	81,890,338	7,015,662	145,686,840
Shareholding ratio	16.60%	0.57%	21.80%	56.21%	4.82%	100.00%

4.1.3 Shareholding Distribution Status

Mar. 26, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	19,482	941,211	0.65
1,000 ~ 5,000	15,118	28,763,804	19.74
5,001 ~ 10,000	1,632	12,467,665	8.56
10,001 ~ 15,000	492	6,244,095	4.29
15,001 ~ 20,000	258	4,662,741	3.2
20,001 ~ 30,000	218	5,574,665	3.83
30,001 ~ 40,000	101	3,575,486	2.45
40,001 ~ 50,000	58	2,653,305	1.82
50,001 ~ 100,000	113	8,020,313	5.51
100,001 ~ 200,000	32	4,529,154	3.11
200,001 ~ 400,000	23	6,055,545	4.16
400,001 ~ 600,000	5	2,639,103	1.81
600,001 ~ 800,000	1	783,000	0.54
800,001 ~ 1,000,000	2	1,711,678	1.17
1,000,001 or over	8	57,065,075	39.16
Total	37,543	145,686,840	100

Note: No preferred stock issued.

4.1.4 List of Major shareholders

Major Shareholders

Mar. 26, 2023

Names of major shareholders	Shares	Shareholding	Shareholding ratio(%)
TTY Biopharm Co., Ltd		25,866,808	17.75
National Development Fund, Executive Yuan		22,585,654	15.50
Allianz Global Investors Taiwan Intelligence Trends Fund		1,700,000	1.17
C. Grace Yeh		1,674,679	1.15
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds		1,112,457	0.76
Pao-Ching Tseng		1,072,000	0.74
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds		1,053,477	0.72
Labor Pension Fund (The New Fund) 2022 First Time Discretionary Investment by Fubon Investment Account		877,678	0.60
TransGlobe Life Insurance Inc.		834,000	0.57
Xiao Ronghua		783,000	0.54

4.1.5 Market Price, Net Value, Earnings and Dividends per Share in the last two fiscal years

Data on Market Price, Net Value, Earning, and Dividend per Share

Unit: NT\$; thousand shares

Year/Item		2021	2022	As of Mar. 31,2023	
Market Value Per Share	Highest	84.6	150.5	131.5	
	Lowest	47.4	60.5	103	
	Average	67.8	111.09	118.46	
Net Value Per Share	Before Distribution	26.87	26.58	N/A	
	After Distribution	24.22	N/A	N/A	
EPS (Earning Per Share)	Weighted Average Number Of Shares	144,537	143,596	N/A	
	EPS (Earning Per Share)	2.95	2.22	N/A	
Dividend Per Share	Cash Dividend	2.7	2	N/A	
	Stock Dividend	Stock Dividend from Retained Earnings	N/A	N/A	N/A
		Stock Dividend from Capital Reserve	N/A	N/A	N/A
	Cumulative Un-paid Dividend	None	None	None	
Analysis on ROI (Return on Investment)	Price-Earnings (P/E) Ratio	22.98	50.04	N/A	
	Price-Dividend Ratio	25.11	55.55	N/A	
	Dividend Yield(%)	3.98	1.80	N/A	

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy

The dividend policy is based on the Company Act and Article of Incorporation to ensure the normal operation of the Company and the protection of the interests of investors. According to the Article 25 and 25-1 of the Company Act:

(1) The Company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as the legal reserve, when necessary, set aside another sum as the special reserve. All of partial of the rest of the distribution allocating to the shareholders or retained earnings shall be proposed by the Board's Meeting to the Shareholders' Meeting for resolution.

(2) In the case that any earnings is retained in a certain year, employees' compensation ranged from 1% to 10% of the profits and Directors' compensation ranged not more than 2% of the profits shall be resolved by the Board meeting. However, in the case that any accumulated loss is remained, the company shall reserve a certain amount to offset such losses and report to the Shareholders' Meeting.

The employees' compensation may be made either by stock or cash. The employees, who are distributed stock or cash to, may include the employees of its subsidiaries of the Company who satisfy certain specified conditions. The profits retained in certain year which are specified in the Item 1 of this Article means a number which is obtained by the net income before income tax deducted out of the employees' compensation and Directors' compensation.

(3) The distribution of dividend shall be considered on the basis of the factors of company profits, capital and financial structure, future operational requirements, the accumulated surplus and statutory reserves, market competition and etc. by the Board of Directors at the end of each fiscal year. The Board of Directors shall propose a surplus allocation motion, draw a resolution and submit them to the regular shareholders' meeting for acceptance.

For improving the financial structure of the Company and taking into account the interests of investors, the Company shall adopt a balance dividend policy, to distribute the cash dividend at the rate over 10% of total distribution.

2. Expected dividend payout policy in the next three years

Regarding the future development of the Company, funding needs and interests of shareholders, the Company's expected dividend payout should be more than 50% after tax in which cash dividend will be 10%~100% of the total surplus distribution, and the proportion will be drafted by board of directors from the operation status and financial adjustment and making a motion by shareholders' meeting. If the Company has no surplus, no dividend or bonus will be payout.

3. Expected dividend policy of the Company, unless provided by laws, will not be subjected to significant changes.

4. 2022 distribution of dividend (distribution of 2021 profits)

Dividend Category	Ratio	Issued dividend by shareholders' meeting	Actual dividend issued	Differences
Cash dividend-surplus	100%	NT\$387,711 thousand	NT\$387,711 thousand	None

5. 2022 proposed dividend by shareholders' meeting
 - (1)The Company proposed to distribute the profit, NT\$287,194 thousand from unappropriated retained earnings in 2022. Each common shareholder will be in entitled to receive cash dividends of NT 2 per share.
 - (2)The percentage of distribution of cash dividends is 100%. Upon the resolution of the Shareholders' Meeting and approval of the regulatory authority, it is proposed that the Board of Directors shall be authorized to resolve the ex-dividend date, distribution date, and other relevant issues.

4.1.7 Influence of the proposal of share distribution proposed by shareholders' meeting to the Company business performance and profits per share: Not appropriated due to no forecasting issued by the Company.

4.1.8 Compensation of employees, directors and supervisors

1. Employees, directors and supervisors of the Company Act of association are included in the number or range of compensation
In the case that any earnings is retained in a certain year, employees' compensation ranged from 1% to 10% of the profits and Directors' compensation ranged not more than 2% of the profits shall be resolved by the Board meeting. However, in the case that any accumulated loss is remained, the company shall reserve a certain amount to offset such losses and report to the Shareholders' Meeting. The employees' compensation may be made either by stock or cash. The employees, who are distributed stock or cash to, may include the employees of its subsidiaries of the company who satisfy certain specified conditions. The profits retained in certain year which are specified in the Item 1 of this Article means a number which is obtained by the net income before income tax deducted out of the employees' compensation and Board compensation.
2. Accounting procedure on the estimation of the compensation of employees, directors and supervisors, the calculation base of number of shares for employees' compensation, and the actual assigned amount is different from estimated amount:
 - (1) Annual estimation base of 2022 employees' and directors' compensations is followed by the Article 25 of the Company Act, the Company assigned 1 to 10 percent as compensation for employees and no higher than two percent as compensation for directors after pre-tax profits deduction.
 - (2) If employees' compensation is assigned by stock distribution, numbers of stock bonus is decided by the amount of bonus divided by stock fair value which is determined by the closing price of the day before the date of shareholders' meeting, and takes into account the effect of ex-right and ex-interest when calculates the basis.
 - (3) If the actually allocated amount is different from the estimated amount, the difference shall be adjusted to the profit or loss in the year of actual allocation.

3. Acceptance of compensation distribution by Board of Directors

- (1) Employees' and directors' compensations distributed by cash or stock. When the difference between recognized amounts and estimation amounts occurs, the discrepancy, cause, and treatment situation shall be disclosed:

The proposal for 2022 employees' compensation and Directors' compensation are adopted in the Board Meeting on March 2, 2023. The compensation for employees is NT\$8,140 thousand in cash and the compensation for Directors is NT\$8,100 thousand in cash. The foresaid amounts, which have been expensed under the Company's 2022 Income statements, are the same as the amounts proposed by the Board.

- (2) The ratio of distribution the amount of employees' compensation by stock by current period profit after tax and total amount of employees' compensation: Inappropriate due to the Company did not assign stock as employees' compensation in 2022.

4. Status and results on compensation distribution at shareholders' meeting:

The Company plans to report on May 24, 2023 in the shareholders' meeting about the distribution of cash for employees' compensation and directors' compensation in 2022. The employees' compensation is NT\$8,140 thousand. The Directors' compensation, NT\$8,100 thousand is the same as the amount recognized in the financial report for the year 2022.

5. Differences, causes, and resolution status of actual compensation distributed to employees and directors (includes stock amount distributed, amount and value per share), and the recognized compensation distributed to employees and directors in the recent fiscal year. (2022 distributed 2021 annual profits)

Assigned status	Recognized number	Actual number issued	Difference	Handling status
Employees' compensation (cash)	NT\$11,362 thousand	NT\$11,362 thousand	None	Not Applicable
Directors' compensation	NT\$11,362 thousand	NT\$9,681 thousand	Remuneration Committee adjusted the compensation amount based on the company's operating results and the BoD performance evaluation results	Difference had been adjusted in the profit or loss in 2022

4.1.9 Company buy back shares of the Company(Completed):

Time of the buyback	Fifth time (phase)
Purpose of the buyback	Transfer to employees
Buyback period	June 1, 2021~July 30, 2021
Interval of buyback price	NT\$50.00~101.00
Number of shares bought back	2,000,000 shares
Total value of shares bought back	NT\$133,418,223
Number of shares bought back as a percentage of plan to buy back shares	100%
Number of shares cancelled and transferred	0 shares
Accumulated number of shares bought back	2,000,000 shares
Accumulated number of shares bought back as a percentage of total outstanding shares	1.37%

4.2 Corporate bonds, Preferred Stock, Global depository receipt (GDR), employee stock options certificate, and Restricted Stock Awards for employees

4.2.1 Company Bonds: None

4.2.2 Preferred Stock: None

4.2.3 Global Depository Receipt (GDR): None

4.2.4 Retricted Stock Awards for employees:

Status of Restricted Stock Awards

Mar. 26, 2023

Type of employee stock option certificate	Employee Restricted Stock Awards for Year 2022
Effective registration date and total shares	Jul. 8, 2022 (note 1) and 100,000 shares
Issue date	Jul. 26, 2022
Number of restricted stock awards issued	90,000 shares
Number of restricted stock awards to be issued	10,000 shares
Issue price	\$0
Restricted stock awards as a percentage of shares issued	0.06%

Vesting conditions of restricted stock awards	The highest percentages of shares that employees who are employed on the vesting date after receiving the RSA, and within the vesting period, can be vested with on the vesting date each year are: 40%, 30%, and 30% for 1st year completed, 2nd year completed, and 3rd year completed, respectively.
Restricted rights of restricted stock awards	<p>(1) During the vesting period, employees may not sell, pledge, transfer, give away to others, provide as collaterals, or otherwise dispose of the RSA.</p> <p>(2) Before employees reach the vesting conditions, shall not have the attendance, proposal, expression, voting rights, distribution of shares, cash dividends and other matters regarding shareholders' rights and interests.</p> <p>(3) The period from fifteen business days prior to the date when the Company applies with TPEX for the book closure date for gratuitous distribution of stock dividends, book closure date for cash dividends, or subscription book closure date for cash capital increase, the statutory book closure period before the shareholder's meeting of the current year and other statutory book closure periods up until the record date for distribution of rights and interests. Employees reach the vesting conditions during the period described above, shall not have the voting rights and participation in a distribution of share or cash dividends.</p>
Custody Status of restricted stock awards	The RSA issued by the Company may be handled by stock trust custody.
Measures to be taken where Employees Fail to meet the vesting conditions	<p>The Company will redeem and cancel the RSA when employees fail to meet the vesting conditions excluding leave without pay, disability or death caused by work injury, in accordance with the Company's employment agreement, work rules and Company's issuance guidelines.</p> <p>(1) Voluntary resignation, death, severance package, and retirement: All rights for unvested stock warrants shall be deemed as waived upon the date of such occurrence.</p> <p>(2) Leave without pay: For optionees who have been approved by the Company for leave without pay pursuant to the relevant laws and regulations. Rights and interests to any unvested stock warrants shall be restored upon reinstatement. However, the vesting period shall be deferred retroactively by the same duration as the period of leave without pay.</p> <p>(3) Disability or death caused by work injury: In the event that an employee becomes physically disabled and cannot continue his/her employment due to work injury, he/she may exercise all options at the time of resignation. However, such options may only be exercised from the date of resignation or after one years have elapsed since the granting of such stock warrants (whichever is later).</p>
Number of restricted stock awards which have been reclaimed	0 shares

Number of released restricted stock awards	0 shares
Number of unreleased restricted stock awards	90,000 shares
Ratio of unreleased restricted stock awards to total issued shares	0.06%
Impact on shareholders' interest	There is a limited dilution of the Company's EPS, 0.06%, so there is no material impact on shareholders' equity.

4.2.5 Employee stock option certificate:

Handling status of employee stock option certificate

Mar. 26, 2023

Type of employee stock option certificate	Year 2016 first time employee stock option certificate	
Effective registration date and total units	Jul. 26, 2016(note 1) and 1,500 units	
Issue date	Aug. 11, 2016	Jun. 22, 2017
Number of unit issued	1,000	500
Number of unit to be issued	0	0
Proportion of total shares issued for subscription in total issued shares	0.69%	0.34%
Period available for subscription	2018.08.11~ 2024.08.10	2019.06.22~ 2025.06.21
Method of performance	Issue new shares	Issue new shares
Limited subscription period and proportion (%)	50% subscription right can be exercised after 2 years. Within 24 months after 2 years, for every expiration of one month, the accumulated maximum exercisable subscription proportion will be increased by 1/48. 100% subscription right can be exercised after 4 years	
Executed number of shares obtained	None	None
Executed subscription amount	None	None
Unexecuted subscription quantity	515(note 2)	284(note 2)
Subscription price per share for those who have not executed the subscription	175.4 NT	167.5 NT
Proportion of unexecuted subscription quantity in total shares issued (%)	0.35%	0.19%
Impact on shareholders' rights and interest	The stock option certificate is executed within 8 years after the issue date, as towards the original shareholders' quantity is diluted yearly, yet the effect is limited	

Note 1: The Company issued the first employee stock certificate in year 2016, approval by Financial Supervisory Board on 2016.07.26 with a Financial Supervisory certificate documentation number 1050028625.

Note 2: Cancellation of units due to employee leaving without pay, respectively 485 units and 216 units.

Note 3: Belongs to private placement, should be marked highlighted.

4.2.6 Information Disclosing the acquisition of restricted stock awards and number of shares obtained of the Top 10 employees

Mar. 26, 2023

Title	Name	No. of Restricted Stocks Awards Obtained (thousand shares)	Restricted Stocks Awards as a Percentage of Shares Issued (%)	Restrictions Released				Restrictions Unreleased				
				No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ Thousand)	Released Shares as a Percentage of Shares Issued (%)	No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ Thousand)	Unreleased Shares as a Percentage of Shares Issued (%)	
Managers	President	55,000	0.04	0	0	0	-	55,000	0	0	0.04	
	Vice President, Corporate Development											Chi-Hsing Chang
	Senior Director, Marketing & Sales											Peter Wu
	Director, Finance & Accounting											Yu-Syuan Tsao
	Associate Director, Audit											Tong Hong
Employees	Associate Director, Project Management	23,000	0.02	0	0	0	-	23,000	0	0	0.02	
	Director, Human Resources											Melody Lin
	Associate Director, Sales & Product Development											April Chiu
	Manager, Quality Assurance											Ken Chou
	Associate Director, Business Development											Roger Hsieh
	Associate Director, Preclinical Research											Jack Cheng
	Director, IP&Contract											Selena Kuo
	Senior Director, Clinical Research											Brian Shen
Associate Director, Preclinical Research	Betice Chen											
Associate Director, Chemistry, Manufacturing & Control	Mel Liu											

4.3 Information status on mergers and acquisitions or transferee shares of the company to issue new shares

4.3.1 Information disclosing the completion on mergers and acquisitions or transferee shares of the company to issue new shares during the last fiscal year and current fiscal year up to the printing date of this annual report:

1. Evaluation on the issuer of the securities underwriters who acquired or the transferee shares of the company to issue new shares during the most recent quarter: Not applicable
2. The implementation status of the most recent quarter (such as implementation progress or target of the effectiveness did not meet, should specify the impact and improvement plan to shareholders): Not applicable

4.3.2 Information disclosing acquisitions or transferee company during the most recent fiscal year to the printing date of this annual report that had made a motion to approve by the board of directors. Information disclosure during the process of mergers and acquisitions or transferee of the company and the impact to the interests of shareholders: None

4.4 Execution status of fund application plan

Up to the last quarter of the printing date of the annual report, the Company previously issued or private placement of securities not yet completed becomes 2013 cash capital increase. Cash capital increase plan contents and execution status of year 2013:

4.4.1 Annual cash capital increase proposal contents in year 2013

1. Approval date and certificate number by the competent authority: Financial Supervisory Commission Aug. 8, 2013 Financial Supervisory Commission certificate documentation number 1020026651.
2. The total required funding amount: NT\$1,733,000 thousand.
3. Source of funding: cash capital increase common stock of 8,000 thousand shares and the per value is NT\$10 per share, issued at NT\$142 per share in the total of NT\$1,136,000 thousand, and the rest NT\$597,000 thousand issued by self funding or other methods.
4. Progress of the plan items and expected funding usage

Unit: NT \$ Thousand

Items	Expected complete date	Required total funding	Progress in the utilization of funds																		
			2013		2014		2015		2016		2017										
			Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter					
PEP 503	Expenses of new drug R&D	2017 fourth quarter	715,000	24,000	25,000	8,000	10,000	15,000	25,000	20,000	40,000	40,000	48,000	50,000	50,000	60,000	60,000	60,000	60,000	60,000	60,000
	Expenses of new drug In-license fee	2017 fourth quarter	180,000	-	30,000	-	-	-	-	-	-	-	30,000	-	-	-	-	-	-	120,000	-
	subtotal	2017 fourth quarter	895,000	24,000	55,000	8,000	10,000	15,000	25,000	20,000	40,000	40,000	78,000	50,000	50,000	60,000	60,000	60,000	60,000	180,000	60,000
PEP 06	Expenses of new drug R&D	2017 fourth quarter	838,000	20,000	28,000	10,000	15,000	35,000	40,000	20,000	35,000	50,000	57,000	35,000	53,000	74,000	110,000	40,000	55,000	65,000	96,000
Total			1,733,000	44,000	83,000	18,000	25,000	50,000	65,000	40,000	75,000	90,000	135,000	85,000	103,000	134,000	170,000	100,000	115,000	245,000	156,000

5. The Company current fun raising for the new drug R&D is expected to see the results of the new drug in 2017 and start to collect licensing fees. The expected benefits as follows before changes:

Unit: NT\$ Thousand

Items	2017	2018	2019	2020	2021	Total
PEP503 licensing fee income	300,000	450,000	300,000	450,000	600,000	2,100,000
PEP06 licensing fee income	-	300,000	300,000	300,000	600,000	1,500,000
Expected total benefits	300,000	750,000	600,000	750,000	1,200,000	3,600,000

6. Successive changes to program content, sources and uses of funds, reasons of changing, before and after the changes, changes benefits and date of plan changes reported to the shareholders' meeting:

(1) Historical changes to plans and source and utilization of funding:

The 2013 cash capital increase proposal was changed and decided by the Board of Directors on May 5, 2021. The changed content, sources, and uses of funds are as follows:

Unit: NT\$ Thousand

Items no.	Items	Required total funding(A)	Actual used funding as of 2021 Mar 31(B)	Changed total funding(C)	Post-amendments plan disposable amount (A)-(B)=(C)	Post-amendments plan disposable progress		
						2021	2022	2023
1	PEP503-Expenses of new drug R&D	715,000	227,517	-487,483	-	-	-	-
2	PEP503-Expenses of new drug R&D	180,000	62,655	-117,345	-	-	-	-
3	PEP06-Expenses of new drug R&D	838,000	79,533	-758,467	-	-	-	-
4	Capital expenditure enrichment	-	-	-	1,363,295	499,575	484,395	379,325
	Total	1,733,000	369,705	1,363,295	1,363,295	499,575	484,395	379,325

(2) Reasons of changing:

The current capital increase in cash was originally meant for the PEP503 and PEP06 new drug R&D projects. However, because the contract for PEP503 of the original project was terminated and for PEP06, the next stage of the target drug candidate was taken by the collaborator, BeBetter Med, the resources to be devoted by PharmaEngine in the future are limited. As a result, R&D projects that had been ongoing for years without specific accomplishments were terminated to reduce the operational risk. The balance of the capital for PEP503 and PEP06 as of May 5, 2021, that is, NT 1,363,295 thousand, was transferred to be the operating capital to support the needs of operational growths in the future. It adds to the flexibility in the allocation of funds to further increase the ability of the company for the industrial risk; it shall contribute to the shareholder equity positively.

(3) Change Benefits:

- (A) The original plan was to continue with PEP503-related R&D projects. The authorizer of PEP503, Nanobiotix, France, however, notified PharmaEngine on November 20, 2020 of the serious violation of some requirements in the exclusive license collaborative agreement. PharmaEngine replied to Nanobiotix on December 1 of the same year by saying that PharmaEngine did not violate any requirement and asserting that Nanobiotix was found with multiple facts on the violation of the bilateral agreement. In order to comprehensively address the disagreement on the multiple issues encountered in the development and commercialization in the Asia-Pacific Region between the parties on PEP503 (NBTXR3), the parties discussed multiple times and agreed on March 5, 2021 to terminate the collaborative agreement for the exclusive license of PEP503 in the Asia-Pacific Region entered into by and between the parties in August 2012. PharmaEngine returned the exclusive rights to develop and commercialize NBTXR3 in the Asia-Pacific Region to Nanobiotix while Nanobiotix would pay PharmaEngine the milestone compensations totaling USD 12.5 million for the milestones in respective stages and royalties in different percentages according to the net sales in the Asia-Pacific Region of NBTXR3 in the future. The difference between the expected benefit and the actual benefit of the project is the result of the disparity between the original expected PEP503 project development and the authorizer Nanobiotix. The milestone compensations and future potential royalties collected by the Company from Nanobiotix, however, are greater than the development cost of Project PEP503; the benefit has been fulfilled.
- (B) In addition, to ensure the stability and effectiveness of the compound of the drug in Project PEP06, multiple repetitive tests and pre-clinical in-vitro studies and animal studies were conducted. PharmaEngine and the collaborator, BeBetter Med, collected from the study data those of several related in-vitro assays containing potential new ingredients, analyzed, designed, and synthesized new drugs with new compound or related derivative new drugs based on the activity in order to strengthen the potency of patents of the new drugs with new compound and selected among them the drug candidates better meeting the developmental goal of the company. For the target drug candidate, however, the collaborator, BeBetter Med, continued with the operations for the next stage. BeBetter Med already began Phase I clinical trial in Mainland China at the end of 2020. External authorization will be provided depending on the status of the clinical trials and the accomplishments evaluated in the future. The recovery of the development cost should be expected.

(C) PharmaEngine transferred NT 1,363,295 thousand from items adjusted for the project to be part of the operating capital in the second quarter of 2021 in order to support the necessary expenditures for the operational growth in the future and adding to the flexibility in the allocation of funds. Based on the interest rate of 1.30% for lending to counterparts in the industry provided by the bank consulted in 2020, NT\$17,723 thousand should be able to be saved for interest expenditures. The change in the plan for capital raised this time is meant to enrich the operating capital. When estimated by the lending interest rate from the bank consulted so far, it is expected that the change in the plan will reduce interest expenditures and the benefit in lessening the financial burden shall be reasonable.

(4) Date of plan changes reported to the shareholders' meeting: May 27, 2022.

7. Date of input on the information reporting website specified by Financial Supervisory Commission: Aug. 8, 2013.
Date of input of change to program content: May 5, 2021.

4.4.2 Execution status(As of Mar. 31, 2023)

As of the first quarter of 2023, the cumulative amount expected to be used to enrich the operating capital was NT 1,139,670 thousand. As of the first quarter of 2023, the actual amount that had been utilized came to NT 1,115,869 thousand, that is 97.91% of the allocation progress was fulfilled.

Ahead of or behind schedule, causes and improvement plans
As of the first quarter of 2023, although the actual cumulative expenditure was slightly lagging behind the expected expenditure, 97.91% of the allocation progress was fulfilled. The implementation status was fairly reasonable.

V. Overview of business operation

5.1 Business introduction

5.1.1 Business scope

1. Major contents of operating business

- (1)IG01010 Biotechnology Services
- (2)I103060 Management and Consultant Services
- (3)IC01010 Pharmaceuticals Examining Services
- (4)F601010 Intellectual Property
- (5)F102170 Wholesale of Food and Grocery
- (6)ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
- (7)F208021 Retail Sale of Drugs and Medicines
- (8)F108021 Wholesale of Drugs and Medicines
- (9)F108031 Wholesale of Drugs, Medical Goods

2. Operating proposition(Year 2022)

The Company is mainly engaged in the development of new drugs and the main sources of income are royalty revenues and sales income from ONIVYDE[®].

In 2022, PharmaEngine generated NT\$654,383 thousand in revenue. Royalties from sales of goods in Europe and Asia were NT\$376,789 thousand and sales of goods in Taiwan were NT\$277,594 thousand.

Unite: NT\$ Thousand

Items	2022 income	Ratio
Sales revenue	277,594	42.42%
Royalty revenue	376,789	57.58%
Total	654,383	100.00%

3. Products (Services) currently offer

PharmaEngine has the following projects:

ONIVYDE[®] is a novel and stable encapsulated form of the marketed chemotherapy drug irinotecan in a long-circulating nanoliposome for the treatment of patients with metastatic adenocarcinoma of the pancreas who have been previously treated with gemcitabine-based therapy. So far, ONIVYDE[®] has received the marketing approvals in more than 40 countries, including Taiwan, US, EU, Singapore, South Korea, Japan, and China. In addition, the first-line pancreatic cancer phase II/III studies of ONIVYDE[®] are finished and the results of Onivyde regimen (NALIRIFOX) demonstrated statistically significant improvement in overall survival in 1L PDAC.

PEP07, a checkpoint kinase 1 (Chk1) inhibitor, which targets the DNA Damage Response (DDR) network, is currently in the IND-ready stage and its' target is to treat hematologic cancers and solid cancer such as Acute Myeloid Leukemia (AML) and Mantle Cell Lymphoma (MCL).

4. Proposal of new development products (services)
 - (1) Project of ONIVYDE®
 - A. Obtain the insurance pricing of new drugs in China to enlarge the market in Asia area through international partners
 - B. Accomplish marketing plans and sales target in Taiwan
 - (2) Project of PEP07
 - A. Aggressively implement PEP07 pre-clinical efficacy testing and biomarker exploratory experiment on the hematologic cancers and solid cancers
 - B. Keep implementing the clinical development plan for PEP07 project
 - (3) Other Research Projects
 - A. Accelerate the screening of new drug candidates
 - (4) R & D strategy
 - A. Aggressively in-licensing the new drug projects which meet the criteria of business strategy and core competence of PharmaEngine
 - B. Accelerate the launch of new drug product by the way of international collaboration
 - C. Enhance the Company's own R&D capacity with the help of diversified and innovative drug R&D platform collaboration models

5.1.2 Industry Overview

1. Market situation and future outlook

Today, the outbreak of COVID-19 that occurred at the end of 2019 continues to spread in various countries even after several mutations. In addition to investing more funding in research and development, several governments also provide subsidies to manufacturers towards the development of vaccines and therapeutic drugs related to COVID-19. The successful development of several vaccines and therapeutic drugs and the subsequent obtainment of emergency use authorization have enabled the needs of countries around the world to be met. Through the administration of vaccines, the public's resistance to the virus has improved, and countries have been able to lower their alert levels to allow economic activities to return to normal as a result. The major global infectious disease and related issues have led the biotechnology industry and manufacturers from around the world to invest in the development of related drugs which have also been approved for marketing. Moreover, the impact of the pandemic on the review of new drug marketing has decreased, which has resulted in the number of approved drug marketing nearing the average of five years. These factors coupled with a continuous increase in patients with various diseases around the world are currently driving the growth of the global pharmaceutical market. According to the statistical data of IQVIA, the global pharmaceutical market of 2021 saw a 12.51% increase in the market size of US\$1.42 trillion compared to the US\$1.27 trillion in 2020. The market size of COVID-19-related therapeutic drugs alone injected more than US\$100 billion into the market, and is also the main reason behind the substantial growth of the global pharmaceutical market in 2021. In 2021, the pharmaceutical market size of advanced countries—which consists of the United States, the five European countries (Germany, France, the United Kingdom, Italy and Spain), Japan, Canada and Australia—was approximately US\$1.05 trillion which accounted for 73.79% of the global pharmaceutical market. The pharmaceutical market size of emerging countries—dominated China, Brazil, India and Russia—was US\$354.2 billion and accounted for about 24.88% of the global pharmaceutical market. As for low-income countries and regions, their pharmaceutical sales amounted to US\$19 billion which accounted for only 1.33% of the global pharmaceutical market.

IQVIA statistics shows that the Top 3 therapeutic drugs around the world by 2026 will be cancer drugs, hypoglycemic drugs, and immunosuppressants. Please refer to the

following table. With the development of innovative therapies, cancer drugs are expected to increase at a compound annual growth rate of 9-12% to reach a market size of US\$306 billion by 2026. Conversely, immunosuppressants, which are affected due to approved marketing of related biosimilar drugs, will see a slowdown in the growth of market size in the same disease area. It is estimated that the compound annual growth rate of the immunosuppressant market size will increase by 6-9% in the next five years to reach US\$178 billion by 2026. In addition, hypoglycemic drugs also maintain a compound annual growth rate of 6-9%. It is estimated that the market size in 2026 is expected to reach US\$173 billion. In addition, anticoagulant drugs are also rapidly increasing with the sales of related products, and becoming the field with the fastest compound annual growth rate after cancer drugs. It is estimated that the compound annual growth rate in the next five years will be 8-11% and reach a market size of USD 87 billion by 2026.

The world's top ten therapeutic drug classification fields from 2022 to 2026

(Unit: Hundred Millions USD, %)

Field of medicine	Expected 2026 Sales	2022-2026 Annual growth rate
Oncologics	3,060	9~12
Immunosuppressants	1,780	6~9
Anti-diabetics	1,730	6~9
Neurology	1,510	3~6
Anticoagulants	870	8~11
Cardiovascular	870	4~7
Respiratory	710	5~8
Pain	700	6~9
HIV antivirals	450	3~6
Antibacterials	410	2~5

Data source: 2022 biotechnology industry white paper, 2022/08

The development of new drugs is limited by the safety of human use and its development time does not shorten because of the new drugs development technology. Development process is still as long as 12 – 15 years. The development fee is still as high as US\$100 million to US\$10 billion, thus the chance of success is supported by the enormous resources and then the industry has the opportunities of development. The key of competition in this long term of new drug development process relies on how to shorten the development time and accelerate the product launch.

In order to speed up the launch of new drugs and encourage the development of drugs for rare diseases, the US FDA has launched a series of new drug review measures, including review mechanisms such as rare diseases (also known as orphan drugs, referring to diseases with less than 200,000 patients), Fast Track, Breakthrough Therapy, Priority Review, and Accelerated Approval, thus leading to an increase in the number of new drugs on the market and patients could receive better treatment drugs. Among the 50 new drugs approved for marketing in 2021, 42 new drugs were launched in the market with at least one of the above preferential measures. Among them, rare disease qualifications were 26, which accounted for about 52%; breakthrough therapy qualifications accounted for 28%, priority review qualifications accounted for 68%, fast-track review qualifications accounted for 36%, and expedited review qualifications

accounted for about 28%. Many global new drug developers seek advanced countries such as Europe and the United States as the target market for new drugs. Aside from having the world's largest pharmaceutical market, the rigorous review mechanisms and commercial pricing strategies of the U.S. attracts manufacturers from various countries to submit new drug marketing applications to the USFDA in order to obtain higher sales revenue. It is also conducive to shorten the period of marketing in other countries. Among the new drugs reviewed and approved for marketing by the USFDA in 2021, 43 listed the U.S. as the first market for product marketing. This number accounts for about 86% of new drugs approved for marketing, and it is also higher than the 75% in 2020. In May 2022, the USFDA launched the Accelerating Rare Disease Cure (ARC) project to develop and approve safe and effective treatment options for patients with rare disease. The project team serves to coordinate the policy development of the USFDA's Center for Drug Evaluation and Research (CDER), review method and training for rare disease treatment, assist external development and maintenance of good science as the basis for developing treatments, collaborate with internal and external stakeholders to treatment, facilitate the development of rare disease treatment, and maintain a collaborative relationship with CDER's review division to promote consistency and innovation in rare disease treatment reviews. In addition, the project team will further work with international regulatory agencies to discuss and exchange relevant scientific and regulatory information in the hope of providing assistance in the identification of solutions to drug development challenges and address the unmet medical needs of patients with rare disease.

The high price and market profit of biotech new drugs are catching eyes on the market. An example is peptide drugs that contain both large and small molecules and are currently used clinically in the treatment of cancers and metabolism disorders. With the R&D of new drugs ongoing, new types of medical care are appearing as well. Open-ended and cross-disciplinary collaboration enables manufacturers to also fulfill their innovative and value-added purposes through this diversified collaborative pattern. The first digital new drug in the world, for example, has been marketed in the US, marking a step forward in the integration of pharmaceuticals and new technologies. The emergence of precision medicine enables treatments to be more specific to a certain condition, which not only enhances the efficacy of medical care but also gradually increases the importance of translational medicine (direct application of basic medical science research to clinical treatment) when it comes to the research and development of drugs as it significantly contributes to enhanced drug efficiency or the development of pharmaceutical characteristics.

Over the past few years, the companies in Taiwan have been emphasizing significantly on the research and development of new drugs. New drugs available on the market still primarily feature small molecular ones, followed by biotech drugs. At present, the development of new formulation new drugs is focused on change of existing formulations and development of the delivery mechanism of new drugs, and other applications. Over the past few years, businesses in Taiwan have devoted significant efforts and funds to the research and development of new drugs and also continued to invest in or complete clinical trials. Some of them have even obtained drug permits in the US, European Union, China, and Southeast Asian countries. It is quite inspiring for the biotech section in Taiwan as a whole.

As the pharmaceutical cost climbs around the world and probability for research and development to be successful significantly slides, to invest in and develop new drugs over the short term within Taiwan and reach out to the international market, the easiest and minimally risky way is to work with an international biotech pharmaceutical company. Compared to other Asian regions, Taiwan can provide better-quality clinical resources and is known for its strategic geographic advantages. It easily attracts

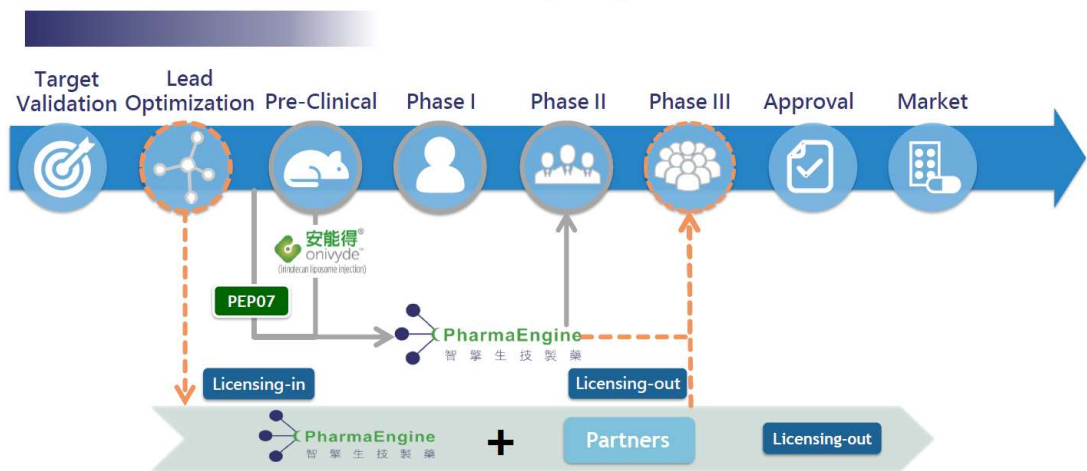
international collaborative opportunities. Shortage in the talent needed for the development of new drugs, however, has been a big issue. For the short term, the Virtual Pharmaceutical Company business strategy needs to be relied upon. By introducing an international management team, through the flexible management response framework, and with potential new talent being developed domestically, international materials suitable to be developed in Taiwan are constantly being found to go with the international situation. By working with external professional R&D teams or suppliers, all R&D activities get to take place and design ideas are put into action quickly to create a virtuous cycle in the industrial chain so that Taiwan can remain in the correct path while the new drug sector is being developed and strategies or methods can be correctly decided to boost chances for the Company or the sector to succeed.

2. The relationship among the value chain of biotech industry

Due to the lengthy process required for the development of new drugs, for different stages, specialized biotech companies or large pharmaceutical companies are in charge of the research and development, providing the technology, the clinical trials, or production/manufacturing. Both the technologies and products supplied are crucial to the development of new drugs. Different biotech pharmaceutical companies specialize in different industrial chains and are interdependent.

New drug development business of PharmaEngine concentrates on new drugs development that has market projections. By using Virtual Pharmaceutical Company Business Model on new drugs development, the Company conducts preclinical trials, phase one, phase two, and human clinical trials in phase three to lower the R&D cost during the early period and shorten the development timing in order to connect the exploration stage of drug development till the completion of the product inspection and registration. Through numerous preclinical trials, the Company explores the value of the new drugs, follows strictly to US FDA/European Union EMA standards throughout clinical trials from phase one to phase three, acquires the certificates in countries, and carries out product manufacturing, marketing and out-licensing. New drugs development relevant chart of PharmaEngine Inc. as follows:

Virtual Pharmaceutical Company Business Model



3. Products development and trends

Global trends in pharmaceutical products in the coming years could be attributed to the followings:

- (1) Thanks to the significantly enhancing computing capabilities of computers and advanced information technologies, the application of AI and big data in the R&D of drugs and production will become a developmental trend in the pharmaceutical sector.
- (2) As the population ages and faced with challenges for an super-aged society where chronic diseases are prevalent in addition to the constantly advancing medical technologies, people have gradually diversified demand for innovative disease treatments. To ride on this wave, the total number of companies in regenerative medicine and cell therapy around the world is constantly breaking records and the market size for gene therapy continues also continues to expand.
- (3) The quick development of biomarkers is contributing to the utilization of drugs and the development of new drugs and clinical treatment steps and strategies become more precise and effective accordingly. Under the development between biopharmaceuticals and biomarkers, therefore, the pharmaceutical sector is no longer of the traditional blockbuster drug model; instead, the developmental strategy for corresponding drugs can be provided, in cooperation with the development test markers, according to the population and even individual differences and further improve effectiveness of the drug therapy and march towards precision medicine.
- (4) In the face of reform and control of the international drug pricing system, global biotech pharmaceutical companies must adjust product selection, layout, pricing and payment models. It will test the management team's decision-making, operational planning and execution capabilities.

4. Competition situation

The Company is a new drug R&D company, mainly for research and development of various cancer drugs, currently ongoing project ONIVYDE[®] is an anti-cancer drug using nanotechnology development of liposomes preparations, could be applied to pancreatic cancer, lung cancer, colorectal cancer, Ewing's sarcoma, Gastric cancer and brain cancer, in which the second-line of pancreatic cancer treatment has been listed in the ESMO Clinical Practice Guidelines 2015 and the NCCN Clinical Practice Guidelines 2016 as the standard treatment for this patient group.

In addition, PEP07 is a small molecule drug which is a brain penetration, highly selective, highly potent, and can be administered orally. Its main mechanism of action is to affect cellular response pathway caused by DNA damage (DNA damage response). It acts as a checkpoint kinase 1 inhibitor (Chk1 inhibitor) in the DDR mechanism.

5.1.3 Technology, research and development status

1. R&D expenses invested of year 2022 till first quarter of 2023

Unit: thousand NT

Items	2022	First quarter 2023
R&D expenses	181,881	N/A

2. Developed technology or products

January 2022	PharmaEngine released the preliminary data of Phase I clinical studies of ONIVYDE® in combination with LONSURF® in treating multiple solid tumors in ASCO-GI 2022.
April 2022	The Company's ONIVYDE® combined with 5-FU/LV was granted the marketing authorization by the National Medical Product Administration (NMPA) in China for treating patients with pancreatic cancer that has failed the standard of care gemcitabine.
September 2022	PharmaEngine exercised option for a Worldwide Exclusive License Agreement to Sentinel Oncology Limited's CHK1 inhibitor (In-License)
November 2022	Onivyde regimen (NALIRIFOX) demonstrated statistically significant improvement in overall survival in 1L PDAC
January 2023	PharmaEngine announces poster presentation of preclinical data of PEP07 at the 6th Annual DDR Inhibitors Summit 2023
March 2023	Phase 1 clinical study of PEP07 has been approved by Australia HREC and acknowledged by Australia TGA

5.1.4 Long, short term business development plan

1. Short-term business plan

(1) Marketing Planning of ONIVYDE®

- A. Obtain the insurance pricing of new drugs in China to enlarge the market in Asia area through international partners
- B. Accomplish marketing plans and sales target in Taiwan

(2) Project Development

A. Project of PEP07

- a. Aggressively implement PEP07 pre-clinical efficacy testing and biomarker exploratory experiment on the hematologic cancers and solid cancers
- b. Keep implementing the clinical development plan for PEP07 project

B. Other Research Projects

- a. Accelerate the screening of new drug candidates

C. R & D strategy

- a. Aggressively in-licensing the new drug projects which meet the criteria of business strategy and core competence of PharmaEngine
- b. Accelerate the launch of new drug product by the way of international collaboration
- c. Enhance the Company's own R&D capacity with the help of diversified and innovative drug R&D platform collaboration models.

2. Long-term business plan
 - (1) Establish a competitive and diverse drug product line
 - (2) Continuous global layout

5.2 Market and production overview

5.2.1 Market analysis

1. Major commodities (services) sale (provided), market share

Major product (services)	Sales (Provide) region
ONIVYDE®	Authorized the right to develop and sell ONIVYDE® product in Asia (excluding Taiwan) and European region to Ipsen S.A.) and then sublicense to Servier for implementation. Sales in Taiwan will be handled by the Company

The Company is mainly engaged in the development of new drugs, currently has three new drug projects in progress, PEP07 is still in the development or clinical trial stage, not yet listed for sale, ONIVYDE®, the treatment use in pancreatic cancer patients after failure of receiving the standard drug gemcitabine. Approved by Taiwan FDA and US FDA in October 2015, and new drug market release permit by Europe EMA in October 2016, Japan MHLW in March 2020, and China NMPA in April 2022. According to World Health Organization's updated forecast in 2021, the cancer patients in the USA is around 56,000, approximately 153,000 in European region, and around 44,000 in Japan, and approximately 125,000 in China. Since pancreatic cancer is a highly malignant disease, the vast majority of patients have been found to have been locally invasive or have metastasized. Therefore, ONIVYDE® is currently the world's only pancreatic cancer treatment after the failure of first generic treatment drug gemcitabine, in addition, the product successively release to the market globally, hence the Company currently has no market share of the product that could be evaluated, but could forecast the product has great room for growth in the future.

2. Future market supply and demand condition, and growth

As the population grows, the structure is aging, health awareness increases, so the demand for drugs increases, therefore, global pharmaceutical industry still continued to increase in demand with stable development in the future. According to IQVIA company statistics, the forecast of global drug market size (includes new drugs, generic drugs and non-prescription drugs) will grow with 3%-6% compound annual growth rate, and reach 1.6 trillion USD in year 2025. The growth on the US and Japan markets, however, will slow down. In European Union, thanks to the use of generic drugs and biosimilar drugs, the market size will grow. Mainland China will also benefit from the marketing and sales of innovative drugs and see a constantly growing market for drugs. The development of innovative therapies, by the same token, will contribute to the fast growth in the market size for cancer drugs and immunosuppressive drugs. In addition, for dementia, Parkinson's disease, and other neurological disorders, innovative therapies will also become available to provide patients with better treatment strategies.

3. Competitive niche

- (1) PharmaEngine follows the successful experience in new drug development and provides in line with international standards and high quality clinical trials as competitive advantage.

- (2) International experience: The establishing of clinical development network and the regional partners in Asia, Europe and USA is conducive to the development of new drugs in the future.
 - (3) Experience in establishing the delegate trials and entrusting the production partners successfully developed Nano-transmission technology amplification process ability and passed the evaluation of quantity authorized people by EU.
 - (4) Sales revenue and profit have entered into a period of stable growth. Backed by stable cash flow, PharmaEngine continues to introduce international R&D themes.
4. Favorable and unfavorable factors in development prospect and solution
- (1) Favorable factor
 - A. PharmaEngine follows the project-based resource integration model to decentralize risks in the development of new drugs, to achieve a high success rate, and to shorten the lead time needed for marketing; the return on investment is increased in the development of new drugs.
 - B. The professional team of PharmaEngine answers to international trends and is devoted to investigation and survey for selection of new drugs that are suitable for licensing and to be introduced.
 - C. The experience in successfully developing new drugs and licensing enables compliance in subsequent R&D projects of PharmaEngine.
 - D. Greater flexibility and room for utilization in the core operation of the Company are made possible with the experience in creating sponsored studies and in managing contract production partners following the light asset operational model.
 - E. The international collaboration pattern gives PharmaEngine the altitude needed for strategic global deployment.
 - (2) Unfavorable factors and solution
 - Unfavorable factors:
 - A. Time consuming, high R&D expenses and high risk in developing new drugs, regardless of development process, animal testing or human clinical trials costs are increasingly expensive.
 - B. Currently, there is the lack of international business management and marketing experience of high-level expertise in Taiwan.
 - C. The value chain of new drug development industry is more complete in western countries comparing to us.
 - D. Pricing control of drugs around the world has become a trend whereby the recovery efficiency of new drug investment is expected to become more conservative.
 - Solutions :
 - A. PharmaEngine owns core professional new drug development, and infrastructure of new drug development platform meets the international standards. They could be applied to different drug developments.
 - B. PharmaEngine has established international cooperate network and cooperate model in the past 10 years. The use of strategic alliance cooperation and partners to develop together effectively reduces the risk of resources and new drug development.

- C. Correct strategy for new drug development, focusing on cancer area, and relatively easy to copy and use the past successful experience and international cooperation improve the chances of the success of new drug development.
- D. Enhance the Company's own R&D capacity with the help of diversified and innovative drug R&D platform collaboration models.

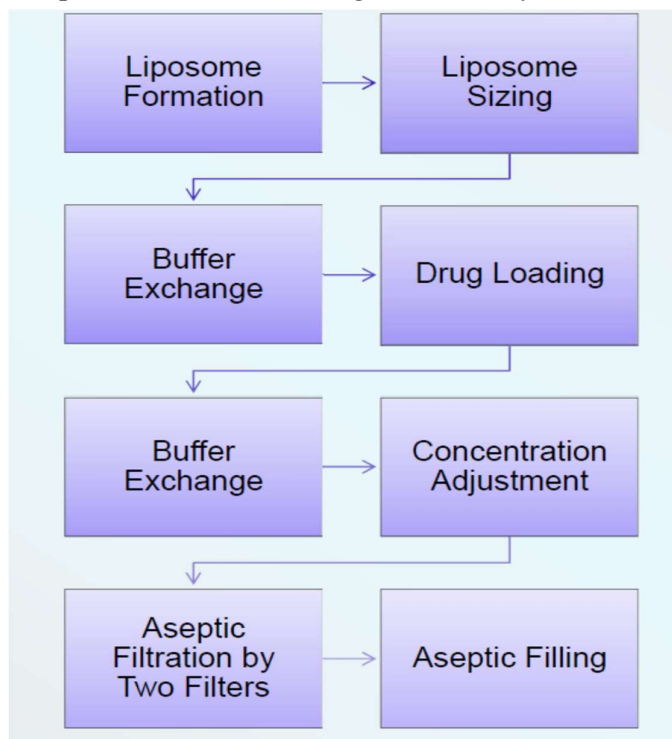
5.2.2 Important usage and production process of main product

1. Important usage of the Company's product

ONIVYDE® can be developed indications including gastric cancer, colorectal cancer (first or second-line treatment), cervical cancer, pancreatic cancer, lung cancer, brain cancer, breast cancer, children bone neoplasm, and ovarian cancer. Currently PharmaEngine will focus on the pancreatic cancer and other indications of clinical development.

PEP07 is currently in the IND-ready stage and its' target is to treat hematologic cancers and solid cancer such as Acute Myeloid Leukemia (AML) and Mantle Cell Lymphoma (MCL).

2. Production procedure: The following is a summary for ONIVYDE®:



5.2.3 Supplies of the main raw materials

The Company's ONIVYDE® combined therapy was approved by TFDA of the Taiwan Ministry of Health and Welfare for product launch. Its indication is the patients with metastatic pancreatic cancer after received gemcitabine. ONIVYDE® sold in Taiwan market is provided by Ipsen.

5.2.4 Total purchases (sales) are more than 10 percent in any year of the recent two fiscal year, customers' names, the purchases (sales) cost and proportions, and the causes of the changes

1. Main suppliers

Main suppliers of the most recent two fiscal year

Unit: Thousand NT

Items	2021				2022				Till first quarter of 2023 (note 2)			
	Name	Amount	Annual net total supplies ratio (%)	Relationship with the issuer	Name	Amount	Annual net total supplies ratio (%)	Relationship with the issuer	Name	Amount	Annual net total supplies ratio (%)	Relationship with the issuer
1	Ipsen	19,142	100	None	Ipsen	79,339	100	None	N/A			
	Others	0	0	-	Others	0	0	-				
	Net total supplies	19,142	100	-	Net total supplies	79,339	100	-				

Note 1: Listed total purchases (sales) are more than 10 percent in any year of the recent two fiscal year, supplier's names, the purchases (sales) cost and proportions, but due to contract agreement shall not disclose the supplier's name or subject is personal and non-related person, could be code-named.

Note 2: up to the printing date of the annual report, listing or company shares have been trading on the securities business premises, if the most recent financial statement are audited and certified by accountant, should be disclosed. First quarter of 2023 has not been certified by accountant.

2. Main customers

Main customers of the most recent two fiscal year

Unit: Thousand NT

Items	2021				2022				Till first quarter of 2023(note 2)			
	Name	Amount	Annual net total supplies ratio (%)	Relationship with the issuer	Name	Amount	Annual net total supplies ratio (%)	Relationship with the issuer	Name	Amount	Annual net total supplies ratio (%)	Relationship with the issuer
1	Zuellig	235,469	100	None	Zuellig	277,594	100	None	N/A			
	Others	0	0	-	Others	0	0	-				
	Net total supplies	235,469	100	-	Net total supplies	277,594	100	-				

Note 1: Listed total purchases (sales) are more than 10 percent in any year of the recent two fiscal year, customer's names, the purchases (sales) cost and proportions, but due to contract agreement shall not disclose the customer's name or subject is personal and non-related person, could be code-named

Note 2: up to the printing date of the annual report, listing or company shares have been trading on the securities business premises, if the most recent financial statement are audited and certified by accountant, should be disclosed. First quarter of 2023 has not been certified by accountant.

5.2.5 Production value of the most recent two fiscal year

Till March 2023, the Company's marketed product is ONIVYDE[®] sold in Taiwan market and provided by Ipsen, thus it is not appreciable.

5.2.6 Sales value of the most recent two fiscal year

Unit: Thousand needles; NTS Thousand

Sales value	Annual		2021				2022			
			Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
Main commodities										
Royalty revenue	N/A	0	N/A	419,366	N/A	0	N/A	376,789		
Sales revenue	10.9	235,469	0	0	13.9	277,594	0	0		
Total	10.9	235,469	N/A	419,366	13.9	277,594	N/A	376,789		

5.3 Status of employees

Employee data in the most recent two fiscal years till the printing date of the annual report

Mar. 31, 2023

Year		2021	2022	Mar 31, 2023
Number of Employees	Managerial officers	5	5	6
	R&D personnel	13	16	15
	Other employees	14	15	14
	Total	32	36	35
Average Age		44.73	43.51	44.02
Average Years of Service		7.10	5.86	6.24
Education (%)	Ph.D.	15.63%	16.67%	14.29%
	Masters	37.5%	44.44%	45.71%
	Bachelor's Degree	43.75%	38.89%	40.00%
	Senior High School	-	-	-
	Below Senior High School	3.12%	-	-

Note 1: Full time employees and work sites are in Taiwan

Note 2: All employees are nationality and permanent employees

5.4 Expenditures on Environmental Protection

5.4.1 Disbursements for environmental protection: any losses suffered by the Company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

The Company is located in the urban area of Taipei city, not an ecological reservation or habitat, and the Company does not have factories so it will not affect the ecology of conservation animals, and there is no violation of environmental laws and regulations, nor in accordance with the Basel Convention definition of output harmful waste.

Due to the specific operational characteristics of the Company, the main energy consumption comes from the purchased electricity, diesel fuel for emergency generators in the building, and gasoline for official vehicles. Since there is no production process, there is no process emission source. Since there is no need to consume too much power and water, the main source of pollution of the Company operation is general wastewater discharge and waste. The general wastewater is discharged into the sewage treatment plant through the sewage of Taipei city, and the waste is divided into two categories:

1. Recycle items:

- (1) Newspaper, Xerox paper, magazines etc. and various bottles, cans, glasses, metal scraps etc. are collected together by commissioned recycle company.
- (2) Scrapped computer equipments are collected by commissioned recycle companies or by the public welfare department to donate to the disadvantaged groups.
- (3) Kitchen waste is commissioned by recycle companies.

2. Unrecycled items: These are general daily waste and is collected by the building management committee centrally.

Year 2022 and up to the printing date of the annual report, the Company has not been subject to any environmental pollution violations.

5.4.2 Workplace environment and labor safety protection

The Company organizes employee safety and health education trainings from time to time to avoid accidents caused by ignorance. In addition, the Company will reinforce the related workplace environment safety management, environmental health maintenance, fire safety management, employee health management, and etc. to maintain the safety of employees.

1. Workplace environment safety management

- (1) Stipulate “Employee regulation” and specify the safety management items for employees to follow.
- (2) Implement the access control so the employees or visitors are required to swipe access card or validate.

2. Environmental cleaning

- (1) Office cleaning task: 3 times a week

- (2) Pest disinfection task: Twice a year
- (3) Drinking water inspection: Once every month
- (4) Air conditioning filter replacement: Once every 3 months

3. Fire safety

- (1) The building, according to the regulations, in which the Company is located, shall provide with a complete fire control system including alarm system, fire control system, and escape system.
- (2) The fire protection equipment of the building where the Company is located is commissioned by the qualified professional inspection company to carry out system function testing.
- (3) The premises of the Company are giving out fire drills and fire safety training courses, such as the use of fire extinguishers and fire hose, and hire professionals to give lessons on CPR and AED.
- (4) Other fire safety related facilities: Dry powder fire extinguishers are placed in public walkways according to the regulations and all the fire protection systems are regularly inspected and maintained.
- (5) The Company holds disaster prevention seminars from time to time.

4. Employees health management

- (1) General health checkup allowance for every employee every two years.
- (2) There was no occupational injury, occupational disease, and deaths in 2022.

5.5 Employee / Employer Relations

5.5.1 Listed the company's welfare measures, continuous studying, training, retirement system and its implementation, as well as the agreement between labor and employer and employees rights protection

1. Employees welfare measures

To create a good working environment, attract talents, and encourage employees to serve the Company for long term, the Company established welfare regulations and implemented welfare measures. Described as follows:

- (1) Bonus/Allowance
 - A. Annual bonus
 - B. Birthday gift: Birthday parties are held by the company and birthday bonus is given to the employees who have birthdays this month
 - C. Wedding gift: Wedding gift is from the company to congratulate the employee's wedding.
 - D. Fertility gift: Employee or employee's spouse can receive fertility gift.
 - E. Annual gift: Annual gifts on Dragon Boat Festival and mid-Autumn Festival are given by the company.
 - F. Disease and hospitalization condolence money: Employees may apply for the allowance from the company's group insurance or condolence money is given by the company.

- G. Disaster salvage subsidy: Salvage subsidy will be given according to the situation.
 - H. Funerals: The company will give the funerals of sympathy if the first-degree relatives (parents, children, spouse) or second-degree or third degree relatives of the employee pass away.
 - I. Health inspection subsidy: Health inspection allowance can be applied in the second year which the employee has worked at least one year in the company. Allowance given out once every two years.
 - J. Domestic and overseas travel subsidy:
 - a.Domestic travel: Fully subsidized except the new comers working less than one month
 - b.Overseas travel: Given out subsidy according to the annual budget. Calculated in proportion if working less than a year. If overseas travel is hosted by the company of that year, it is planned by the budget of that year. The subsidy for the new comers working less than a year will be calculated in proportion.
- (2) Leave regulation
- A. Special leave
 - B. Family care leave
 - C. Menstrual leave/ paid sick leave
 - D. Birth delivery(production)leave / maternity leave / paternity leave
- (3) Others
- A. Group insurance: Insured NT\$3 to 5 million for accident coverage according to job levels, NT\$30 thousand for injury medical insurance and hospitalization insurance.
 - B. Depending on the budget and needs, the company organizes dinner, spring wine and other activities from time to time.
2. Employee further education and training
- (1) According to the Company's education and training procedures, each department sets out a budget and implements the training courses during that year to strengthen peer professionalism and improve work efficiency and quality. The training courses include pre-employment training, internal and external on-the-job training, domestic/abroad training or other related trading courses, and provide feedback or sharing experience.
- (2) The implemented training course offered in 2022 as follows:
- Course Name :
ESMO 2022, Statistical Design of Clinical Trial Research Lecture Series, GHG Protocol, Greenhouse Gas Emissions Inventory training course, The New Revolution of Drug Discovery: Big Data and Artificial Intelligence Innovation, Practical measures to improve and implement the three lines of defense in effective risk management and internal control, Operational system audit focus and integration of cross-cycle operations, Foreign Business Negotiation Law Cours (2022), Fierce Leadership Training, Enterprise fraud detection and prevention practice, ISO27001 introduction summary and content, Trade Secret Protection and Regulatory Compliance, 37 in total.
 - Annual education and training costs: NT\$669 thousand dallars
 - Total trainees: 219 people
 - Total training time: 769 hours

- The average number of training hours per year is as follows:

Items		Male	Female
Average training time(hour)	Managerial Officers	20.9	22
	R&D Employees	20.1	33.8
	Other Employees	17.7	15.6

- (3) The Company will continue to uphold the concept of lifelong learning in the future to provide the employees the training opportunities and learning environment to develop the professional skills required by the work, to ensure employees play the best job performance, and to earn customers' trust. Then, achieves the win-win results among customers, shareholders, company and employees.

3. Retirement system

- (1) Effective July 1, 2005, the Company 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 Company 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.
- (2) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 were NT\$2,529 thousand.

4. The agreement between employers and employees and the employees' right and interests

The Company has not set up a union or safety and health committee, but set up a labor meeting at least once a quarter. The conference topics include labor welfare, safety and health, labor health, and labors/employers agreement. The participants are two representatives of employees and employer, the proportion of workers involved in labor meeting is one half.

The Company has voted two members of the welfare committees every year to handle the welfare of the employees including birthday celebration, company travel, family day, year-end party or spring wine, and other activities.

Any new or revised measures concerning the labor relations of the Company shall be finalized by the agreement between the employers and employees, so that no dispute arises and the relationship between employers and employees is harmonious.

5.5.2 List any losses suffered by the Company in the most recent years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

The relationship between the employers and employees of the Company was harmonious, and there was no lose suffered as a result of labor disputes in the most recent two fiscal years up to the printing date of the annual report.

5.6 Information Security Management

5.6.1 Information security risk management framework, information security policy, specific management plans, and resources devoted to manage information and communication security, etc.

The information security risk management framework of the Company is described below:

1. Purpose and scope of information security:

- (1) Target: employees, suppliers, customers, and operation-related information softwares and hardware equipments
- (2) Scope: To ensure information security of the Company, related regulatory systems, applied technologies, and data security criteria are defined and included as part of the management operation system in order to protect the privacy of employees, suppliers, and customers and maintain information security during business contact.

2. Information security risk management framework:

- (1) The Information Security Risk Management Group is convened and formed by the Vice President of Corporate Development. The Information Technology and the Finance & Accounting are responsible for planning and respective related business units will cooperate during the implementation to ensure valid information and communication security management through the Company.
- (2) The Information Security Risk Management Group is responsible for defining the information security management policy and periodically reflecting upon and modifying it.
- (3) Meetings are held periodically to discuss the implementation and the Board of Directors is reported to periodically each year on the implementation and it is discussed accordingly.
- (4) Information security policy:
 - A. Makes sure that the Company's operation is continued and the information technology service provided by the Company can be steadily used.
 - B. Ensures the confidentiality, integrity, and usability of the information assets in the custody of the Company and protects the privacy of staff data.
 - D. Prepares the information and communication security risk assessment and operation plan and implements information and communication security operating activities meeting applicable regulatory requirements.
 - E. Information and communication security specific management solution

Type of management	Operational measure
Authority management	Staff account management
	System privilege management
Access management	Internal data access control
	Analysis of operating records
Viral threat	Anti-virus and malware detection
System maintenance	Data backup measure
	Remote backup mechanism
	Disaster drill and data recovery

(5) Information security control measures

PharmaEngine Inc. conducted self-assessment on information security and network risks, of which the information security risks such as confidential data leaks on the Company's R&D products and Company's network hacking may cause material losses to the Company's finance and business.

A. The Company has various network security equipments (such as routers, switches and firewalls, etc.) in place to control or maintain daily operation of the company, but still cannot guarantee the company's network will not be hacked.

B. PharmaEngine Inc. currently reviews and evaluates the security precautions and periodically changes security settings to ensure network security. In order to reduce the risk of confidential data leaks, the Company's individual department has identified the key processes and confidential documents of each business, and adopted corresponding measure such as adequate improvement of the related processes and enhancing computer hardware and software.

C. From 2021, the Company began to plan the digital transformation and information security management, and entrust external information security technical experts. Officially introduced the ISO 27001 information management system in 2022 and passed the certification in January 2023. The validity period of the certificate is from January 30, 2023 to October 31, 2025.

D. Implementation status for the promotion of information security awareness in 2022: The Company has completed the information risk assessment report and conducted related promotion and training for 3 hours, which was participated by 35 people, including managers and employees, based on the content of this report.

E. The Company invested in NT\$1,514 thousand in 2022 for information security management related issues.

F. The Company became the member of TWCERT/CC in March, 2023, to effectively receive and deliver cyber security information.

5.6.2 List the losses, possible impacts and countermeasures caused by major Information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.: None

5.7 Mateial contracts

Mar. 31, 2023

Contract properties	Party	Contract start date	Main content	Limitation
Authorized licensing	Ipsen S.A.	2011.05 ~	Authorized development, sales and relevant rights of PEP02 product in Asia (excluded Taiwan) and Europe region to Ipsen S.A.	None
Cooperation and commissioned research contract	Guangzhou BeBetter Medicine Technology, Ltd. China	2013.01.03 until terminated by mutual agreement	Candidates for new drugs PEP06 research and development	None
License agreement	Sentinel Oncology Limited	2022.09.25 ~	Global research and development, manufacturing, and commercialization for new drug PEP07	None

VI. Financial Information

6.1 Most Recent 5-Year Condensed Financial Information

6.1.1 Condensed Balance Sheet- IFRS

1. Consolidated financial information

Unit: NT\$ Thousand

Item	Year	Financial Data in the most recent 5-years					Financial data up to March 31, 2023
		2018	2019	2020	2021	2022	
Current Assets		3,820,100	3,578,332	4,169,858	4,008,969	3,926,084	Not applicable
Property, plant, and equipment		5,055	35,253	22,947	7,893	25,916	
Intangible assets		602	426	828	597	2,510	
Other assets		21,028	29,381	13,278	8,884	12,032	
Total Assets		3,846,785	3,643,392	4,206,911	4,026,343	3,966,542	
Current liabilities	Before distribution	152,671	138,443	184,462	87,705	78,737	
	After distribution	298,338	211,276	548,454	475,416	N/A	
Noncurrent liabilities		0	21,954	11,316	0	15,728	
Total liabilities	Before distribution	152,671	160,397	195,778	87,705	94,465	
	After distribution	298,338	233,230	559,770	475,416	N/A	
Shareholder's equity attributable to parent company		3,694,114	3,482,995	4,011,133	3,938,638	3,872,077	
Common stock		1,473,028	1,466,668	1,465,968	1,465,968	1,456,868	
Advance receipts for share capital		0	0	0	0	0	
Additional paid-in capital		1,640,135	1,621,635	1,619,844	1,619,933	1,616,734	
Retained earnings	Before distribution	654,750	509,897	1,038,939	1,100,978	937,854	
	After distribution	509,083	437,064	674,947	713,267	N/A	
Other equity		(154)	(374)	1,213	0	(5,969)	
Treasury stock		(73,645)	(114,831)	(114,831)	(248,241)	(133,410)	
Other equity interest		0	0	0	0	0	
Total equity	Before distribution	3,694,114	3,482,995	4,011,133	3,938,638	3,872,077	
	After distribution	3,548,447	3,410,162	3,647,141	3,550,927	N/A	

2. Individual financial information

Unit: NT\$ Thousand

Item	Year	Financial Data in the most recent 5-years					Financial data up to March 31, 2023
		2018	2019	2020	2021	2022	
Current Assets		3,817,718	3,576,842	4,168,528	4,008,969	3,926,084	Not applicable
Property, plant, and equipment		3,773	28,179	17,404	7,893	25,916	
Intangible assets		602	426	828	597	2,510	
Other assets		25,123	31,411	14,551	8,884	12,032	
Total assets		3,847,216	3,636,858	4,201,311	4,026,343	3,966,542	
Current liabilities	Before distribution	153,102	136,820	182,581	87,705	78,737	
	After distribution	298,769	209,653	546,573	475,416	N/A	
Noncurrent liabilities		0	17,043	7,597	0	15,728	
Total liabilities	Before distribution	153,102	153,863	190,178	87,705	94,465	
	After distribution	298,769	226,696	554,170	475,416	N/A	
Shareholder's equity attributable to parent company		3,694,114	3,482,995	4,011,133	3,938,638	3,872,077	
Common stock		1,473,028	1,466,668	1,465,968	1,465,968	1,456,868	
Advance receipts for share capital		0	0	0	0	0	
Additional paid-in capital		1,640,135	1,621,635	1,619,844	1,619,933	1,616,734	
Retained earnings	Before distribution	654,750	509,897	1,038,939	1,100,978	937,854	
	After distribution	509,083	437,064	674,947	713,267	N/A	
Other equity		(154)	(374)	1,213	0	(5,969)	
Treasury stock		(73,645)	(114,831)	(114,831)	(248,241)	(133,410)	
Other equity interest		0	0	0	0	0	
Total equity	Before distribution	3,694,114	3,482,995	4,011,133	3,938,638	3,872,077	
	After distribution	3,548,447	3,410,162	3,647,141	3,550,927	N/A	

6.1.2 Comprehensive Income Statement - IFRS

1. Consolidated financial information

Unit: NTS Thousand, Earnings per share NTS

Item \ Year	Financial Data in the most recent 5-years					Financial data up to March 31, 2023
	2018	2019	2020	2021	2022	
Operating income	293,430	314,040	1,056,012	654,835	654,383	Not applicable
Gross Profit - net	280,547	282,241	1,018,778	617,762	604,684	
Operating profit or loss	42,440	32,610	809,705	362,689	282,739	
Non-Operating income and expenses	121,332	17,057	(57,230)	182,706	109,726	
Net income before tax	163,772	49,667	752,475	545,395	392,465	
Net income of continuing operations	129,362	42,550	604,281	426,031	318,783	
Loss of discontinued operation	0	0	0	0	0	
Net income (loss)	129,362	42,550	604,281	426,031	318,783	
Other comprehensive profit and loss (net)	(46)	(220)	1,587	(1,213)	0	
Total current comprehensive profit and loss	129,316	42,330	605,868	424,818	318,783	
Net income attributable to owners of the parent	129,362	42,550	604,281	426,031	318,783	
Net income attributable to other equity interest	0	0	0	0	0	
Total comprehensive profit and loss attributable to owners of the parent	129,316	42,330	605,868	424,818	318,783	
Total comprehensive profit and loss attributable to other equity interest	0	0	0	0	0	
Earnings per share(NT\$)	0.88	0.29	4.15	2.95	2.22	

2. Individual financial information

Unit: NT\$ Thousand, Earnings per share NT\$

Item \ Year	Financial Data in the most recent 5-years					Financial data up to March 31, 2023
	2018	2019	2020	2021	2022	
Operating income	293,430	314,040	1,056,012	654,835	654,383	Not applicable
Gross Profit - net	280,547	282,241	1,018,778	617,762	604,684	
Operating profit or loss	42,079	34,436	808,529	363,646	282,739	
Non-Operating income and expenses	121,693	15,231	(56,054)	181,749	109,726	
Net income before tax	163,772	49,667	752,475	545,395	392,465	
Net income of continuing operations	129,362	42,550	604,281	426,031	318,783	
Loss of discontinued operation	0	0	0	0	0	
Net income (loss)	129,362	42,550	604,281	426,031	318,783	
Other comprehensive profit and loss (net)	(46)	(220)	1,587	(1,213)	0	
Total current comprehensive profit and loss	129,316	42,330	605,868	424,818	318,783	
Net income attributable to owners of the parent	129,362	42,550	604,281	426,031	318,783	
Net income attributable to other equity interest	0	0	0	0	0	
Total comprehensive profit and loss attributable to owners of the parent	129,316	42,330	605,868	424,818	318,783	
Total comprehensive profit and loss attributable to other equity interest	0	0	0	0	0	
Earnings per share(NT\$)	0.88	0.29	4.15	2.95	2.22	

6.1.3 The Name and Opinion of the Independent Auditor in the Most Recent 5-Years

Year	CPA (Certified public accountant)	Audit opinions
2018	(PwC) Taiwan : Teng, Sheng-Wei and Audrey Tseng	Unqualified Opinion
2019	(PwC) Taiwan : Teng, Sheng-Wei and Audrey Tseng	Unqualified Opinion
2020	(PwC) Taiwan : Teng, Sheng-Wei and Yu, Shu-Fen	Unqualified Opinion
2021	(PwC) Taiwan : Liang, Hua-Ling and Yu, Shu-Fen	Unqualified Opinion
2022	(PwC) Taiwan : Liang, Hua-Ling and Yu, Shu-Fen	Unqualified Opinion

6.2 Financial analysis of the most recent five fiscal years

6.2.1 Consolidated Financial Ratio Analysis- IFRS

Analysis item		Year	Financial analysis in the most recent 5-years					Financial data up to March 31, 2023
		2018	2019	2020	2021	2022		
Finance structure%	Debt to assets ratio	3.97	4.40	4.65	2.17	2.38	Not applicable	
	Long term funds to property, plant, and equipment ratio	73,078.42	143,569.46	374,529.70	960,643.41	108,416.20		
Solvency%	Current ratio	2,502.18	2,584.70	2,260.55	4,570.96	4,986.32		
	Quick ratio	2,488.68	2,566.56	2,241.41	4,557.38	4,934.32		
	Interest coverage ratio	N/A	444.46	1,699.59	2,573.61	5,097.94		
Operating ability	Receivables turnover (times)	0.74	10.50	3.13	1.62	4.07		
	Average accounts receivable turnover days	493.24	34.76	116.61	225.30	89.68		
	Inventory turnover (times)	0.59	1.39	1.52	2.45	2.46		
	Payables turnover (times)	1.10	2.93	151.67	N/A	N/A		
	Average inventory turnover on sale	618.64	262.59	240.13	148.97	148.37		
	Property, plant, and property turnover (times)	47.08	83.96	603.44	882.52	327.51		
	Total asset turnover (times)	0.07	0.08	0.27	0.15	0.16		
Profitability	Return on assets (%)	3.25	1.14	15.40	10.35	7.97		
	Return on shareholder's equity (%)	3.40	1.19	16.13	10.71	8.16		
	Net income before tax to paid-in capital ratio	11.12	3.39	51.33	37.20	26.93		
	Profit margin (%)	44.09	13.55	57.22	65.05	48.71		
	Earnings Per Share (NT\$)	0.88	0.29	4.15	2.95	2.22		
Cash flow	Cash flow from operations ratio (%)	488.13	11.61	35.11	1,059.99	256.56		
	Cash Flow Adequacy Ratio (%)	2.32	1.88	1.53	1.24	1.49		
	Cash Flow Re-investment Ratio (%)	12.24	(3.75)	(0.20)	14.38	(4.80)		
Leverage	Operating leverage	5.81	7.58	1.21	1.60	1.98		
	Financial leverage	1	1	1	1	1		

6.2.2 Individual Financial Ratio Analysis- IFRS

Analysis item		Year	Financial analysis in the most recent 5-years					Financial data up to March 31, 2023
		2018	2019	2020	2021	2022		
Finance structure%	Debt to assets ratio	3.98	4.23	4.53	2.17	2.38	Not applicable	
	Long term funds to property, plant, and equipment ratio	97,909.20	225,875.16	805,356.71	960,643.41	108,416.20		
Solvency%	Current ratio	2,493.58	2,614.27	2,283.11	4,570.96	4,986.32		
	Quick ratio	2,480.59	2,596.38	2,264.19	4,557.38	4,934.32		
	Interest coverage ratio	N/A	629.70	2,436.19	3,247.39	5,097.94		
Operating ability	Receivables turnover (times)	0.74	10.50	3.13	1.62	4.07		
	Average accounts receivable turnover days	493.24	34.76	116.61	225.30	89.68		
	Inventory turnover (times)	0.59	1.39	1.52	2.45	2.46		
	Payables turnover (times)	1.01	2.93	151.67	N/A	N/A		
	Average inventory turnover on sale	618.64	250.00	240.13	148.97	148.37		
	Property, plant, and property turnover (times)	59.36	118.17	1,034.80	1,440.78	327.51		
	Total asset turnover (times)	0.07	0.08	0.27	0.15	0.16		
Profitability	Return on assets (%)	3.25	1.14	15.43	10.35	7.97		
	Return on shareholder's equity (%)	3.40	1.19	16.13	10.71	8.16		
	Net income before tax to paid-in capital ratio	11.12	3.39	51.33	37.20	26.93		
	Profit margin (%)	44.09	13.55	57.22	65.05	48.71		
	Earnings Per Share (NT\$)	0.88	0.29	4.15	2.95	2.22		
Cash flow	Cash flow from operations ratio (%)	487.81	11.26	35.80	1,059.42	256.56		
	Cash Flow Adequacy Ratio (%)	2.33	1.88	1.53	1.24	1.49		
	Cash Flow Re-investment Ratio (%)	12.30	(3.77)	(0.19)	14.36	(4.80)		
Leverage	Operating leverage	5.86	7.18	1.21	1.59	1.98		
	Financial leverage	1	1	1	1	1		

6.3 Most Recent Review Report by Audit Committee

PharmaEngine Company Limited

The Review Report of Audit Committee

To Shareholders of PharmaEngine, Inc.

The 2022 Business Report, Financial Statements, Consolidated Financial Statements, and proposal for Distribution of profits have been proposed by the Board of Directors. The foresaid Financial Statements and Consolidated Financial Statements have been audited and the unqualified audit report has been issued by the independent auditors, Liang, Hua-Ling and Yu, Shu-Fen of PricewaterhouseCoopers.

The Business Report, Financial Statements, Consolidated Financial Statements and proposal for Distribution of profits have been reviewed by the Audit Committee and were deemed to be acceptable. Therefore, the Audit Committee hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law.

PharmaEngine, Inc.

The Chairman of Audit Committee

Ming-Daw Chang

March 3, 2023

6.4 Consolidated Financial Report of 2022, includes accountant audit report, balance sheet, income statement, statement of changes in shareholders' quantity, cash flow statement of 2 years comparison chart and notes or attachments

6.4.1 Enterprises consolidated financial report statement

**PharmaEngine Company Limited
Enterprises consolidated financial report statement**

Year 2022 (From January 1st to December 31st, 2022), according to “Criteria Governing Preparation of Affiliation Report, Consolidated Business Reports and Consolidated Financial Statement of Affiliated Enterprises”, the listed enterprises included in the consolidated financial statement of affiliated enterprises and listed enterprises included in the consolidated financial statement of parent-subsidary companies in accordance with the International Financial Reporting Standards No. 10 are the same, and the disclosed related information in the consolidated financial statement of affiliated enterprises has already be disclosed in the consolidated financial statement of parent-subsidary, thus no further establishment of consolidated financial statement will be made.

Hereby declare

PharmaEngine, Inc.

Chairman : Jan-Yau Hsu

March 2, 2023

6.4.2 Financial statements of recent fiscal year: details in page 177 till page 216

6.4.3 Parent company only Financial statement of recent fiscal year: details in page 217 till page 267

6.5 The Company and its related enterprises in the recent fiscal year till the printing date of the annual report, should be disclosed the impact to the Company's financial status if there is a financial crisis: None

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Financial Conditions

Analysis of Financial Status

Unit: NT\$ Thousand

Items	Year	2021	2022	Difference	
				Amount	%
Current assets		4,008,969	3,926,084	(82,885)	(2.07)
Non-current assets		17,374	40,458	23,084	132.87
Total assets		4,026,343	3,966,542	(59,801)	(1.49)
Current liabilities		87,705	78,737	(8,968)	(10.23)
Non-current liabilities		-	15,728	15,728	100.00
Total liabilities		87,705	94,465	6,760	7.71
Common stock		1,465,968	1,456,868	(9,100)	(0.62)
Additional paid-in capital		1,619,933	1,616,734	(3,199)	(0.20)
Retained earnings		1,100,978	937,854	(163,124)	(14.82)
Other equity		-	(5,969)	(5,969)	(100.00)
Treasury stock		(248,241)	(133,410)	114,831	46.26
Total equity		3,938,638	3,872,077	(66,561)	(1.69)

7.1.1 Significant Changes in Assets, Liabilities and Equity in the Last Two Years and Their Impacts

1. The decrease in current assets and total assets was mostly attributed to the decrease in the recognition of cash and cash equivalents, current financial assets at amortized cost in 2022.
2. The increase in non-current assets was mainly because of the increase of right-of-use assets.
3. The increase in non-current liabilities was mostly attributed to the increase in non-current lease liabilities.
4. The decreases in retained earnings were mostly attributed to the appropriation of retained earnings legal reserve and retirement of treasury shares.
5. The decrease in treasury stock was due to the retirement of treasury shares in 2022.

7.1.2 Explanation of Significant Impacts on Future Plans

1. Impact: None
2. Future plan: Not applicable

7.2 Operating Results

Analysis of Operating Results

Unit: NT\$ Thousand

Items	Year		Difference	
	2021	2022	Amount	%
Total sales	654,835	654,383	(452)	(0.07)
Less: sales return	0	0	0	-
sales discount	0	0	0	-
Net sales	654,835	654,383	(452)	(0.07)
Cost of goods sold	(37,073)	(49,699)	(12,626)	(34.06)
Plus: Realized income with affiliated companies	0	0	0	-
Less: Unrealized income with affiliated companies	0	0	0	-
Gross profit	617,762	604,684	(13,078)	(2.12)
Operating expenses	(255,073)	(321,945)	(66,872)	(26.22)
Operating income (loss)	362,689	282,739	(79,950)	(22.04)
Non-operating income and expenses	182,706	109,726	(72,980)	(39.94)
Net income of continuing operating (Net loss)	545,395	392,465	(152,930)	(28.04)
Income tax (expenses) benefits	(119,364)	(73,682)	45,682	38.27
Net income(loss)	426,031	318,783	(107,248)	(25.17)
Other comprehensive income (loss)(net)	(1,213)	0	1,213	100.00
Total comprehensive income (loss) for the period	424,818	318,783	(106,035)	(24.96)

7.2.1 Major Reasons for Significant Changes in Total Sales, Operating Profit and Net Profit Before Tax in the Last Two Fiscal Years:

1. Major reasons for gross profit and operating income decreased compared to the same period last year: Gross profit, and operating income in 2022 decreased by NT\$13,078 thousand and NT\$79,950 thousand, respectively compared with 2021, mainly because the sales in Taiwan increased, the related costs increased and the gross profit decreased. In addition, due to the increase in research and development expenses, the operating income decreased.
2. Non-operating income and expense decreased as compared with the same period last year: This was mostly attributable to the compensation decreased in 2022, the termination contract with Nanobiotix S.A. company in 2021.

7.2.2 Expected Number of Sales and Its Basis:

ONIVYDE[®] is for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy. The sales of ONIVYDE[®] in 2023 in Taiwan are

estimated to be around 13,000-14,000 vials, based on the assumptions of the growth rate of incidence pancreatic cancer, the national health insurance policy, and the first-line products for pancreatic cancer treatment.

7.2.3 The Possible Impacts and Resolutions on the Company's Future Financial Business:

The Company's first new cancer drug ONIVYDE® is currently marketed in the USA, Europe, Taiwan, Singapore, Korea, Japan, and China. In addition, PharmaEngine will actively introduce new projects to accelerate and expand our R&D capacity, build diverse product lines, and strengthen our competitiveness, thereby producing positive effects on the Company's financing and business in the future.

7.3 Cash Flows

Cash flows analysis

Unit: NT\$ Thousand

Cash balance at the beginning of the period	Net cash flow from operating activities throughout the year	Net cash flow from investment and financing activities throughout the year	Cash surplus (insufficient) amount	Cash shortfalls remedial measures	
				Investment plan	Financial Plan
2,150,668	202,013	(583,822)	1,768,859	-	-

7.3.1 Analysis of Changes of Cash Flows in Recent Fiscal Year:

1. Net cash flow from operating activities: mostly attributable to the fact that most of the revenue sources in 2022 were sales revenues from ONIVYDE® in Taiwan and recognition of its royalties in Europe and Asia based on the net sales ratios and interest revenues.
After paying the relevant operating expenses, the net cash inflow from operating activities for the entire year was NT\$202,013 thousand.
2. Net cash outflow from investing and financing activities for the year: NT\$583,822 thousand, motly attributable to the increase of time deposits with a maturity of over three months maturing consecutively and the payment of cash dividends.

7.3.2 Liquidity Improvement Program: None

7.3.3 Analysis of Cash Flow for the Year Ahead:

Unit: NT\$ Thousand

Cash balance at the beginning of the period	Expected net cash flow from operating activities throughout the year	Expected net cash flow from investment and financing activities throughout the year	Expected cash surplus (insufficient) amount	Predicted cash shortfall of remedial measures	
				Investment plan	Financial plan
1,768,859	100,800	(287,194)	1,582,465	-	-

1. Cash flows from the operating activities: Mainly due to the estimated royalties from the sales in Europe and Asia, the sales in Taiwan and deduct the R&D Expenses for PEP07 & new products and related expenses, estimation of net cash flow by operation activities is NT\$100,800 thousand.
2. Estimated annual cash outflow of investment and financing actives: mainly due to the payment of cash dividends of NT\$287,194 thousand.
3. Cash shortfall of remedial measure and liquidity analysis: Not applicable.

7.4 Impact of major capital expenditures on the financial business in the most recent year

7.4.1 Major use of capital expenditures and sources of funding: None

7.4.2 Impact on financial operation: Not applicable

7.5 Reasons and remedial plans for investment gain or loss occurred in the most recent years and the investment plan for the upcoming year

Currently, the Company has no investee enterprises.

7.6 Risk matters should be analyzed and evaluated matters

7.6.1 Interest rate, exchange rate, inflationary impact on the profit and loss of the Company and future measures

1. Impact on the profit and loss of the company on changes of interest rate and exchange rate in 2022

Items	Year 2022	
	Interest received	Exchange loss(gain)
Net amount	NT\$25,492 thousand	NT\$8,800 thousand
Net revenue ratio	3.90%	1.34%
Net profit pre-tax ratio	6.50%	2.24%

2. Future measures
 - (1) Interest rate: The Company has no bank borrowings. For interest income from the bank, the Company will strengthen a close relationship with the bank to understand the trend of the interest rate in order to obtain the most favorable interest rate on deposits.
 - (2) Exchange rate: The exchange rate risk of the Company is mainly related to business activities (when the currency used for revenue or expenses is different from the functional currency of the Company). Periodically review the international currency market fluctuation of the major currencies and the trends of international changes to non-economic factors to grasp the exchange rate fluctuation for responses in time. When bargain the commissioning R&D contract or pay the technical licensing fee for foreign manufactures, we shall take into consideration of the Company's foreign currency account and make a payment through foreign currency account. When a large number of foreign currency revenues are to be recognized on the company's account, it is appropriate to make use of hedging instruments for derivative financial products to reduce the risk arising from changes in exchange rates.
 - (3) Inflation: According to the statistics of the Executive Yuan, the annual consumer price index increased by 2.95% in the year of 2022, and had no significant impact on the profit and loss of the Company.

7.6.2 Major reasons of the policy, profit or loss in engaging high risk, highly leverage investment, capital loan and endorsement guarantee and derivative commodity transaction and future measures

1. The Company has not engaged in high risk or highly leverage investment. All of the investments have been carefully evaluated and executed in accordance with the Company's regulation. The Company has not loaned funds to others and has not endorse for others. In addition, there is no derivative financial transactions.
2. The types, objectives, methods, results and accounting treatment of the applicable financial products (including derivative financial products): The Company never engages in derivative financial transactions so never uses hedge accounting.
3. In the future, if the Company needs to be financed due to business needs, endorsement for others or engaging in derivative financial transactions, it shall still follow the Company's relevant regulations and make announcement correctly on all information in a timely manner.

7.6.3 Future R&D plans and estimated expenses

1. Current progress of R&D plans in recent fiscal year and unfinished projects

Current progress of R&D plans of ONIVYDE[®] and PEP07 in recent fiscal year are as follows:

(1) ONIVYDE[®]

- A. Current progress of R&D plans in recent fiscal year and unfinished projects
ONIVYDE[®] was authorized to Merrimack USA in May. 2011. However, Merrimack USA sold the products to Ispene in Apr. 2017. PharmaEngine Inc. and our partner have already completed numerous human clinical trials for ONIVYDE[®], and over 700 cancer patients worldwide have been involved in the drug-related clinical trials, including four phase I human clinical trials, three phase II human clinical trials (stomach cancer, pancreatic cancer and colorectal cancer), and three phase III human clinical trials (first-line/ second-line pancreatic cancer and second-line small cell lung cancer). It has lunched in the US, Europe, South Korea and Japan. In addition, clinical trial indications to extend product life as part of product life cycle management is still ongoing in Taiwan.
- B. Expected R&D expense: the Company pays for the clinical trial indications to extend product life as part of product life cycle management. Expected R&D expenses are approximately NT\$12,000 thousand in 2023.
- C. The key factors influencing the success of this pharmaceutical development are: Whether the safety, efficacy, and convenience of ONIVYDE[®] meet the requirements of various countries on pharmaceuticals approval and markets.

(2) PEP07

- A. PharmaEngine signed an exclusive license agreement with Sentinel Oncology Limited in November 2020. Both parties will jointly develop a new drug known as PEP07 (R&D code SOL-578), which is a checkpoint kinase 1 inhibitor (Chk1 inhibitor).
- B. PEP07 is currently in pre-clinical and clinical stage, with the aim of treating various hema and solid tumors.
- C. At present, PEP07 involves R&D-related work on investigational product in GLP toxicology and IND-enabling studies to speed up subsequent human clinical trials.
- D. PEP07 applied for the first phase of clinical human trials for in Australia in December, 2022 and its' target is to treat Acute Myeloid Leukemia (AML) and Mantle Cell Lymphoma (MCL). Expected R&D expenses are approximately NT\$44,000 thousand in 2023.
- E. According to the contract of the two parties, PharmaEngine and Sentinel Oncology Limited, PharmaEngine will be responsible for all R&D expenses. Expected R&D expenses are approximately NT\$37,000 thousand in 2023.
- F. The key factors influencing the success of PEP07 are: Timeliness of product development process and rigorous and innovative compliance meet the requirement of various countries on pharmaceuticals approval.

2. Future R&D plans and estimated expenses

(1). ONIVYDE[®]

- A. Future R&D plans
In the future, clinical trials to extend product lifecycle management will continue in Taiwan.
- B. Estimation of R&D expenses
Expected R&D expenses are approximately NT\$12,000 thousand in 2023.

(2). PEP07

- A. Future R&D plans
Pre-clinical trials and clinical trials will continue in Taiwan ◦

B. Future R&D expense

Expected R&D expenses are approximately NT\$81,000 thousand in 2023.

7.6.4 The impact of important policies and legal changes in Taiwan and foreign country on the Company's financial business and measures

1. The impact of important policies and legal changes in Taiwan and foreign country on the Company's financial business:

- (1) In the global developmental trends featuring a shift from disease treatment to disease prevention in biotech and medical technologies and cross-disciplinary collaboration in predictive and digital technologies, to promote the biotech and pharmaceutical sector in Taiwan and to combine the strengths that Taiwan has in medical technology and information and communication technology, the government amended the “Act for the Development of Biotech and Pharmaceutical Industry” in December 2021 and revised preferred deductions for R&D equipment, capital, and machinery/equipment to help promote the development of advanced medical and high-tech products, to encourage cross-disciplinary collaboration between the biotech sector and the information and communication sector, and to maximize manufacturing momentum and thus boost the scale of the biotech and pharmaceutical sector in Taiwan and grow emerging technologies as the cornerstones of the country.
- (2) US President Joe Biden announced in the beginning of 2022 the re-activation of the “Cancer Moonshot” Initiative devoted to cut the death rate of cancers in half within the next 25 years. The US Congress authorized in 2016 to provide USD 1.8 billion (around NT 50 billion) to the initiative within 7 years as the budget. At present, USD 410 million (around NT 11.4 billion) remains to support the coming two fiscal years. The “Cancer Moonshot” Initiative began in 2016 when Joe Biden was the Vice President during the Obama administration. The US announced back then to join hands with Taiwan and Canada, among other countries, 11 in total, to begin large-scale analysis among cancer patients. Two teams from Taiwan in total took part, which are Academia Sinica/National Taiwan University and Chang Gung University and Hospital.
- (3) The “Inflation Reduction Act of 2022” was signed by President Biden in August 2022. This historic act seeks to make health-maintaining medicines more affordable for millions of Medicare enrollees while allowing more people the ability to purchase the insurance of the “Affordable Care Act” (ACA, also known as Obamacare). The bill also allows Medicare card holders to negotiate prescription drug price, which allows the elderly to pay less for prescription drugs. As the bill expands to subsidize ACA health insurance, 13 million people will continue to save an average of US\$800 a year in health insurance costs.

2. Response measures:

- (1) PharmaEngine will apply for the related lease benefits under the Act for the Development of Biotech and Pharmaceutical Industry.
- (2) PharmaEngine finalized and continued to devote to the licensing and R&D of “precision” anti-cancer new drugs answering to the international trends and the “Cancer Moonshot” Initiative.
- (3) PharmaEngine will re-examine the research projects and discuss the follow-up R&D strategy and clinical layout to lower the drug price control's impact on the Company's research projects .

7.6.5 The impact of technological change and industrial change on the Company's financial business and response measures

Over the past two years, the rampant COVID-19 pandemic has impacted the development of many new drugs, which, without a doubt, is also adding the challenges to market access. Despite the pandemic, for the US FDA, 2021 marked an outstanding year in the approval of drugs irrelevant to COVID-19. During this period, more so-called "next-generation" drugs were approved and these next-generation drugs featuring unprecedented new drugs and regenerative medicine are not only equipped with a mechanism of action completely different from that of any existing therapy but also clinical application more precisely. Hence, they are more competitive on the market and rapid developments have been noted on a yearly basis.

The Company's second-line drug ONIVYDE[®] for pancreatic cancer is available on the market in multiple countries and is reaching out to additional regions (China) and indications (the first-line pancreatic cancer). With everything going well, it should bring a positive influence on the future financial structure of the Company and be in favor of the Company continuing with related operational plans.

Regarding Information security risks, the Company has worked with external Information security technical experts and obtained ISO 27001 certification to strengthen the Company's information security management system.

Therefore, technological changes and industrial changes over the short term will not impact the Company's operation significantly right away; positive feedback, however, may be possible on the Company's proactive effort in the R&D of precision cancer new drugs such as PEP07 or other new projects and obtaining ISO27001 .

7.6.6 Impact on enterprise crisis management by changing corporate image and countermeasures

The Company continues to use the "Virtual Pharmaceutical Company Business Model" model, with a light asset structure and international strategic alliances, to carry out new drug development, reduce the risk of new drug research and development, and speed up the pace of product launch to achieve the purpose of tripartite co-prosperity, including medical treatment, patients, and enterprises.

The Company's ONIVYDE[®] products are currently on the market in the United States, Europe, Taiwan, South Korea, Japan and China. This is a proof of the Company's commitment to the development of new drugs and has been awarded to domestic and foreign medical institutions and the professionals' affirmations from new drug development fields. Besides, we are committed to improving corporate governance and fulfilling our corporate social responsibilities, which bring a positive impact on corporate reputation or corporate credit worthiness.

7.6.7 The anticipated benefits of the merger, possible risk and the countermeasures: None

7.6.8 Expected benefits of the plant expansion, the possible risks and the countermeasures: None

7.6.9 The anticipated risk of purchase or sales concentration and the countermeasures:

1. Purchase concentration risk

The Company purchases ONIVYDE[®] from Ipsen (France). Ipsen is the Company's authorized partner on product ONIVYDE[®]. In addition, the Company could decide whether or not to manufacture based on the sales status of the product in order to ensure the sale of the Company's product are not affected by the restrictions of purchasing resources

2. Sales concentration risk

The major sale subjects of the Company's product ONIVYDE[®] are domestic medical centers, regional hospitals, and other medium/large hospitals ; therefore, there is no risk of sales concentration.

7.6.10 Directors, supervisors or shareholders of the shareholding exceeds 10%, impact on the Company when huge equity transfer or replacement, risk and countermeasures

The most recent fiscal year and up to the printing date of the annual report, none of the huge equity transfer or replacement occurred for directors or shareholders of the shareholding exceeds 10%.

7.6.11 Impact on operation change of the Company, risk and countermeasures

The most recent fiscal year and up to the printing date of the annual report, the company has no change in its operating rights.

7.6.12 Litigation or non-litigation, directors, supervisors, general managers, entities in charge of the company that has more than 10% of the shareholdings and affiliated companies which have been determined or still in major lawsuit, non-litigation or administrative litigation, the outcome may be a significant impact on shareholders' equity or securities prices, should disclose the dispute matters, amount of the target, litigation began date, main litigants and up to the printing date of the annual report:

1. In the most recent two fiscal years up to the printing date of the annual report, which have been determined or still in major lawsuit, non-litigation or administrative litigation, the outcome may be a significant impact on shareholders' equity or securities prices, should disclose the dispute matters, amount of the target, litigation began date, main litigants: The Company has no lawsuit, non-litigation or administrative disputes in the most recent two fiscal years up to the printing date of the annual report.

2. In the most recent two fiscal years up to the printing date of the annual report, the Company's directors, supervisors, general managers, entities in charge of the company that has more than 10% of the shareholdings and affiliated companies which have been determined or still in major lawsuit, non-litigation or administrative litigation, the outcome may be a significant impact on shareholders' equity or securities prices:

(1) Directors (includes major shareholders' shareholding ratio of more than 10%)

A. TTY Biopharm Co. Ltd. (Hereinafter referred to TTY Biopharm)

a. In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the exchairman of the Company, Rong Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan Supreme Court. On December 23, 2021 the Supreme Court sent it back to the Taiwan High Court for remand. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin' s offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called "Risperidone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of

trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29, 2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.

- b. On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress at Cantonal Court of Zug in Switzerland.
- c. On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of December 31, 2022, the monies incurred from the agreement in dispute in the amount of \$21,456 thousand euros have been deposited into the escrow account by Janssen.
- d. With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative action for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case was further remanded to Taiwan High Court, which ruled that the agreement between the Company and CLI for the development of the Risperidone drug did not exist. CLI has filed an appeal to the Supreme Court on December 21, 2022, and the case will be transferred to the Supreme Court for trial.
- e. On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. The case is still in progress at Labor Court Dresden of Germany.
- f. On May 14, 2021, the Company was penalized by the Fair Trade Commission for concerted action due to the agreement it entered with Lotus Pharmaceutical Co., Ltd. on February 4, 2009 regarding the exclusive right to sell "Furil Capsules". On July 12, 2021, the Company filed a complaint with the Taipei High Administrative Court to revoke the above penalty. The case is still in progress by the Taipei High Administrative Court.

In summary, the lawsuits, non-litigations or administrative litigation incidents mentioned above has yet to be given by the courts, the final ruling does not yet have a significant impact on the Company's shareholders equity or securities prices.

B. Other directors and major shareholders: None

(2) General Manager: None

(3) Affiliated companies: None

7.6.13 Other important risks and response measures: None

7.7 Other important matters

7.7.1 KPI (Key Performance Indicator)

The Company's major business is new drug development, has key indicator of specialty of the industry, the main purpose of new drug development is if its reaching the milestone, the following is a summary of the industry's specific KPI for year 2022:

KPI	2022 Target	2022 Actual situation	KPI success rate
Company development perspective	Achieve the annual budget target	Exceeded the annual budget target	100%
	Achieve the sales target of ONIVYDE® in Taiwan	Sales revenue of ONIVYDE® reached 270 million in Taiwan	123%
Product development perspective	Launch new internal projects	New internal projects have been successfully launched	100%
	Introduce new external projects	Successfully introduced new external projects	100%

7.7.2 Assessment basis and foundation of assets and liabilities accounts evaluation

1. Assessment basis and foundation of credit risk

- (1) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- (2) According to IFRS 9, the Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach using the provision matrix to estimate expected credit loss. Expected credit losses are reassessed and calculated each year.
- (3) The Company used the forecastability of business indicators issued by the National Development Council to adjust historical and timely information to assess the default possibility of accounts receivable. In 2022, the Company's loss allowance for credit risk was NT\$21 thousand.

2. Assessment basis and foundation of allowance for inventory valuation and obsolescence losses

Loss for market price decline:

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Loss for obsolete and slow-moving inventories :

Warehouse for obsolete and slow-moving inventories: Make provision of 100%; Effect duration less than half a year: Make provision of 70%; Validity period has expired: Make provision of 100%.

In 2022, the Company's provision of allowance for reduction of inventory to market was NT\$0 thousand.

3. Depreciation method and duration of property, plant and equipment

- (1) The Company currently does not own any real estate or plant. 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.
- (2) 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:

Items	Durability
Computer communication equipment	3~6 Years
Office equipment	5 Years
Testing equipment	5 Years
Leasehold improvements	3~5 Years
Transportation equipment	5 Years

4. Leasing arrangements (lessee)-right-of-use assets/lease liabilities

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

(2) 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 fixed payments, less any lease incentives receivable.

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

(3) At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

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

5. Assessment basis and foundation of financial assets

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

7.7.3 Operation department analysis

The Company and its subsidiary are mainly engaged in the research of new drugs. The Company and its subsidiary operate business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

VIII.Special Disclosures

8.1 Related Enterprises information

(1) Related enterprises consolidated operating report

The Company has no investee enterprises currently.

(2) Related enterprises consolidated financial statement:

Year 2022, according to “Criteria Governing Preparation of Affiliation Report, Consolidated Business Reports and Consolidated Financial Statement of Affiliated Enterprises”, the listed enterprises included in the consolidated financial statement of affiliated enterprises and listed enterprises included in the consolidated financial statement of parent-subsidary companies are the same, and the disclosed related information in the consolidated financial statement of affiliated enterprises has already be disclosed in the consolidated financial statement of parent-subsidary companies, thus no further establishment of consolidated financial statement will be made.

(3) Relationship report:

A. Provision of endorsements and guarantees to others: None.

B. Loans to others: None.

C. Trading in derivative instruments undertaken during the reporting periods: None.

8.2 The recent fiscal year till the printing date of the annual report, private equity securities management: None

8.3 The recent fiscal year till the printing date of the annual report, subsidiaries holding or disposal of the Company's shares: None

8.4 Other necessary supplementary notes:

Any events in 2022 and as of the printing date of the annual report that had material impacts on shareholders' interests or securities pricies as stated in item 3 paragraph 2 of Article 36 of Securities and Exchanbe Act of Taiwan: None

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of PharmaEngine, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of PharmaEngine, Inc. and its subsidiary (the “Group”) as at December 31, 2022 and 2021, 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, 2022 and 2021, 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 that came into effect 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 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 2022 consolidated financial statements are stated as follows:

Accuracy of licensing revenue recognition

Description

The Group is mainly engaged in technology out-licensing. The licensing revenue amounted to NT\$376,789 thousand, constituting 58% of total operating revenue for the year ended December 31, 2022. Refer to Note 4(22) for the accounting policy on licensing revenue recognition and Note 6(14) for the details of royalty revenue. The Group recognizes revenue in accordance with the terms and conditions specified in each license contract. As the amount of revenue is significant, we considered the accuracy of licensing revenue recognition a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

1. Obtaining management's policy on licensing revenue, and confirming whether the recognition of licensing revenue has complied with the internal control procedure.
2. Checking the contents of license contract, and confirming whether management's judgment on revenue recognition is in accordance with the terms of the contract and related accounting standards.
3. Confirming whether the recognition of revenue has proper supporting documents.

Existence of cash in banks

Description

The balance of cash and cash equivalents amounted to NT\$1,768,859 thousand, constituting 45% of consolidated total assets at December 31, 2022. 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. As of December 31, 2022, time deposits that did not meet the definition of cash equivalents amounted to NT\$1,836,840 thousand, constituting 46% of consolidated total assets and were classified as financial assets at amortised cost. Given that cash in banks comprise a significant percentage of consolidated total assets, we considered the existence of cash in banks a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

1. Confirming the special agreement on bank accounts with financial institutions including existence, rights and obligations.
2. Verifying whether the contact information of the bank is true and correct.
3. Obtaining bank reconciliation at end of period and checking unusual adjustments, and reviewing their nature and the reason that unusual adjustments occurred in order to check the reasonableness of the reconciliation.
4. Inspecting the source documents of significant cash receipts and payments to verify whether the transactions are for business needs.
5. Conducting physical inspection of certificates of deposit.
6. Confirming whether the classification of time deposits is in compliance with the policy described in Note 4(6).

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of PharmaEngine, Inc. as at and for the years ended December 31, 2022 and 2021.

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

Yu, Shu-Fen

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan
March 2, 2023

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 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 financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 1,768,859	45	\$ 2,150,668	54
1110	Current financial assets at fair value through profit or loss	6(2)	55,591	1	-	-
1136	Current financial assets at amortised cost	6(3)	1,836,840	46	1,663,000	41
1140	Current contract assets	6(14)	91,424	2	113,792	3
1170	Accounts receivable, net	6(4)	68,914	2	46,685	1
1200	Other receivables	4(3)	6,752	-	6,268	-
1220	Current tax assets		56,756	2	16,566	1
130X	Inventory	6(5)	34,375	1	5,432	-
1410	Prepayments		6,573	-	6,482	-
1479	Other current assets		-	-	76	-
11XX	Total current assets		<u>3,926,084</u>	<u>99</u>	<u>4,008,969</u>	<u>100</u>
	Non-current assets					
1600	Property, plant and equipment, net	6(6)	3,586	-	410	-
1755	Right-of-use assets	6(7)	22,330	1	7,483	-
1780	Intangible assets		2,510	-	597	-
1840	Deferred income tax assets	6(22)	9,537	-	4,984	-
1900	Other non-current assets		2,495	-	3,900	-
15XX	Total non-current assets		<u>40,458</u>	<u>1</u>	<u>17,374</u>	<u>-</u>
1XXX	Total assets		<u>\$ 3,966,542</u>	<u>100</u>	<u>\$ 4,026,343</u>	<u>100</u>
	Liabilities and Equity					
	Current liabilities					
2200	Other payables	6(8)	\$ 69,942	2	\$ 71,994	2
2230	Current tax liabilities		-	-	6,918	-
2280	Current lease liabilities		7,537	-	7,593	-
2300	Other current liabilities		1,258	-	1,200	-
21XX	Total current liabilities		<u>78,737</u>	<u>2</u>	<u>87,705</u>	<u>2</u>
	Non-current liabilities					
2570	Deferred income tax liabilities	6(22)	919	-	-	-
2580	Non-current lease liabilities		14,809	-	-	-
25XX	Total non-current liabilities		<u>15,728</u>	<u>-</u>	<u>-</u>	<u>-</u>
2XXX	Total liabilities		<u>94,465</u>	<u>2</u>	<u>87,705</u>	<u>2</u>
	Equity					
	Share capital					
3110	Common stock	6(11)	1,456,868	37	1,465,968	36
	Capital surplus					
3200	Capital surplus	6(12)	1,616,734	40	1,619,933	41
	Retained earnings					
3310	Legal reserve	6(13)	279,652	7	237,049	6
3350	Unappropriated retained earnings		658,202	17	863,929	21
	Other equity interest					
3400	Other equity interest		(5,969)	-	-	-
3500	Treasury stocks	6(11)	(133,410)	(3)	(248,241)	(6)
3XXX	Total equity		<u>3,872,077</u>	<u>98</u>	<u>3,938,638</u>	<u>98</u>
	Significant contingent liabilities and unrecognized contract commitments					
	Significant events after the balance sheet date					
3X2X	Total liabilities and equity		<u>\$ 3,966,542</u>	<u>100</u>	<u>\$ 4,026,343</u>	<u>100</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE DATA)

				Years ended December 31,			
				2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	\$ 654,383	100	\$ 654,835	100		
5000	Operating costs	(49,699)	(8)	(37,073)	(6)		
5900	Gross profit	<u>604,684</u>	<u>92</u>	<u>617,762</u>	<u>94</u>		
	Operating expenses						
6100	Selling expenses	(45,104)	(7)	(36,731)	(6)		
6200	General and administrative expenses	(94,953)	(14)	(81,670)	(12)		
6300	Research and development expenses	(181,881)	(28)	(136,887)	(21)		
6450	Expected credit impairment (loss) gain	(7)	-	215	-		
6000	Total operating expenses	(321,945)	(49)	(255,073)	(39)		
6900	Operating profit	<u>282,739</u>	<u>43</u>	<u>362,689</u>	<u>55</u>		
	Non-operating income and expenses						
7100	Interest income	25,569	4	15,423	2		
7010	Other income	29,975	5	182,245	28		
7020	Other gains and losses	54,259	8	(14,750)	(2)		
7050	Finance costs	(77)	-	(212)	-		
7000	Total non-operating income and expenses	<u>109,726</u>	<u>17</u>	<u>182,706</u>	<u>28</u>		
7900	Profit before income tax	<u>392,465</u>	<u>60</u>	<u>545,395</u>	<u>83</u>		
7950	Income tax expense	(73,682)	(11)	(119,364)	(18)		
8200	Profit for the year	<u>\$ 318,783</u>	<u>49</u>	<u>\$ 426,031</u>	<u>65</u>		
	Other comprehensive income (loss), net						
	Components of other comprehensive income (loss) that will be reclassified to profit or loss (after tax)						
8361	Exchange differences on translation	\$ -	-	(\$ 1,213)	-		
8300	Other comprehensive loss for the year, net	<u>\$ -</u>	<u>-</u>	<u>(\$ 1,213)</u>	<u>-</u>		
8500	Total comprehensive income for the year	<u>\$ 318,783</u>	<u>49</u>	<u>\$ 424,818</u>	<u>65</u>		
	Profit attributable to:						
8610	Owners of the parent	<u>\$ 318,783</u>	<u>49</u>	<u>\$ 426,031</u>	<u>65</u>		
	Comprehensive income attributable to:						
8710	Owners of the parent	<u>\$ 318,783</u>	<u>49</u>	<u>\$ 424,818</u>	<u>65</u>		
	Earnings per share (in dollars)						
9750	Basic earnings per share	<u>\$ 2.22</u>	<u>\$ 2.95</u>				
9850	Diluted earnings per share	<u>\$ 2.22</u>	<u>\$ 2.94</u>				

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent										Total equity
	Capital Reserves				Retained Earnings			Other Equity Interest			
	Common stock	Additional paid-in capital	Employee stock warrants	Employee restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unearned compensation	Treasury stocks	
Year ended December 31, 2021											
	\$ 1,465,968	\$ 1,552,905	\$ 66,939	\$ -	\$ 176,620	\$ 375	\$ 861,944	\$ 1,213	\$ -	(\$ 114,831)	\$ 4,011,133
Profit after income tax for the year ended December 31, 2021	-	-	-	-	-	-	426,031	-	-	-	426,031
Other comprehensive loss	-	-	-	-	-	-	-	(1,213)	-	-	(1,213)
Total comprehensive income (loss)	-	-	-	-	-	-	426,031	(1,213)	-	-	424,818
Amortization of compensation cost of employee stock options	-	-	89	-	-	-	-	-	-	-	89
Purchase of treasury stocks	-	-	-	-	-	-	-	-	-	(133,410)	(133,410)
Employee stock options expired	-	6,098	(6,098)	-	-	-	-	-	-	-	-
Appropriations and distribution of 2020 retained earnings	6(13)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	60,429	-	(60,429)	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(375)	375	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	-	(363,992)	-	-	-	(363,992)
Balance at December 31, 2021	\$ 1,465,968	\$ 1,559,003	\$ 60,930	\$ -	\$ 237,049	\$ -	\$ 863,929	\$ -	\$ -	(\$ 248,241)	\$ 3,938,638
Year ended December 31, 2022											
Balance at January 1, 2022	\$ 1,465,968	\$ 1,559,003	\$ 60,930	\$ -	\$ 237,049	\$ -	\$ 863,929	\$ -	\$ -	(\$ 248,241)	\$ 3,938,638
Profit after income tax for the year ended December 31, 2022	-	-	-	-	-	-	318,783	-	-	-	318,783
Total comprehensive income	-	-	-	-	-	-	318,783	-	-	-	318,783
Retirement of treasury stocks	(10,000)	(10,635)	-	-	-	-	(94,196)	-	-	114,831	-
Employee stock options expired	-	22,163	(22,163)	-	-	-	-	-	-	-	-
Issuance of employee restricted stocks	6(10)	900	-	7,436	-	-	-	-	(8,336)	-	-
Compensation cost of employee restricted stocks	6(10)	-	-	-	-	-	-	-	2,367	-	2,367
Appropriations and distribution of 2021 retained earnings	6(13)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	42,603	-	(42,603)	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	-	(387,711)	-	-	-	(387,711)
Balance at December 31, 2022	\$ 1,456,868	\$ 1,570,531	\$ 38,767	\$ 7,436	\$ 279,652	\$ -	\$ 658,202	\$ -	(\$ 5,969)	(\$ 133,410)	\$ 3,872,077

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

PHARMAENGINE, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2022	2021
Cash flows from operating activities			
Profit before income tax for the year		\$ 392,465	\$ 545,395
Adjustments to reconcile net profit to net cash provided by operating activities:			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12(2)	7	(215)
Depreciation	6(6)(7)(20)	8,172	10,031
Amortization	6(20)	439	232
Amortization of compensation cost of share-based payments	6(10)	2,367	89
Interest income	6(16)	(25,569)	(15,423)
Interest expense	6(19)	77	212
Gain on lease modification	6(7)(18)	(4)	(104)
Net gain on financial assets at fair value through profit or loss	6(2)(18)	(45,455)	-
Gain on disposal of investment	6(18)	-	(831)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Current contract assets		22,368	545,168
Accounts receivable, net		(22,236)	(3,951)
Other receivables		3,563	(2,447)
Inventories		(28,943)	19,307
Prepayments		(342)	8,052
Other current assets		76	406
Other non-current assets		-	337
Net changes in liabilities relating to operating activities			
Other payables		(2,052)	8,620
Other current liabilities		58	526
Cash provided by operations		304,991	1,115,404
Interest received		21,522	15,128
Income taxes refund		16,436	-
Income taxes paid		(140,859)	(200,650)
Interest paid		(77)	(212)
Net cash provided by operating activities		<u>202,013</u>	<u>929,670</u>
Cash flows from investing activities			
Acquisition of financial assets at fair value through profit or loss	6(2)	(85,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	74,864	-
Increase in current financial assets at amortized cost		(226,840)	(700,000)
Decrease in current financial assets at amortized cost		53,000	595,000
Acquisition of property, plant and equipment	6(6)	(3,442)	(229)
Increase in intangible assets	6(24)	(502)	-
Decrease (increase) in refundable deposits		5	(169)
Increase in other non-current assets		(200)	(1,600)
Net cash used in investing activities		<u>(188,115)</u>	<u>(106,998)</u>
Cash flows from financing activities			
Payments of lease liability	6(7)(25)	(7,996)	(9,597)
Cash dividends paid	6(13)	(387,711)	(363,992)
Purchase of treasury stocks		-	(133,410)
Net cash used in financing activities		<u>(395,707)</u>	<u>(506,999)</u>
Effect of exchange rate changes		-	(746)
Net (decrease) increase in cash and cash equivalents		(381,809)	314,927
Cash and cash equivalents at beginning of year		2,150,668	1,835,741
Cash and cash equivalents at end of year		<u>\$ 1,768,859</u>	<u>\$ 2,150,668</u>

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

HARMAENGINE, INC. AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

PharmaEngine, Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in August 2002. On September 18, 2012, the Company’s common stock was officially listed on the Taipei Exchange. The Company and its subsidiary (collectively referred herein as the “Group”) are primarily engaged in the development of new drugs and therapeutic drugs for cancer. The Company focuses on building effective corporate governance structure to enhance the Board of Directors’ function, to maximise audit committee’s function and improve management’s principles and communication. Information transparency, stakeholders’ interest and social responsibility are enhanced to ensure the shareholders’ equity interest.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 2, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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.

(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 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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 are expected to 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments 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, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

The above standards and interpretations are expected to 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 came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Significant inter-company transactions, balance and unrealized gains or losses on transactions between companies within the Group are eliminated.
- B. Subsidiaries included in the consolidated financial statements:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business activities</u>	<u>Ownership (%)</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
PharmaEngine, Inc.	PharmaEngine Europe SARL	Development and promotion of new drugs	-	-

Note : The Company’s subsidiary was dissolved and liquidated on December 1, 2021. As of December 31, 2021, the remaining property distribution amount of EUR 37 thousand (approximately NT 1,155 thousand) was recognized as other receivable, which was received during the first quarter of 2022.

- 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 New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains or 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 for each balance sheet presented 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 recognized 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 are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company still 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 arising from operating activities that are expected to be realized, 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 realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date can not be extended unconditionally to more than 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 amount 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 commitment in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

- A. In accordance with contracts, 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 measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(12) 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. 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:

Computer and communication equipment 3~6 years

Testing equipment 5 years

Office equipment 5 years

Leasehold improvements 3~5 years

Transportation equipment 5 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

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

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful lives of 5 to 7 years.

(15) Impairment of non-financial assets

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

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Employee benefits

A. Short-term employee benefits

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

B. Pensions

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under the Company's Articles of Incorporation and those amounts can be reliably estimated. Any difference between the

resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(18) 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 recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- 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 recognized as compensation cost over the vesting period.
 - (b) Employees do not need to pay to acquire restricted stocks. Restricted stocks are considered as not meeting the vesting conditions from the effective date of resignation. The Company will redeem and retire the stocks without consideration and reverse recognized compensation cost and other equity according to the law.
- C. The grant date of the above share-based payment arrangements is the date when the acquisition price and share amount are assured.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs 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.

(21) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(22) Revenue recognition

A. Sales of goods

The Group sells new drugs. Revenue from the sale of goods is recognized when the Group sells a product to the customer.

B. Revenue from licensing intellectual property

- (a) The Group entered into a contract with a customer to grant a license of development and sale of new drugs. Given that the license is distinct from other promised goods or services in the contract, the Group recognizes the revenue from licensing when the license is transferred to a customer either at a point in time or over time based on the nature of the license granted. The nature of granting a license is a promise to provide a right to access the Group's intellectual property. If the Group undertakes activities that significantly affect the development and sale of new drugs 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. Then, the royalties are recognized as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognized when the license is transferred to a customer at a point in time. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (b) Some contracts require a sales-based royalty in exchange for a license of development and sale of new drugs. The Group recognizes revenue when the performance obligation

has been satisfied and the subsequent sale occurs.

(23) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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. There are no significant changes in accounting judgments, estimations and assumption uncertainties during the year.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 100	\$ 200
Demand deposits	26,901	100,468
Cash equivalents		
Time deposits	1,651,965	2,050,000
Callable warrants	89,893	-
	<u>\$ 1,768,859</u>	<u>\$ 2,150,668</u>

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

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

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Emerging stocks	\$ 36,278	\$ -
Valuation adjustment	19,313	-
	<u>\$ 55,591</u>	<u>\$ -</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 45,455</u>	<u>\$ -</u>

B. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at amortised cost-current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
--	--------------------------	--------------------------

Time deposits maturing between three months and a year	\$ <u>1,836,840</u>	\$ <u>1,663,000</u>
--	---------------------	---------------------

- A. The Group has no financial assets at amortised cost pledged to others as collateral.
- B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).
The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 68,935	\$ 46,699
Less: Loss allowance for bad debts	(21)	(14)
	<u>\$ 68,914</u>	<u>\$ 46,685</u>

- A. The Group has no accounts receivable pledged to others as collateral.
- B. The ageing analysis of accounts receivable is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 68,935	\$ 46,699

The above ageing analysis was based on past due date.

- C. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$42,748.
- D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$68,914 and \$46,685, respectively.
- E. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Goods	<u>\$ 34,375</u>	<u>\$ -</u>	<u>\$ 34,375</u>
	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Goods	<u>\$ 5,432</u>	<u>\$ -</u>	<u>\$ 5,432</u>

The cost of inventories recognized as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 49,027	\$ 37,073
Loss on inventory write-off	672	-
	<u>\$ 49,699</u>	<u>\$ 37,073</u>

(6) Property, plant and equipment

	<u>Computer and communication equipment</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Transportation equipment</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 616	\$ 94	\$ 93	\$ 7,694	\$ -	\$ 8,497
Accumulated depreciation	(321)	(34)	(38)	(7,694)	(-)	(8,087)
	<u>\$ 295</u>	<u>\$ 60</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410</u>
<u>2022</u>						
Opening net book amount	\$ 295	\$ 60	\$ 55	\$ -	\$ -	\$ 410
Addition	739	-	-	-	2,703	3,442
Depreciation charge	(123)	(15)	(15)	-	(113)	(266)
Closing net book amount	<u>\$ 911</u>	<u>\$ 45</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 2,590</u>	<u>\$ 3,586</u>
<u>At December 31, 2022</u>						
Cost	\$ 1,138	\$ 94	\$ 93	\$ 7,694	\$ 2,703	\$ 11,722
Accumulated depreciation	(227)	(49)	(53)	(7,694)	(113)	(8,136)
	<u>\$ 911</u>	<u>\$ 45</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 2,590</u>	<u>\$ 3,586</u>
	<u>Computer and communication equipment</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Transportation equipment</u>	<u>Total</u>
<u>At January 1, 2021</u>						
Cost	\$ 1,322	\$ 274	\$ 3,051	\$ 9,614	\$ 327	\$ 14,588
Accumulated depreciation	(1,143)	(171)	(2,835)	(9,187)	(178)	(13,514)
	<u>\$ 179</u>	<u>\$ 103</u>	<u>\$ 216</u>	<u>\$ 427</u>	<u>\$ 149</u>	<u>\$ 1,074</u>
<u>2021</u>						
Opening net book amount	\$ 179	\$ 103	\$ 216	\$ 427	\$ 149	\$ 1,074
Addition	229	-	-	-	-	229
Depreciation charge	(113)	(43)	(161)	(87)	(65)	(469)
Liquidation of subsidiary	-	-	-	(321)	(77)	(398)
Effects of foreign exchange	-	-	-	(19)	(7)	(26)
Closing net book amount	<u>\$ 295</u>	<u>\$ 60</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410</u>
<u>At December 31, 2021</u>						
Cost	\$ 616	\$ 94	\$ 93	\$ 7,694	\$ -	\$ 8,497
Accumulated depreciation	(321)	(34)	(38)	(7,694)	(-)	(8,087)
	<u>\$ 295</u>	<u>\$ 60</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410</u>

(7) Leasing arrangements – lessee

A. The Group leases various assets including buildings, business vehicles and multifunction printers. Rental contracts are made for periods of 1 to 3 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, including guarantee, pledge or sublease.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Book value</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	\$ 22,330	\$ 6,911
Transportation equipment (Business vehicles)	-	572
	<u>\$ 22,330</u>	<u>\$ 7,483</u>

	<u>Depreciation charge</u>	
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Buildings	\$ 7,549	\$ 8,487
Transportation equipment (Business vehicles)	357	1,075
	<u>\$ 7,906</u>	<u>\$ 9,562</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$22,968 and \$0, respectively.

D. The information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 77	\$ 212
Expense on short-term lease contracts	950	898
Expense on leases of low-value assets	99	87
Gain on lease modifications	4	104

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$9,122 and \$10,794, respectively.

F. Extension and termination options

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 or a termination of options is not exercised which affects the assessment.

(8) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Employees' salary and bonus payable	\$ 28,856	\$ 17,487
Accrued directors' remuneration and employees' compensation	16,839	33,792
Payable for contracted research expenses	15,610	12,858
Others	8,637	7,857
	<u>\$ 69,942</u>	<u>\$ 71,994</u>

(9) Pensions

Defined contribution plan

- A. Effective July 1, 2005, the Company 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 Company 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.
- B. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$2,529 and \$2,279, respectively.
- C. The subsidiary, PharmaEngine Europe SARL, which was established on November 13, 2015, had no employees as of December 1, 2021.

(10) Share-based payment

- A. For the years ended December 31, 2022 and 2021, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Fifth employee stock options plan	2014.06.18	450	8 years	2~4 years’ service
Fifth employee stock options plan	2014.12.26	60	8 years	2~4 years’ service
Fifth employee stock options plan	2015.03.19	490	8 years	2~4 years’ service
Sixth employee stock options plan	2016.08.11	1,000	8 years	2~4 years’ service
Treasury stocks transferred to employees	2016.08.11	540	N/A	Vested immediately
Sixth employee stock options plan	2017.06.22	500	8 years	2~4 years’ service
First restricted stocks plan	2022.07.26	90	3 years	1~3 years’ service

- (a) The abovementioned share-based payment arrangements are equity-settled.
- (b) Restricted stocks issued by the Company are considered as not meeting the vesting conditions from the effective date of resignation. Those restricted stocks will be redeemed and retired by the Company without consideration according to the law and have no rights to dividends, bonuses, distributions from capital surplus, participate in cash capital increase and attend, propose, speak or vote at the shareholders’ meeting. The rights of stocks vested before meeting the vesting conditions are restricted. Except for inheritance, the restricted stocks shall not be sold, pledged, transferred, gifted or disposed in any other method.

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

(a) Employee stock options (shares in thousands)

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,578	\$ 186.64	1,713	\$ 186.79
Options exercised	-	-	-	-
Options forfeited and expired	(489)	202.88	(135)	188.51
Options outstanding at December 31	<u>1,089</u>	179.35	<u>1,578</u>	186.64
Options exercisable at December 31	<u>1,089</u>		<u>1,578</u>	

(b) Restricted stocks (shares in thousands)

	2022
At January 1	-
Stocks issued during the year	90
At December 31	<u>90</u>

C. For the years ended December 31, 2022 and 2021, no employee stock options were exercised.

D. As of December 31, 2022 and 2021, the range of exercise prices of stock options outstanding was \$167.5~\$197.9 (in dollars) and \$167.5~\$218.8 (in dollars), and the weighted-average remaining contractual period was 0.21~1.92 years and 0.9~2.92 years, respectively.

E. The fair values of the Company's stock options are all measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends (in dollars)	Risk-free interest rate	Fair value per unit (in dollars)
Fifth employee stock options plan	2014.06.18	\$ 218.75	\$ 218.8	33.9%	8 years	\$ -	1.43%	42.73
Fifth employee stock options plan	2014.12.26	191.32	191.3	40.9%	8 years	-	1.43%	44.63
Fifth employee stock options plan	2015.03.19	197.92	197.9	30.1%	8 years	-	1.35%	34.58
Sixth employee stock options plan	2016.08.11	175.42	175.4	31.6%	8 years	-	0.62%	31.75
Treasury stock transferred to employees	2016.08.11	210.5	135	N/A	N/A	N/A	N/A	N/A
Sixth employee stock options plan	2017.06.22	167.5	167.5	22.7%	8 years	-	0.94%	22.13
First restricted stocks plan	2022.07.26	97.20	-	44.9%	3 years	2.5	0.47%~0.98%	90.00~94.75

- F. Expenses incurred on share-based payment transactions are shown below:
For the years ended December 31, 2022 and 2021, expenses incurred on share-based payment transactions were accrued at \$2,367 and \$89, respectively.

(11) Share capital

- A. As of December 31, 2022, the Company's authorized capital was \$1,800,000, consisting of 180 million shares of ordinary stock (of which 15 million shares are reserved for subscription of employee stock options), and the paid-in capital was \$1,465,868, with a par value of \$10 (in dollars) per share. All shares issued by the Company have been registered. Movements in the number of the Company's ordinary shares outstanding are as follows (shares in thousands):

	<u>2022</u>	<u>2021</u>
At January 1	143,596	145,596
Issuance of employee restricted stocks	90	-
Purchase of treasury stocks	-	(2,000)
At December 31	<u>143,686</u>	<u>143,596</u>

B. Treasury stocks

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		<u>December 31, 2022</u>	
<u>Name of company</u>	<u>Reason for reacquisition</u>	<u>No. of shares</u>	<u>Carrying</u>
<u>holding the shares</u>		<u>(in thousands)</u>	<u>amount</u>
The Company	To be reissued to employees	2,000	<u>\$ 133,410</u>

		<u>December 31, 2021</u>	
<u>Name of company</u>	<u>Reason for reacquisition</u>	<u>No. of shares</u>	<u>Carrying</u>
<u>holding the shares</u>		<u>(in thousands)</u>	<u>amount</u>
The Company	To be reissued to employees	3,000	<u>\$ 248,241</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years to five years from the reacquisition date and shares not reissued within the three-to-five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(12) Capital surplus

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

(13) Retained earnings

- 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; if necessary, an amount drawn from the special reserve can be added to the remaining amount. The Board of Directors is authorized to propose the appropriation of all or a portion of the remainder, if any, as dividends or retained earnings, which shall be approved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. The appropriations of earnings for 2021 and 2020 were resolved by the stockholders during their meeting on May 27, 2022 and August 26, 2021, respectively. Details are summarized below:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 42,603	\$ -	\$ 60,429	\$ -
Reversal of special reserve	-	-	(375)	-
Cash dividends	<u>387,711</u>	<u>2.7</u>	<u>363,992</u>	<u>2.5</u>
	<u>\$ 430,314</u>	<u>\$ 2.7</u>	<u>\$ 424,046</u>	<u>\$ 2.5</u>

The appropriations of 2021 and 2020 earnings as resolved by the shareholders were in agreement with the appropriations as resolved by the Board of Directors.

- D. The appropriations of earnings for 2022 as proposed by the Board of Directors on March 2, 2023 are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 22,218	\$ -
Cash dividends	<u>287,194</u>	<u>2.0</u>
	<u>\$ 309,412</u>	<u>\$ 2.0</u>

As of March 2, 2023, the appropriations of 2022 earnings have not yet been approved by the shareholders.

- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(14) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 654,6383</u>	<u>\$ 654,835</u>

- A. Disaggregation of revenue from contracts with customers:

The Group derives revenue from the transfer of goods and services at a point in time in the following contract categories:

Year ended December 31, 2022

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 376,789</u>	<u>\$ 277,594</u>	<u>\$ 654,383</u>
Revenue from external customer contracts	<u>\$ 376,789</u>	<u>\$ 277,594</u>	<u>\$ 654,383</u>

Year ended December 31, 2021

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 419,366</u>	<u>\$ 235,469</u>	<u>\$ 654,835</u>
Revenue from external customer contracts	<u>\$ 419,366</u>	<u>\$ 235,469</u>	<u>\$ 654,835</u>

Royalty revenue for the years ended December 31, 2022 and 2021 was accrued as the Company was entitled to collect a certain percentage of sales from Merrimack Pharmaceuticals, Inc. from its sales in the Eurasia region (except for Taiwan) pursuant to the supplementary agreement of Cooperation Contract in 2011, and Ipsen S.A. has generally assumed all the rights and obligations in relation to the Cooperation Contract since April 3, 2017.

For the years ended December 31, 2022 and 2021, the Company recognized royalty income from sales in the amount of US\$12,495 thousand and US\$15,037 thousand in accordance with the contract, respectively. For the years ended December 31, 2022 and 2021, royalty income which has not yet been collected amounted to US\$3,308 thousand and US\$4,576 thousand (of which US\$2,977 thousand and US\$4,118 thousand were recognized in current contract assets as of December 31, 2022 and 2021, respectively, and the remaining balance was recognized as reduction of current income tax assets and current income tax liabilities as of December, 2022 and 2021).

B. Contract assets

The Company has recognized the following contract assets in relation to the above licensing contract:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets	\$ 91,424	\$ 113,792	\$ 602,000

(15) Operating costs

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of sales		
- Cost of goods sold	\$ 49,027	\$ 37,073
- Loss on inventory write-off	672	-
	<u>\$ 49,699</u>	<u>\$ 37,073</u>

(16) Interest income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	<u>\$ 25,569</u>	<u>\$ 15,423</u>

(17) Other income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Income from compensation (Note)	\$ 29,950	\$ 181,935
Other income	25	310
	<u>\$ 29,975</u>	<u>\$ 182,245</u>

Note: The Company entered into a license and collaboration contract for the exclusive sales of PEP503 (NBTXR3) in the Asia-Pacific region with Nanobiotix S.A. in August 2012. On March 4, 2021, both parties agreed to enter into a termination contract to terminate the rights under the aforementioned license and collaboration contract. Under the termination contract, the Company agreed to return all exclusive rights of the development and commercialization of NBTXR3 in the Asia-Pacific region to Nanobiotix S.A.. Nanobiotix S.A. agreed to pay milestone compensation to the Company amounting to US\$12,500 thousand in stages based on the achievement of each milestone. Also, Nanobiotix S.A. will pay royalty at different percentages to the Company based on the net sales of NBTXR3 in the Asia-Pacific region in the future.

The income from compensation pertains to the first stage compensation paid by Nanobiotix S.A. to the Company amounting to US\$2,500 thousand in the first quarter of 2021 under the termination contract. In the second quarter of 2021, the income from compensation pertains

to the second stage and part of the fourth stage of compensation paid by Nanobiotix S.A. to the Company amounting to US\$4,000 thousand under the termination contract. In the third quarter of 2022, the income from compensation pertains to the third stage paid by Nanobiotix S.A. to the Company amounting to US\$1,000 thousand.

(18) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Net currency exchange gains (losses)	\$ 8,800	(\$ 15,676)
Gains on financial assets at fair value through profit or loss	45,455	-
Gain on lease modifications	4	104
Gain on disposal of investment (Note)	-	831
Others	-	(9)
	<u>\$ 54,259</u>	<u>(\$ 14,750)</u>

Note: Gain on disposal of investment pertains to dissolution and liquidation of the subsidiary on December 1, 2021. As of December 31, 2021, the remaining property distribution amount of EUR 37 thousand (approximately NT 1,155 thousand) was recognized as ‘other receivable’, which was received during the first quarter of 2022.

(19) Finance costs

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	<u>\$ 77</u>	<u>\$ 212</u>

(20) Expenses by nature

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Employee benefit expense	<u>\$ 113,815</u>	<u>\$ 109,381</u>
Depreciation charges on property, plant and equipment (including right-of-use assets)	<u>\$ 8,172</u>	<u>\$ 10,031</u>
Amortization charges on intangible assets	<u>\$ 439</u>	<u>\$ 232</u>

(21) Employee benefit expense (All are operating expenses)

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 84,380	\$ 78,488
Share-based payment expenses	2,367	89
Labour and health insurance fees	4,779	4,234
Pension costs	2,529	2,279
Directors’ remuneration	16,721	21,790
Other personnel expenses	3,039	2,501
	<u>\$ 113,815</u>	<u>\$ 109,381</u>

- A. In accordance with the Articles of Incorporation of the Company, if there is distributable profit of the current year, the Board of Directors shall resolve to allocate between 2% and 8% of profit to employees and an amount to directors which shall not exceed 2% of the profit. However, if the Company has accumulated losses, the distributable profit should cover such losses first, and this should be reported in the stockholders' meeting. In addition, as resolved by the stockholders during their meeting on May 27, 2022, the Articles of Incorporation of the Company were amended whereby the distribution of profit to employees shall be between 1% and 10% of distributable profit for the current year.
- B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$11,362 and \$11,362, respectively; while directors' remuneration were accrued at \$8,100 and \$11,362, respectively. The aforementioned amounts were recognized in salary expenses and other expenses. The employees' compensation was estimated and accrued based on 2% of distributable profit for the years ended December 31, 2022 and 2021. The directors' remuneration was estimated and accrued based on 1.99% and 2% of distributable profit for the years ended December 31, 2022 and 2021, respectively.

Employees' compensation for 2021 as resolved by the Board of Directors on March 8, 2022 were in agreement with those amounts recognized in the 2021 financial statements, and was distributed in the form of cash. In addition, the directors' remuneration for 2021 as resolved by the Board of Directors on July 26, 2022 was reduced to \$9,681. The difference of \$1,681 between the amount resolved by the Board of Directors and the amount of \$11,362 recognized in the 2021 financial statements had been adjusted in the profit or loss in the third quarter of 2022.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 77,471	\$ 107,928
Tax on undistributed surplus earnings	-	9,012
Prior year income tax (over) under estimation	(155)	572
Total current tax	<u>77,316</u>	<u>117,512</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,634)	1,852
Total deferred tax	(3,634)	1,852
Income tax expense	<u>\$ 73,682</u>	<u>\$ 119,364</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 78,493	\$ 109,079
Effects from items disallowed by tax regulation	572	701
Tax exempt income by tax regulation	(5,228)	-
Prior year income tax (over) under estimation	(155)	572
Tax on undistributed surplus earnings	-	9,012
Income tax expense	<u>\$ 73,682</u>	<u>\$ 119,364</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
Deferred income tax assets:					
-Temporary differences					
Amortisation of patents	\$ 4,975	\$ 4,562	\$ -	\$ -	\$ 9,537
Unrealized exchange loss	9	(9)	-	-	-
	<u>4,984</u>	<u>4,553</u>	<u>-</u>	<u>-</u>	<u>9,537</u>
Deferred income tax liabilities:					
-Temporary differences					
Unrealized exchange gain	-	(919)	-	-	(919)
	<u>\$ 4,984</u>	<u>\$ 3,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,618</u>

	2021				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
Deferred income tax assets:					
-Temporary differences					
Amortisation of patents	\$ 6,829	(\$ 1,854)	\$ -	\$ -	\$ 4,975
Unrealized exchange loss	-	9	-	-	9
Unused compensated absences	11	(11)	-	-	-
	<u>6,840</u>	<u>(1,856)</u>	<u>-</u>	<u>-</u>	<u>4,984</u>
Deferred income tax liabilities:					
-Temporary differences					
Unrealized exchange gain	(4)	4	-	-	-
	<u>\$ 6,836</u>	<u>(\$ 1,852)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,984</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(23) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net profit	<u>\$ 318,783</u>	<u>143,596</u>	<u>\$ 2.22</u>
<u>Diluted earnings per share</u>			
Net profit	\$ 318,783	143,596	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	-	
Restricted stocks	-	12	
Employees' compensation	-	88	
	<u>\$ 318,783</u>	<u>143,696</u>	<u>\$ 2.22</u>

	Year ended December 31, 2021		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit	\$ 426,031	144,537	\$ 2.95
<u>Diluted earnings per share</u>			
Net profit	\$ 426,031	144,537	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	-	
Employees' compensation	-	199	
	<u>\$ 426,031</u>	<u>144,736</u>	<u>\$ 2.94</u>

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2022	2021
Purchase of intangible assets	\$ 2,352	\$ -
Less: Opening balance of prepaid intangible assets	(1,850)	-
Less: Ending balance of payables on intangible assets	-	-
Cash paid during the year	<u>\$ 502</u>	<u>\$ -</u>

B. Investing activities with no cash flow effects:

	Years ended December 31,	
	2022	2021
Remaining property distribution receivable from the dissolution and liquidation of subsidiary	<u>\$ -</u>	<u>\$ 1,155</u>

(25) Changes in liabilities from financing activities

	<u>Lease liability</u>
At January 1, 2022	\$ 7,593
Changes in cash flows from financing activities	(7,996)
Changes in other non-cash items	
Increase in right-of-use assets	22,968
Termination of right-of-use assets (Note)	(219)
At December 31, 2022	<u>\$ 22,346</u>

	<u>Lease liability</u>
At January 1, 2021	\$ 22,079
Changes in cash flows from financing activities	(9,597)
Impact of changes in foreign exchange rate	(295)
Changes in other non-cash items	
Termination of right-of-use assets (Note)	(4,594)

At December 31, 2021

\$ 7,593

Note: It pertains to the early termination of the lease, resulting in decreases in right-of-use assets and lease liabilities.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

For the years ended December 31, 2022 and 2021, the Group has no significant transactions made with related parties.

(2) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 33,637	\$ 38,341
Post-employment benefits	108	150
Share-based payments	1,052	14
	<u>\$ 34,797</u>	<u>\$ 38,505</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2022 and 2021, the Company has entered into drug research commissioned and software license contracts amounting to \$288,677 and \$243,457, of which \$162,842 and \$156,448 had been paid, respectively.

(2) On September 25, 2022, the Company has entered into a worldwide exclusive license agreement (in-license) with UK-based Sentinel Oncology Limited for PEP07 (Chk1inhibitor). The total contract price is USD 140,500 thousand. Under the agreement, the Company will pay milestone payments and sales milestone payments based on the stage of completion of the research and development and the sales of the products as well as royalties based on a certain percentage of product sales. The Company has recognized royalty expense of USD 1,000 thousand (shown as 'research and development expenses') when the agreement was signed, and the payment will be made in October 2022.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For the appropriations of 2022 earnings, please refer to Note 6(13)D.

(2) For the information about the employees' compensation and directors' remuneration, please refer to Note 6(21)B.

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.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>55,591</u>	\$ <u>-</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,768,859	\$ 2,150,668
Financial assets at amortised cost	1,836,840	1,663,000
Accounts receivable, net	68,914	46,685
Other receivables	6,752	6,268
Refundable deposits (shown as other non-current assets)	<u>2,295</u>	<u>2,300</u>
	<u>\$ 3,683,660</u>	<u>\$ 3,868,921</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Other payables	\$ <u>69,942</u>	\$ <u>71,994</u>
Lease liability	\$ <u>22,346</u>	\$ <u>7,593</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 and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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 the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies of each entity in the Group whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2022</u>	
	Foreign currency amount (in thousands)	Book value Exchange rate (NT)
(Foreign currency: functional currency)		

<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NT	\$	9,132	30.71 \$ 280,456
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NT		371	30.71 11,391
EUR:NT		34	32.72 1,112

December 31, 2021

	Foreign currency amount (in thousands)	Exchange rate	Book value (NT)
(Foreign currency: functional currency)			

Financial assets

Monetary items

USD:NT	\$	4,118	27.63 \$ 113,792
EUR:NT		37	31.12 1,155

As of December 31, 2021, there was no significant monetary financial liability denominated in foreign currency.

- ii. Total exchange gain (loss) arising from foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$8,800 and (\$15,676), respectively.

- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		<u>Year ended December 31, 2022</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NT	1%	\$ 2,805	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NT	1%	114	-
	EUR:NT	1%	11	-
		<u>Year ended December 31, 2021</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NT	1%	\$ 1,138	\$ -
	EUR:NT	1%	12	-

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of optimal are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The following indicators are used to determine whether the credit impairment of debt

instruments has occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Group used the forecastability of business indicators issued by the National Development Council to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	<u>Not past due</u>		<u>Total</u>
<u>December 31, 2022</u>			
Expected loss rate	0.03%		
Total book value	\$ 68,935	\$	68,935
Loss allowance	\$ 21	\$	21

	<u>Not past due</u>		<u>Total</u>
<u>December 31, 2021</u>			
Expected loss rate	0.03%		
Total book value	\$ 46,699	\$	46,699
Loss allowance	\$ 14	\$	14

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

	<u>2022</u>		<u>2021</u>
At January 1	\$ 14	\$	229
Provision for (reversal of) impairment loss	<u>7</u>	(<u>215</u>)
At December 31	<u>\$ 21</u>	\$	<u>14</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury along with the Finance & Accounting Department. Group treasury along with the Finance & Accounting Department monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The Group's notes payable, accounts payable and other payables are due within 12 months, therefore, the Group expects no significant liquidity risk.
- iii. The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts

disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative</u>				
<u>financial liabilities</u>				
Other payables	\$ 69,942	\$ -	\$ -	\$ -
Lease liability	7,847	7,847	7,193	-
December 31, 2021	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative</u>				
<u>financial liabilities</u>				
Other payables	\$ 71,994	\$ -	\$ -	\$ -
Lease liability	7,637	-	-	-

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Management considered that the carrying amounts of financial assets and financial liabilities not measured at fair value, including cash and cash equivalents (including financial assets at amortised cost), contract assets, accounts receivable, other receivables, accounts payable and other payables, are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

The related information on the nature of assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 55,591	\$ -	\$ -	\$ 55,591

As of December 31, 2021, there was no financial instrument measured at fair value.

(4) Impact of COVID-19

Based on the Group's assessment, the COVID-19 pandemic has no significant impact on the Group.

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): Refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$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 financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None .

(2) Information on investees

None .

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Please refer to table 2.

14. OPERATING SEGMENT INFORMATION

(1) General information

The Company and its subsidiary are mainly engaged in the research of new drugs. The Company and its subsidiary operate business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Segment information

The Group has one reportable operating segment, thus, the reportable information was in agreement with the financial statements.

(3) Reconciliation for segment income (loss)

Consolidated segment operating income (loss) reported to the chief operating decision-maker is measured in a manner consistent with revenue and expense in the statement of comprehensive income. The report provided to the chief operating decision-maker for deciding management of segments is in agreement with the statement of comprehensive income. No reconciliation is needed.

(4) Information on products and services

Please refer to Note 6(14) for the related information.

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	<u>Years ended December 31,</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Income (Note)</u>	<u>Non-current assets</u>	<u>Income (Note)</u>	<u>Non-current assets</u>
Taiwan	<u>\$ 654,383</u>	<u>\$ 28,426</u>	<u>\$ 654,835</u>	<u>\$ 8,490</u>

Note: Disclosed in accordance with the location of products or service providers.

(6) Major customer information

Details of sales to a single party reaching 10% of operating revenue in the consolidated statement of comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

	<u>Years ended December 31,</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	<u>\$ 376,789</u>	Note	<u>\$ 419,366</u>	Note

Note: The Group has only one reportable operating segment.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of PharmaEngine, Inc.

Opinion

We have audited the accompanying parent company only balance sheets of PharmaEngine, Inc. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 financial statements are stated as follows:

Accuracy of licensing revenue recognition

Description

The Company is mainly engaged in technology out-licensing. The licensing revenue amounted to NT\$376,789 thousand, constituting 58% of total operating revenue for the year ended December 31, 2022. Refer to Note 4(22) for the accounting policy on licensing revenue recognition and Note 6(15) for the details of royalty revenue. The Company recognizes revenue in accordance with the terms and conditions specified in each license contract. As the amount of revenue is significant, we considered the accuracy of licensing revenue recognition a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

1. Obtaining management's policy on licensing revenue, and confirming whether the recognition of licensing revenue has complied with the internal control procedure.
2. Checking the contents of license contract, and confirming whether management's judgment on revenue recognition is in accordance with the terms of the contract and related accounting standards.
3. Confirming whether the recognition of revenue has proper supporting documents.

Existence of cash in banks

Description

The balance of cash and cash equivalents amounted to NT\$1,768,859 thousand, constituting 45% of total assets at December 31, 2022. 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. As of December 31, 2022, time deposits that did not meet the definition of cash equivalents amounted to NT\$1,836,840 thousand, constituting 46% of total assets and were classified as financial assets at amortised cost. Given that cash in banks comprise a significant percentage of total assets, we considered the existence of cash in banks a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

1. Confirming the special agreement on bank accounts with financial institutions including existence, rights and obligations.
2. Verifying whether the contact information of the bank is true and correct.
3. Obtaining bank reconciliation at end of period and checking unusual adjustments, and reviewing their nature and the reason that the unusual adjustments occurred in order to check the reasonableness of the reconciliation.
4. Inspecting the source documents of significant cash receipts and payments to verify whether the transactions are for business needs.
5. Conducting physical inspection of certificates of deposit.
6. Confirming whether the classification of time deposits is in compliance with the policy described in Note 4(5).

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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.

Yu, Shu-Fen

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan
March 2, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles 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 in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards in the Republic of China, and their applications in practice.

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

PHARMAENGINE, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,768,859	45	\$ 2,150,668	54
1110	Current financial assets at fair value	6(2)				
	through profit or loss		55,591	1	-	-
1136	Current financial assets at amortised	6(3)				
	cost		1,836,840	46	1,663,000	41
1140	Current contract assets	6(15)	91,424	2	113,792	3
1170	Accounts receivable, net	6(4)	68,914	2	46,685	1
1200	Other receivables		6,752	-	6,268	-
1220	Current tax assets		56,756	2	16,566	1
130X	Inventories	6(5)	34,375	1	5,432	-
1410	Prepayments		6,573	-	6,482	-
1479	Other current assets		-	-	76	-
11XX	Total current assets		<u>3,926,084</u>	<u>99</u>	<u>4,008,969</u>	<u>100</u>
Non-current assets						
1600	Property, plant and equipment, net	6(7)	3,586	-	410	-
1755	Right-of-use assets	6(8)	22,330	1	7,483	-
1780	Intangible assets		2,510	-	597	-
1840	Deferred income tax assets	6(23)	9,537	-	4,984	-
1900	Other non-current assets		<u>2,495</u>	<u>-</u>	<u>3,900</u>	<u>-</u>
15XX	Total non-current assets		<u>40,458</u>	<u>1</u>	<u>17,374</u>	<u>-</u>
1XXX	Total assets		<u>\$ 3,966,542</u>	<u>100</u>	<u>\$ 4,026,343</u>	<u>100</u>

(Continued)

PHARMAENGINE, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2200	Other payables	6(9)	\$ 69,942	2	\$ 71,994	2
2230	Current tax liabilities		-	-	6,918	-
2280	Current lease liabilities		7,537	-	7,593	-
2300	Other current liabilities		1,258	-	1,200	-
21XX	Total current liabilities		<u>78,737</u>	<u>2</u>	<u>87,705</u>	<u>2</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	919	-	-	-
2580	Non-current lease liabilities		14,809	-	-	-
25XX	Total non-current liabilities		<u>15,728</u>	<u>-</u>	<u>-</u>	<u>-</u>
2XXX	Total liabilities		<u>94,465</u>	<u>2</u>	<u>87,705</u>	<u>2</u>
Equity						
	Share capital	6(12)				
3110	Common stock		1,456,868	37	1,465,968	36
	Capital surplus	6(13)				
3200	Capital surplus		1,616,734	40	1,619,933	41
	Retained earnings	6(14)				
3310	Legal reserve		279,652	7	237,049	6
3350	Unappropriated retained earnings		658,202	17	863,929	21
	Other equity interest					
3400	Other equity interest		(5,969)	-	-	-
3500	Treasury stocks	6(12)	(133,410)	(3)	(248,241)	(6)
3XXX	Total equity		<u>3,872,077</u>	<u>98</u>	<u>3,938,638</u>	<u>98</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 3,966,542</u>	<u>100</u>	<u>\$ 4,026,343</u>	<u>100</u>

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

PHARMAENGINE, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE DATA)

	Items	Notes	Years ended December 31,			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(15)	\$ 654,383	100	\$ 654,835	100
5000	Operating costs	6(5)(16)	(49,699)	(8)	(37,073)	(6)
5900	Gross profit		<u>604,684</u>	<u>92</u>	<u>617,762</u>	<u>94</u>
	Operating expenses	6(21)(22)				
6100	Selling expenses		(45,104)	(7)	(36,731)	(6)
6200	General and administrative expenses		(94,953)	(14)	(80,713)	(12)
6300	Research and development expenses	9	(181,881)	(28)	(136,887)	(21)
6450	Expected credit impairment (loss) gain	12(2)	(7)	-	215	-
6000	Total operating expenses		(321,945)	(49)	(254,116)	(39)
6900	Operating profit		<u>282,739</u>	<u>43</u>	<u>363,646</u>	<u>55</u>
	Non-operating income and expenses					
7100	Interest income	6(17)	25,569	4	15,423	2
7010	Other income	6(18)	29,975	5	182,083	28
7020	Other gains and losses	6(2)(19)	54,259	8	(14,824)	(2)
7050	Finance costs	6(8)(20)	(77)	-	(168)	-
7070	Share of loss of associates and joint ventures accounted for using equity method, net	6(6)	-	-	(765)	-
7000	Total non-operating income and expenses		<u>109,726</u>	<u>17</u>	<u>181,749</u>	<u>28</u>
7900	Profit before income tax		<u>392,465</u>	<u>60</u>	<u>545,395</u>	<u>83</u>
7950	Income tax expense	6(23)	(73,682)	(11)	(119,364)	(18)
8200	Profit for the year		<u>\$ 318,783</u>	<u>49</u>	<u>\$ 426,031</u>	<u>65</u>
	Other comprehensive income (loss), net					
	Components of other comprehensive income (loss) that will be reclassified to profit or loss (after tax)					
8361	Exchange differences on translation		\$ -	-	(\$ 1,213)	-
8300	Other comprehensive loss for the year, net		<u>\$ -</u>	<u>-</u>	<u>(\$ 1,213)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 318,783</u>	<u>49</u>	<u>\$ 424,818</u>	<u>65</u>
	Earnings per share (in dollars)	6(24)				
9750	Basic earnings per share		<u>\$ 2.22</u>		<u>\$ 2.95</u>	
9850	Diluted earnings per share		<u>\$ 2.22</u>		<u>\$ 2.94</u>	

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

PHARMAENGINE, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent										
		Capital Reserves				Retained Earnings			Other Equity Interest			
		Common stock	Additional paid-in capital	Employee stock warrants	Employee restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unearned compensation	Treasury stocks	Total equity
<u>Year ended December 31, 2021</u>												
Balance at January 1, 2021		\$ 1,465,968	\$ 1,552,905	\$ 66,939	\$ -	\$ 176,620	\$ 375	\$ 861,944	\$ 1,213	\$ -	(\$ 114,831)	\$ 4,011,133
Profit after income tax for the year ended December 31, 2021		-	-	-	-	-	-	426,031	-	-	-	426,031
Other comprehensive loss		-	-	-	-	-	-	-	(1,213)	-	-	(1,213)
Total comprehensive income (loss)		-	-	-	-	-	-	426,031	(1,213)	-	-	424,818
Amortization of compensation cost of employee stock options	6(11)	-	-	89	-	-	-	-	-	-	-	89
Purchase of treasury stocks		-	-	-	-	-	-	-	-	-	(133,410)	(133,410)
Employee stock options expired		-	6,098	(6,098)	-	-	-	-	-	-	-	-
Appropriations and distribution of 2020 retained earnings	6(14)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	60,429	-	(60,429)	-	-	-	-
Reversal of special reserve		-	-	-	-	-	(375)	375	-	-	-	-
Cash dividends distributed to shareholders		-	-	-	-	-	-	(363,992)	-	-	-	(363,992)
Balance at December 31, 2021		\$ 1,465,968	\$ 1,559,003	\$ 60,930	\$ -	\$ 237,049	\$ -	\$ 863,929	\$ -	\$ -	(\$ 248,241)	\$ 3,938,638
<u>Year ended December 31, 2022</u>												
Balance at January 1, 2022		\$ 1,465,968	\$ 1,559,003	\$ 60,930	\$ -	\$ 237,049	\$ -	\$ 863,929	\$ -	\$ -	(\$ 248,241)	\$ 3,938,638
Profit after income tax for the year ended December 31, 2022		-	-	-	-	-	-	318,783	-	-	-	318,783
Total comprehensive income		-	-	-	-	-	-	318,783	-	-	-	318,783
Retirement of treasury stocks		(10,000)	(10,635)	-	-	-	-	(94,196)	-	-	114,831	-
Employee stock options expired		-	22,163	(22,163)	-	-	-	-	-	-	-	-
Issuance of employee restricted stocks	6(11)	900	-	-	7,436	-	-	-	-	(8,336)	-	-
Compensation cost of employee restricted stocks	6(11)	-	-	-	-	-	-	-	-	2,367	-	2,367
Appropriations and distribution of 2021 retained earnings	6(14)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	42,603	-	(42,603)	-	-	-	-
Cash dividends distributed to shareholders		-	-	-	-	-	-	(387,711)	-	-	-	(387,711)
Balance at December 31, 2022		\$ 1,456,868	\$ 1,570,531	\$ 38,767	\$ 7,436	\$ 279,652	\$ -	\$ 658,202	\$ -	(\$ 5,969)	(\$ 133,410)	\$ 3,872,077

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

PHARMAENGINE, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2022	2021
<u>Cash flows from operating activities</u>			
Profit before income tax for the year		\$ 392,465	\$ 545,395
Adjustments to reconcile net profit to net cash provided by operating activities:			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12(2)	7	(215)
Depreciation	6(7)(8)(21)	8,172	8,932
Amortization	6(21)	439	232
Amortization of compensation cost of share-based payments	6(11)	2,367	89
Share of loss of subsidiaries accounted for under the equity method		-	765
Gain on disposal of investments accounted for using equity method	6(19)	-	(831)
Interest income	6(17)	(25,569)	(15,423)
Interest expense	6(20)	77	168
Gain on lease modification	6(8)(19)	(4)	(30)
Net gain on financial assets at fair value through profit or loss	6(2)(19)	(45,455)	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Current contract assets		22,368	545,168
Accounts receivable, net		(22,236)	(3,951)
Other receivables		3,563	(2,112)
Inventories		(28,943)	19,307
Prepayments		(342)	7,304
Other current assets		76	406
Net changes in liabilities relating to operating activities			
Other payables		(2,052)	9,133
Other current liabilities		58	526
Cash provided by operations		304,991	1,114,863
Interest received		21,522	15,128
Income taxes paid		(140,859)	(200,650)
Income taxes refund		16,436	-
Interest paid		(77)	(168)
Net cash provided by operating activities		<u>202,013</u>	<u>929,173</u>
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at fair value through profit or loss	6(2)	(85,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	74,864	-
Increase in current financial assets at amortized cost		(226,840)	(700,000)
Decrease in current financial assets at amortized cost		53,000	595,000
Acquisition of property, plant and equipment	6(7)	(3,442)	(229)
Increase in intangible assets	6(25)	(502)	-
Decrease (increase) in refundable deposits		5	(140)
Increase in other non-current assets		(200)	(1,600)
Net cash used in investing activities		<u>(188,115)</u>	<u>(106,969)</u>
<u>Cash flows from financing activities</u>			
Payments of lease liability	6(8)(26)	(7,996)	(8,610)
Cash dividends paid	6(14)	(387,711)	(363,992)
Purchase of treasury stocks		-	(133,410)
Net cash used in financing activities		<u>(395,707)</u>	<u>(506,012)</u>
Net (decrease) increase in cash and cash equivalents		(381,809)	316,192
Cash and cash equivalents at beginning of year		<u>2,150,668</u>	<u>1,834,476</u>
Cash and cash equivalents at end of year		<u>\$ 1,768,859</u>	<u>\$ 2,150,668</u>

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

HARMAENGINE, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

PharmaEngine, Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in August 2002. On September 18, 2012, the Company’s common stock was officially listed on the Taipei Exchange. The Company is primarily engaged in the development of new drugs and therapeutic drugs for cancer. The Company focuses on building effective corporate governance structure to enhance the Board of Directors’ function, to maximise audit committee’s function and improve management’s principles and communication. Information transparency, stakeholders’ interest and social responsibility are enhanced to ensure the shareholders’ equity interest.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company financial statements were authorized for issuance by the Board of Directors on March 2, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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 Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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 are expected to have no significant impact to the Company’s financial condition and financial performance based on the Company’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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1)Compliance statement

These parent company only financial statements are prepared by the Company in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”.

(2)Basis of preparation

A. The parent company financial statements have been prepared under the historical cost

convention.

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company’s are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Company’s presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains or 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 for each balance sheet presented 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 recognized 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 are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company still 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.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, 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 realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date can not be extended unconditionally to more than 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.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount 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 commitment in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7)Financial assets at amortised cost

The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8)Accounts receivable

- A. In accordance with contracts, accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(9)Impairment of financial assets

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

(10)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(11)Investments accounted for under equity method

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
- B. Unrealised gains or losses on transactions between the Company and its subsidiaries are eliminated.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognize loss continuously in proportion to its ownership.
- D. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the

parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(12)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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. 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:

Computer and communication equipment 3~6 years

Testing equipment 5 years

Office equipment 5 years

Leasehold improvements 3~5 years

Transportation equipment 5 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes

do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

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

(14)Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful lives of 5 to 7 years.

(15)Impairment of non-financial assets

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

(16)Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17)Employee benefits

- A. Short-term employee benefits

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

- B. Pensions

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis.

- C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under the Company's Articles of Incorporation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as

changes in estimates.

(18) 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 recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- 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 recognized as compensation cost over the vesting period.
 - (b) Employees do not need to pay to acquire restricted stocks. Restricted stocks are considered as not meeting the vesting conditions from the effective date of resignation. The Company will redeem and retire the stocks without consideration and reverse recognized compensation cost and other equity according to the law.
- C. The grant date of the above share-based payment arrangements is the date when the acquisition price and share amount are assured.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20)Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs 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.

(21)Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(22)Revenue recognition

- A. Sales of goods
The Company sells new drugs. Revenue from the sale of goods is recognized when the Company sells a product to the customer.
- B. Revenue from licensing intellectual property
 - (a) The Company entered into a contract with a customer to grant a license of development and sale of new drugs. Given that the license is distinct from other promised goods or services in the contract, the Company recognizes the revenue from licensing when the license is transferred to a customer either at a point in time or over time based on the nature of the license granted. The nature of granting a license is a promise to provide a right to access the Company's intellectual property. If the Company undertakes activities that significantly affect the development and sale of new drugs to which the customer has rights, the customer is affected by the Company's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. Then, the royalties are recognized as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Company's promise in granting a license is a promise to provide a right to use the Company's intellectual property and therefore the revenue is recognized when the license is transferred to a customer at a point in time. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed

one year, the Company does not adjust the transaction price to reflect the time value of money.

- (b) Some contracts require a sales-based royalty in exchange for a license of development and sale of new drugs. The Company recognizes revenue when the performance obligation has been satisfied and the subsequent sale occurs.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. There are no significant changes in accounting judgments, estimations and assumption uncertainties during the year.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 100	\$ 200
Demand deposits	26,901	100,468
Cash equivalents		
Time deposits	1,651,965	2,050,000
Callable warrants	89,893	-
	<u>\$ 1,768,859</u>	<u>\$ 2,150,668</u>

C. The Company 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.

D. The Company has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Emerging stocks	\$ 36,278	\$ -
Valuation adjustment	19,313	-
	<u>\$ 55,591</u>	<u>\$ -</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 45,455	\$ -

B. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at amortised cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits maturing between three months and a year	\$ 1,836,840	\$ 1,663,000

- A. The Company has no financial assets at amortised cost pledged to others as collateral.
- B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(4) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 68,935	\$ 46,699
Less: Loss allowance for bad debts	(21)	(14)
	<u>\$ 68,914</u>	<u>\$ 46,685</u>

- A. The Company has no accounts receivable pledged to others as collateral.
- B. The ageing analysis of accounts receivable is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 68,935	\$ 46,699

The above ageing analysis was based on past due date.

- C. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$42,748.
- D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$68,914 and \$46,685, respectively.
- E. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Goods	<u>\$ 34,375</u>	<u>\$ -</u>	<u>\$ 34,375</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Goods	<u>\$ 5,432</u>	<u>\$ -</u>	<u>\$ 5,432</u>

The cost of inventories recognized as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 49,027	\$ 37,073
Loss on inventory write-off	672	-
	<u>\$ 49,699</u>	<u>\$ 37,073</u>

(6) Investments accounted for using equity method

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ -	\$ 1,581
Disposal of investments accounted for using equity method (Note)	-	397
Share of loss of investments accounted for using equity method	-	(765)
Cumulative translation adjustment	-	(1,213)
At December 31	<u>\$ -</u>	<u>\$ -</u>

Note: The Company's subsidiary was dissolved and liquidated on December 1, 2021. As of December 31, 2021, the remaining property distribution amount of EUR 37 thousand (approximately NT 1,155 thousand) was recognized as 'other receivable', which was received during the first quarter of 2022.

Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.

(7) Property, plant and equipment

	<u>Computer and communication equipment</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Transportation equipment</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 616	\$ 94	\$ 93	\$ 7,694	\$ -	\$ 8,497
Accumulated depreciation	(321)	(34)	(38)	(7,694)	-	(8,087)
	<u>\$ 295</u>	<u>\$ 60</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410</u>
<u>2022</u>						
Opening net book amount	\$ 295	\$ 60	\$ 55	\$ -	\$ -	\$ 410
Additions	739	-	-	-	2,703	3,442
Depreciation charge	(123)	(15)	(15)	-	(113)	(266)
Closing net book amount	<u>\$ 911</u>	<u>\$ 45</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 2,590</u>	<u>\$ 3,586</u>
<u>At December 31, 2022</u>						
Cost	\$ 1,138	\$ 94	\$ 93	\$ 7,694	\$ 2,703	\$ 11,722
Accumulated depreciation	(227)	(49)	(53)	(7,694)	(113)	(8,136)
	<u>\$ 911</u>	<u>\$ 45</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 2,590</u>	<u>\$ 3,586</u>

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Total
<u>At January 1, 2021</u>					
Cost	\$ 1,322	\$ 274	\$ 3,051	\$ 7,694	\$ 12,341
Accumulated depreciation	(1,142)	(171)	(2,835)	(7,694)	(11,842)
	<u>\$ 180</u>	<u>\$ 103</u>	<u>\$ 216</u>	<u>\$ -</u>	<u>\$ 499</u>
<u>2021</u>					
Opening net book amount	\$ 180	\$ 103	\$ 216	\$ -	\$ 499
Additions	229	-	-	-	229
Depreciation charge	(114)	(43)	(161)	-	(318)
Closing net book amount	<u>\$ 295</u>	<u>\$ 60</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 410</u>
<u>At December 31, 2021</u>					
Cost	\$ 616	\$ 94	\$ 93	\$ 7,694	\$ 8,497
Accumulated depreciation	(321)	(34)	(38)	(7,694)	(8,087)
	<u>\$ 295</u>	<u>\$ 60</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 410</u>

(8) Leasing arrangements – lessee

- A. The Company leases various assets including buildings, business vehicles and multifunction printers. Rental contracts are made for periods of 1 to 3 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, including guarantee, pledge and sublease.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Book value	
	December 31, 2022	December 31, 2021
Buildings	\$ 22,330	\$ 6,911
Transportation equipment (Business vehicles)	-	572
	<u>\$ 22,330</u>	<u>\$ 7,483</u>

	Depreciation charge	
	Years ended December 31,	
	2022	2021
Buildings	\$ 7,549	\$ 7,539
Transportation equipment (Business vehicles)	357	1,075
	<u>\$ 7,906</u>	<u>\$ 8,614</u>

- C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$22,968 and \$0, respectively.

D. The information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 77	\$ 168
Expense on short-term lease contracts	950	898
Expense on leases of low-value assets	99	87
Gain on lease modifications	4	30

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$9,122 and \$9,763, respectively.

F. Extension and termination options

In determining the lease term, the Company 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 or a termination of options is not exercised which affects the assessment.

(9)Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Employees' salary and bonus payable	\$ 28,856	\$ 17,487
Accrued directors' remuneration and employees' compensation	16,839	33,792
Payable for contracted research expenses	15,610	12,858
Others	8,637	7,857
	<u>\$ 69,942</u>	<u>\$ 71,994</u>

(10)Pensions

Defined contribution plan

A. Effective July 1, 2005, the Company 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 Company 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.

B. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$2,529 and \$2,279, respectively.

(11)Share-based payment

A. For the years ended December 31, 2022 and 2021, the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Fifth employee stock options plan	2014.06.18	450	8 years	2~4 years' service

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Fifth employee stock options plan	2014.12.26	60	8 years	2~4 years' service
Fifth employee stock options plan	2015.03.19	490	8 years	2~4 years' service
Sixth employee stock options plan	2016.08.11	1,000	8 years	2~4 years' service
Treasury stocks transferred to employees	2016.08.11	540	N/A	Vested immediately
Sixth employee stock options plan	2017.06.22	500	8 years	2~4 years' service
First restricted stocks plan	2022.07.26	90	3 years	1~3 years' service

- (a) The abovementioned share-based payment arrangements are equity-settled.
- (b) Restricted stocks issued by the Company are considered as not meeting the vesting conditions from the effective date of resignation. Those restricted stocks will be redeemed and retired by the Company without consideration according to the law and have no rights to dividends, bonuses, distributions from capital surplus, participate in cash capital increase and attend, propose, speak or vote at the shareholders' meeting. The rights of stocks vested before meeting the vesting conditions are restricted. Except for inheritance, the restricted stocks shall not be sold, pledged, transferred, gifted or disposed in any other method.

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

(a) Employee stock options (shares in thousands)

	<u>2022</u>		<u>2021</u>	
	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at January 1	1,578	\$ 186.64	1,713	\$ 186.79
Options exercised	-	-	-	-
Options forfeited and expired	(489)	202.88	(135)	188.51
Options outstanding at December 31	<u>1,089</u>	179.35	<u>1,578</u>	186.64
Options exercisable at December 31	<u>1,089</u>		<u>1,578</u>	

(b) Restricted stocks (shares in thousands)

	<u>2022</u>
At January 1	-
Stocks issued during the year	<u>90</u>
At December 31	<u>90</u>

- C. For the years ended December 31, 2022 and 2021, no employee stock options were exercised.
- D. As of December 31, 2022 and 2021, the range of exercise prices of stock options outstanding were both \$167.5~\$197.9 and \$167.5~\$218.8 (in dollars), and the weighted-average remaining contractual period were 0.21~1.92 years and 0.9~2.92 years, respectively.
- E. The fair values of the Company's stock options are all measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u> <u>(in dollars)</u>	<u>Exercise price</u> <u>(in dollars)</u>	<u>Expected price</u> <u>volatility</u>	<u>Expected option</u> <u>life</u>	<u>Expected dividends</u> <u>(in dollars)</u>	<u>Risk-free interest</u> <u>rate</u>	<u>Fair value</u> <u>per unit</u> <u>(in dollars)</u>
Fifth employee stock options plan	2014.06.18	\$ 218.75	\$ 218.8	33.9%	8 years	\$ -	1.43%	42.73
Fifth employee stock options plan	2014.12.26	191.32	191.3	40.9%	8 years	-	1.43%	44.63
Fifth employee stock options plan	2015.03.19	197.92	197.9	30.1%	8 years	-	1.35%	34.58
Sixth employee stock options plan	2016.08.11	175.42	175.4	31.6%	8 years	-	0.62%	31.75
Treasury stock transferred to employees	2016.08.11	210.5	135	N/A	N/A	N/A	N/A	N/A
Sixth employee stock options plan	2017.06.22	167.5	167.5	22.7%	8 years	-	0.94%	22.13
First restricted stocks plan	2022.07.26	97.20	-	44.9%	3 years	2.5	0.47%~ 0.98%	90.00~ 94.75

- F. Expenses incurred on share-based payment transactions are shown below:
For the years ended December 31, 2022 and 2021, expenses incurred on share-based payment transactions were accrued at \$2,367 and \$89, respectively.

(12) Share capital

- A. As of December 31, 2022, the Company's authorized capital was \$1,800,000, consisting of 180 million shares of ordinary stock (of which 15 million shares are reserved for subscription of employee stock options), and the paid-in capital was \$1,456,868, with a par value of \$10 (in dollars) per share. All shares issued by the Company have been registered. Movements in the number of the Company's ordinary shares outstanding are as follows (shares in thousands):

	<u>2022</u>	<u>2021</u>
At January 1	143,596	145,596
Issuance of employee restricted stocks	90	-
Purchase of treasury stocks	<u>-</u>	<u>(2,000)</u>
At December 31	<u>143,686</u>	<u>143,596</u>

B. Treasury stocks

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		<u>December 31, 2022</u>	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>No. of shares (in thousands)</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	2,000	<u>\$ 133,410</u>

		<u>December 31, 2021</u>	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>No. of shares (in thousands)</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	3,000	<u>\$ 248,241</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years to five years from the reacquisition date and shares not reissued within the three-to-five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(13) Capital surplus

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

(14) Retained earnings

- 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; if necessary, an amount drawn from the special reserve can be added to the remaining amount. The Board of Directors is authorized to propose the appropriation of all or a portion of the remainder, if any, as dividends or retained earnings, which shall be approved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. The appropriations of earnings for 2021 and 2020 had been resolved at the stockholders' meeting on May 27, 2022 and August 26, 2021, respectively. Details are summarized below:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 42,603	\$ -	\$ 60,429	\$ -
Reversal of special reserve	-	-	(375)	-
Cash dividends	<u>387,711</u>	<u>2.7</u>	<u>363,992</u>	<u>2.5</u>
	<u>\$ 430,314</u>	<u>\$ 2.7</u>	<u>\$ 424,046</u>	<u>\$ 2.5</u>

The appropriations of 2021 and 2020 earnings as resolved by the shareholders were in agreement with the appropriations as resolved by the Board of Directors.

- D. The appropriations of earnings for 2022 as proposed by the Board of Directors on March 2, 2023 are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 22,218	\$ -
Cash dividends	<u>287,194</u>	<u>2.0</u>
	<u>\$ 309,412</u>	<u>\$ 2.0</u>

As of March 2, 2023, the appropriations of 2022 earnings have not been approved by the stockholders.

- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount

could be included in the distributable earnings.

(15) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 654,383</u>	<u>\$ 654,835</u>

A. Disaggregation of revenue from contracts with customers:

The Company derives revenue from the transfer of goods and services at a point in time in the following contract categories:

Year ended December 31, 2022

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 376,789</u>	<u>\$ 277,594</u>	<u>\$ 654,383</u>
Revenue from external customer contracts	<u>\$ 376,789</u>	<u>\$ 277,594</u>	<u>\$ 654,383</u>

Year ended December 31, 2021

	<u>Royalty revenue</u>	<u>Sales revenue</u>	<u>Total</u>
Total segment revenue	<u>\$ 419,366</u>	<u>\$ 235,469</u>	<u>\$ 654,835</u>
Revenue from external customer contracts	<u>\$ 419,366</u>	<u>\$ 235,469</u>	<u>\$ 654,835</u>

Royalty revenue for the years ended December 31, 2022 and 2021 was accrued as the Company was entitled to collect a certain percentage of sales from Merrimack Pharmaceuticals, Inc. from its sales in the Eurasia region (except for Taiwan) pursuant to the supplementary agreement of Cooperation Contract in 2011, and Ipsen S.A. has generally assumed all the rights and obligations in relation to the Cooperation Contract since April 3, 2017.

For the years ended December 31, 2022 and 2021, the Company recognized royalty income from sales in the amount of US\$12,495 thousand and US\$15,037 thousand in accordance with the contract, respectively. For the years ended December 31, 2022 and 2021, royalty income which has not yet been collected amounted to US\$3,308 thousand and US\$4,576 thousand (of which US\$2,977 thousand and US\$4,118 thousand were recognized in current contract assets as of December 31, 2022 and 2021, and the remaining balance was recognized as reduction of current income tax assets and current income tax liabilities as of December 31, 2022 and 2021, respectively).

B. Contract assets

The Company has recognized the following contract assets in relation to the above licensing contract:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets	<u>\$ 91,424</u>	<u>\$ 113,792</u>	<u>\$ 602,000</u>

(16) Operating costs

	Years ended December 31,	
	2022	2021
Cost of sales		
- Cost of goods sold	\$ 49,027	\$ 37,073
- Loss on inventory write-off	672	-
	<u>\$ 49,699</u>	<u>\$ 37,073</u>

(17) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	<u>\$ 25,569</u>	<u>\$ 15,423</u>

(18) Other income

	Years ended December 31,	
	2022	2021
Income from compensation (Note)	\$ 29,950	\$ 181,935
Other income	25	148
	<u>\$ 29,975</u>	<u>\$ 182,083</u>

Note: The Company entered into a license and collaboration contract for the exclusive sales of PEP503 (NBTXR3) in the Asia-Pacific region with Nanobiotix S.A. in August 2012. On March 4, 2021, both parties agreed to enter into a termination contract to terminate the rights under the aforementioned license and collaboration contract. Under the termination contract, the Company agreed to return all exclusive rights of the development and commercialization of NBTXR3 in the Asia-Pacific region to Nanobiotix S.A.. Nanobiotix S.A. agreed to pay milestone compensation to the Company amounting to US\$12,500 thousand in stages based on the achievement of each milestone. Also, Nanobiotix S.A. will pay royalty at different percentages to the Company based on the net sales of NBTXR3 in the Asia-Pacific region in the future.

The income from compensation pertains to the first stage compensation paid by Nanobiotix S.A. to the Company amounting to US\$2,500 thousand in the first quarter of 2021 under the termination contract. In the second quarter of 2021, the income from compensation pertains to the second stage and part of the fourth stage of compensation paid by Nanobiotix S.A. to the Company amounting to US\$4,000 thousand under the termination contract. In the third quarter of 2022, the income from compensation pertains to the third stage paid by Nanobiotix S.A. to the Company amounting to US\$1,000 thousand.

(19) Other gains and losses

	Years ended December 31,	
	2022	2021
Net currency exchange gains (losses)	\$ 8,800	(\$ 15,676)
Gains on financial assets at fair value through profit or loss	45,455	-
Gain on disposal of investment (Note)	-	831
Gains arising from lease modifications	4	30
Others	-	(9)
	<u>\$ 54,259</u>	<u>(\$ 14,824)</u>

Note: Gain on disposal of investment pertains to the dissolution and liquidation of the subsidiary on December 1, 2021. As of December 31, 2021, the remaining property distribution amount of EUR 37 thousand (approximately NT 1,155 thousand) was recognized as 'other receivable', which was received during the first quarter of 2022.

(20) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense on lease liabilities	<u>\$ 77</u>	<u>\$ 168</u>

(21) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	<u>\$ 113,815</u>	<u>\$ 109,381</u>
Depreciation charges on property, plant and equipment (including right-of-use assets)	<u>\$ 8,172</u>	<u>\$ 8,932</u>
Amortization charges on intangible assets	<u>\$ 439</u>	<u>\$ 232</u>

(22) Employee benefit expense (All are operating expenses)

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 84,380	\$ 78,488
Share-based payment expenses	2,367	89
Labour and health insurance fees	4,779	4,234
Pension costs	2,529	2,279
Directors' remuneration	16,721	21,790
Other personnel expenses	3,039	2,501
	<u>\$ 113,815</u>	<u>\$ 109,381</u>

C. In accordance with the Articles of Incorporation of the Company, if there is distributable profit of the current year, the Board of Directors shall resolve to allocate between 2% and 8% of profit to employees and an amount to directors which shall not exceed 2% of the profit. However, if the Company has accumulated losses, the distributable profit should cover such losses first, and this should be reported in the stockholders' meeting. In addition, as resolved by the stockholders during their meeting on May 27, 2022, the Articles of

Incorporation of the Company were amended whereby the distribution of profit to employees shall be between 1% and 10% of distributable profit for the current year.

- D. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$8,140 and \$11,362, respectively; while directors' remuneration were accrued at \$8,100 and \$11,362, respectively. The aforementioned amounts were recognized in salary expenses and other expenses. The employees' compensation was estimated and accrued based on 2% of distributable profit for the years ended December 31, 2022 and 2021. The directors' remuneration was estimated and accrued based on 1.99% and 2% of distributable profit for the years ended December 31, 2022 and 2021, respectively.

Employees' compensation for 2021 as resolved by the Board of Directors on March 8, 2022 were in agreement with those amounts recognized in the 2021 financial statements, and was distributed in the form of cash. In addition, the directors' remuneration for 2021 as resolved by the Board of Directors on July 26, 2022 was reduced to \$9,681. The difference of \$1,681 between the amount resolved by the Board of Directors and the amount of \$11,362 recognized in the 2021 financial statements had been adjusted in the profit or loss in the third quarter of 2022.

Information about the appropriation of employees' compensation and directors' remuneration by the Company as proposed by the Board of Directors will be posted in the 'Market Observation Post System' at the website of Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the year	\$ 77,471	\$ 107,928
Tax on undistributed surplus earnings	-	9,012
Prior year income tax (over) under estimation	(155)	572
Total current tax	<u>77,316</u>	<u>117,512</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,634)	1,852
Total deferred tax	<u>(3,634)</u>	<u>1,852</u>
Income tax expense	<u>\$ 73,682</u>	<u>\$ 119,364</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 78,493	\$ 109,079
Effects from items disallowed by tax regulation	572	701
Tax exempt income by tax regulation	(5,228)	-
Prior year income tax (over) under estimation	(155)	572
Tax on undistributed surplus earnings	-	9,012
Income tax expense	<u>\$ 73,682</u>	<u>\$ 119,364</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
Deferred income tax assets:					
-Temporary differences					
Amortisation of patents	\$ 4,975	(\$ 4,562)	\$ -	\$ -	\$ 9,537
Unrealized exchange loss	<u>9</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,984</u>	<u>4,553</u>	<u>-</u>	<u>-</u>	<u>9,537</u>
Deferred income tax liabilities:					
-Temporary differences					
Unrealised exchange gain	<u>-</u>	<u>(919)</u>	<u>-</u>	<u>-</u>	<u>(919)</u>
	<u>\$ 4,984</u>	<u>\$ 3,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,618</u>

	2021				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	At December 31
Deferred income tax assets:					
-Temporary differences					
Amortisation of patents	\$ 6,829	(\$ 1,854)	\$ -	\$ -	\$ 4,975
Unrealized exchange loss	-	9	-	-	9
Unused compensated absences	11	(11)	-	-	-
	<u>6,840</u>	<u>(1,856)</u>	<u>-</u>	<u>-</u>	<u>4,984</u>
Deferred income tax liabilities:					
-Temporary differences					
Unrealised exchange gain	(4)	4	-	-	-
	<u>\$ 6,836</u>	<u>(\$ 1,852)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,984</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2022		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit	\$ 318,783	143,596	\$ 2.22
<u>Diluted earnings per share</u>			
Net profit	\$ 318,783	143,596	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	-	
Restricted stocks	-	12	
Employees' compensation	-	88	
	<u>\$ 318,783</u>	<u>143,696</u>	<u>\$ 2.22</u>

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net profit	\$ 426,031	144,537	\$ 2.95
<u>Diluted earnings per share</u>			
Net profit	\$ 426,031	144,537	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	199	
	<u>\$ 426,031</u>	<u>144,736</u>	<u>\$ 2.94</u>

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchase of intangible assets	\$ 2,352	\$ -
Less: Opening balance of prepaid intangible assets	(1,850)	-
Less: Ending balance of payables on intangible assets	-	-
Cash paid during the year	<u>\$ 502</u>	<u>\$ -</u>

B. Investing activities with no cash flow effects:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Remaining property distribution receivable from the dissolution and liquidation of subsidiary	<u>\$ -</u>	<u>\$ 1,155</u>

(26) Changes in liabilities from financing activities

	<u>Lease liability</u>
At January 1, 2022	\$ 7,593
Changes in cash flow from financing activities	(7,996)
Changes in other non-cash items	
Increase in right-of-use assets	22,968
Termination of right-of-use assets (Note)	(219)
At December 31, 2022	<u>\$ 22,346</u>

	<u>Lease liability</u>
At January 1, 2021	\$ 17,042
Changes in cash flow from financing activities	(8,610)
Changes in other non-cash items	
Termination of right-of-use assets (Note)	(839)
At December 31, 2021	<u>\$ 7,593</u>

Note: It pertains to the early termination of the lease, resulting in decreases in right-of-use assets and lease liabilities.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
PharmaEngine Europe SARL (Note)	Subsidiary

Note: The liquidation of the subsidiary was completed on December 1, 2021.

(2) Significant related party transactions

Operating expenses

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Expense for services		
– PharmaEngine Europe SARL	\$ -	\$ 2,032

It pertains to a consultant fee paid to the subsidiary for developing overseas business.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 33,637	\$ 38,341
Post-employment benefits	108	150
Share-based payments	<u>1,052</u>	<u>14</u>
	<u>\$ 34,797</u>	<u>\$ 38,505</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2022 and 2021, the Company has entered into a drug research commissioned contract and software license contract amounting to \$288,677 and \$243,457, of which \$162,842 and \$156,448 had been paid, respectively.
- (2) On September 25, 2022, the Company has entered into a worldwide exclusive license agreement (in-license) with UK-based Sentinel Oncology Limited for PEP07 (Chk1inhibitor). The total contract price is USD 140,500 thousand. Under the agreement, the Company will pay milestone payments and sales milestone payments based on the stage of completion of the research and

development and the sales of the products as well as royalties based on a certain percentage of product sales. The Company has recognized royalty expense of USD 1,000 thousand (shown as ‘research and development expenses’) when the agreement was signed, and the payment will be made in October 2022.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) For the appropriations of 2022 earnings, please refer to Note 6(14)D.
- (2) For the information about the employees’ compensation and directors’ remuneration of 2022, please refer to Note 6(22)B.

12. OTHERS

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’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.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 55,591	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,768,859	\$ 2,150,668
Financial assets at amortised cost	1,836,840	1,663,000
Accounts receivable, net	68,914	46,685
Other receivables	6,752	6,268
Refundable deposits (shown as other non-current assets)	2,295	2,300
	<u>\$ 3,683,660</u>	<u>\$ 3,868,921</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Other payables	\$ 69,942	\$ 71,994
Lease liability	\$ 22,346	\$ 7,593

B. Financial risk management policies

- (a) The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management program focuses on the unpredictability of

financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

- i. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NT). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		<u>December 31, 2022</u>		
		Foreign currency amount <u>(in thousands)</u>	<u>Exchange rate</u>	Book value <u>(NT)</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NT	\$	9,132	30.71	\$ 280,456
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NT		371	30.71	11,391
EUR:NT		34	32.72	1,112
		<u>December 31, 2021</u>		
		Foreign currency amount <u>(in thousands)</u>	<u>Exchange rate</u>	Book value <u>(NT)</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NT	\$	4,118	27.63	\$ 113,792
EUR:NT		37	31.12	1,155

As of December 31, 2022 and 2021, there was no significant monetary financial liability denominated in foreign currency.

- ii. Total exchange gain (loss) arising from foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$8,800 and (\$15,676), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		<u>Year ended December 31, 2022</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NT	1%	\$ 2,805	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NT	1%	114	-
	EUR:NT	1%	11	-

		<u>Year ended December 31, 2021</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NT	1%	\$ 1,138	\$ -
	EUR:NT	1%	12	-

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of optimal are accepted. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery

terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Company used the forecastability of business indicators issued by the National Development Council to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	<u>Not past due</u>		<u>Total</u>
<u>December 31, 2022</u>			
Expected loss rate	0.03%		
Total book value	\$ 68,935	\$	68,935
Loss allowance	\$ 21	\$	21

	<u>Not past due</u>		<u>Total</u>
<u>December 31, 2021</u>			
Expected loss rate	0.03%		
Total book value	\$ 46,699	\$	46,699
Loss allowance	\$ 14	\$	14

- vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2022</u>
At January 1	\$ 14
Provision for impairment	<u>7</u>
At December 31	<u>\$ 21</u>

	2021
At January 1	\$ 229
Reversal of impairment loss	(215)
At December 31	<u>\$ 14</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury along with the Finance & Accounting Department. Company treasury along with the Finance & Accounting Department monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The Company's other payables are due within 12 months, therefore, the Company expects no significant liquidity risk.
- iii. The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Other payables	\$ 69,942	\$ -	\$ -	\$ -
Lease liability	7,847	7,847	7,193	-

December 31, 2021	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Other payables	\$ 71,994	\$ -	\$ -	\$ -
Lease liability	7,637	-	-	-

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Management considered that the carrying amounts of financial assets and financial liabilities not measured at fair value, including cash and cash equivalents (including financial assets at amortised cost), contract assets, accounts receivable, other receivables, accounts payable and other payables, are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

The related information on the nature of assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 55,591	\$ -	\$ -	\$ 55,591

As of December 31, 2021, there was no financial instrument measured at fair value.

(4) Impact of COVID-19

Based on the Company's assessment, the COVID-19 pandemic has no significant impact on the Company.

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): Refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$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 financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: There was no transaction amounting to \$10 million or exceeding 20% of paid-in capital.

(2) Information on investees

None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Refer to table 2.

14. OPERATING SEGMENT INFORMATION

Segment information is presented in the consolidated financial statements in accordance with the regulations of IFRS 8.

PHARMAENGINE, INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Statement 1

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty cash		\$ 100
Demand deposits		
- NT		7,077
- Foreign currency	(USD\$ 608 @30.71) (Other FCY\$ 34)	19,824
Cash equivalents		
Time deposits - NT	Interest rate 0.88%~1.18%; maturity dates are between January 1, 2023 and March 22, 2023	1,605,900
Time deposits – foreign currency	Interest rate 4%; maturity date is January 5, 2023	46,065
Callable warrants	Interest rate 0.90%~1.00%; maturity dates are between January 4, 2023 and January 12, 2023	89,893
		<u>\$ 1,768,859</u>

PHARMAENGINE, INC.
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 2

<u>Name of Financial Instrument</u>	<u>Description</u>	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>	
				<u>Unit Price (Note)</u>	<u>Total Amount</u>
Stocks	Formosa Pharmaceuticals, Inc.	1,067,000	\$ 36,278	\$ 52.1	\$ 55,591

Note: The unit is in New Taiwan Dollars (NT).

PHARMAENGINE, INC.
STATEMENT OF FINANCIAL ASSETS AT AMORTISED COST-CURRENT
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 3

<u>Item</u>	<u>Period</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Time deposits - NT	6 months to 1 year	January 10, 2023 to November 29, 2023	0.92%-1.33%	\$ 1,714,000
Time deposits - USD	6 months to 9 months	February 25, 2023 to June 30, 2023	3.15%~4.00%	122,840
				<u>\$ 1,836,840</u>

PHARMAENGINE, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 4

<u>Client Name</u>	<u>Amount</u>
Client A	\$ 68,935
Less: Allowance for bad debts	(21)
	<u>\$ 68,914</u>

PHARMAENGINE, INC.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Amount
Beginning merchandise inventory	\$ 5,432
Add: Purchases during the year	79,339
Less: Ending merchandise inventory	(34,375)
Write-offs for the current year	(672)
Transferred to research and development expense	(697)
Cost of goods sold	49,027
Loss on inventory write-off	<u>672</u>
Operating costs	<u>\$ 49,699</u>

PHARMAENGINE, INC.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 22,723	
Advertising expenses	2,272	
Conference fees	5,490	
Other expenses	<u>14,619</u>	None of the balances of individual item exceed 5% of this account balance
	<u>\$ 45,104</u>	

PHARMAENGINE, INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 7

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 53,685	
Depreciation expenses	5,161	
Professional service fee	13,164	
Other expenses	<u>22,943</u>	None of the balances of individual item exceed 5% of this account balance
	<u>\$ 94,953</u>	

PHARMAENGINE, INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Statement 8

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 23,627	
Contracted research expense	112,080	
Royalty expense	35,840	
Other expenses	<u>10,334</u>	None of the balances of individual item exceed 5% of this account balance
	<u>\$ 181,881</u>	

PHARMAENGINE, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Statement 9

Nature	Function	Year ended December 31, 2022			Year ended December 31, 2021		
		Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense							
Wages and salaries		\$ -	\$ 84,380	\$ 84,380	\$ -	\$ 78,488	\$ 78,488
Share-based payment		-	2,367	2,367	-	89	89
Labour and health insurance fees		-	4,779	4,779	-	4,234	4,234
Pension costs		-	2,529	2,529	-	2,279	2,279
Directors' remuneration		-	16,721	16,721	-	21,790	21,790
Other personnel expenses		-	3,039	3,039	-	2,501	2,501
		<u>\$ -</u>	<u>\$ 113,815</u>	<u>\$ 113,815</u>	<u>\$ -</u>	<u>\$ 109,381</u>	<u>\$ 109,381</u>
Depreciation expense		<u>\$ -</u>	<u>\$ 8,172</u>	<u>\$ 8,172</u>	<u>\$ -</u>	<u>\$ 8,932</u>	<u>\$ 8,932</u>
Amortisation expense		<u>\$ -</u>	<u>\$ 439</u>	<u>\$ 439</u>	<u>\$ -</u>	<u>\$ 232</u>	<u>\$ 232</u>

Note:

A. As at December 31, 2022 and 2021, the Company had 46 and 42 employees, including 9 non-employee directors, respectively.

B. Average employee benefit expense in current year was \$2,624 ((Total employee benefit expense in current year–Total directors' compensation in current year)/(Number of employees in current year–Number of non-employee directors in current year)).

Average employee benefit expense in previous year was \$2,654 ((Total employee benefit expense in previous year–Total directors' compensation in previous year)/ (Number of employees in previous year – Number of non-employee directors in previous year)).

C. Average employee salaries in current year was \$2,281 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).

Average employee salaries in previous year was \$2,378 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).

D. Adjustments of average employee salaries was (4%) ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).

E. The Company has set up an audit committee so there is no supervisor's remuneration.

F. The Company's compensation policy:

Managers and employees: The Company's pay level is determined based on different market positioning with reference to the position, job attribute, degree of difficulty on alternative. Supervisors of research and development device involve highly professionalism and certain working experiences, thus the pay level of supervisors of research and development is set on P75 of the same industry, and remaining positions are set on P50 of the same industry. Pay level is same as most entities in the same industry.

(b) Directors: When directors served for the Company, the Company shall pay the remuneration to directors no matter that the Company has operating profit or loss. Directors' remuneration is delegated to the Board of Directors to decide and will be decided according to the extent of their participation and value of contribution to the Company by reference to the general pay levels in the same industry. The Company distributes directors' remuneration (excluding independent director) if it has any profit for the current year in accordance with the Article 25 of Incorporation of the Company.

(c) Independent director: Reward of the Company's independent director is determined taking into consideration the remuneration in relation to both serving as an independent director and a member of functional committee and the general standards in the industry.

PharmaEngine, Inc.
Chairman : Jan-Yau Hsu