Stock Code: 4162

PharmaEngine, Inc.

2023 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.

Taiwan Stock Exchange Market Observation Post System: https://mops.twse.com.tw
PharmaEngine Annual Report is available at https://www.pharmaengine.com
Printed on April 12, 2024

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

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VI. Overseas Securities Exchange

None.

VII. Company Website

https://www.pharmaengine.com

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I. Letter to Shareholders

Dear Shareholders,

Thank you for your support over the years. In the past year, the world has come out of the COVID-19 pandemic, and social and economic activities began to thrive once more. However, we have also been seeing a turbulent recovery of the world economy such as the significant fluctuations of the major Asian currencies to US Dollar, the sharp increase of inflation in most of the countries in the world, and the rising intensity of geopolitical conflicts. Facing these uncertainties, PharmaEngine continues to demonstrate a high degree of resilience and innovative strength using our "Virtual Pharmaceutical Company Business Model" to push forward our progress on providing a steady supply of medical treatments and research and develop new oncology drugs. It is our duty to fulfill our social responsibility by building a strong management and R&D team to expand our pipeline and our business horizon. Our vision is to become the most professional and innovative new drug development company that specializes in oncology therapies in Asia.

For ONIVYDE®, in addition to expanding the market for second line use with 5-FU and Leucoverin to treat patients with metastatic pancreatic cancer, we continued to expand the applications and markets for the product. On July 2023, PharmaEngine received the good news from our partner, Servier, that Europe's European Medicines Agency (EMA) has accepted the application for Type-II Variation of ONIVYDE® (similar to sNDA), PharmaEngine also received US$2 million in sublicense revenue. In first-quarter 2024, the ONIVYDE® regimen (NALIRIFOX) for 1L PDAC has received sNDA approvals from the US, Australia, and Taiwan, and received positive opinion from Committee for Medical Products for Human Use (CHMP) of the European Medicines Agency (EMA).

2023 has been year of advancement for PharmaEngine's new product under development, PEP07, a CHK1 inhibitor that is potentially best-in-class with characteristics of high selectivity, high potency, and brain penetrating compared to competitors. PharmaEngine officially introduced PEP07 from Sentinel Oncology in September 2022 and obtained Phase 1 clinical trial for hematologic cancer approvals from competent authorities in Australia and Taiwan in 2023. Furthermore, in 2023, PharmaEngine has been conducting PEP07 Phase 1 clinical trials for hematologic cancer in Australia and in Taiwan. As for solid tumors, PharmaEngine received the approval from TFDA for PEP07 Phase I clinical trial for solid tumors in September 2023 and is scheduled to begin in the first half of 2024.

PharmaEngine continues to expand our pipeline. In 2023, other projects on the pipeline (PEP08-PEP10) have been meeting our expectations. We combined AI and computer-assisted drug development (CADD) technologies to help us moving toward the goal of reducing animal testing and shorten new drug development time. Furthermore, PharmaEngine continues to conduct in-depth training of our staff and actively pursuing partnerships through various channels to maximize research and development efficiency.

We continue to pursue our business goal, fulfill our social responsibility, and strengthen our corporate sustainability. We work to race with patients, enhance quality of life, and extend lives through innovation. Next, please let us provide further details on our business results for 2023, business plan summary for 2024, business development strategies, and impacts from external competition environment, regulatory environment, and the macro-economic environment.

Business Result for 2022

1. Operational Performance

   The revenue of PharmaEngine in 2023 was NT$767,669 thousand dollars. The cost, including operating cost and operating expenses, was NT$490,486 thousand dollars. The operating income was NT$277,183 thousand dollars. The net non-operating income was NT$60,791 thousand dollars. The income before tax was NT$337,974 thousand dollars. The net income was NT$274,650 thousand dollars.

2. Status of Budget Implementation

   In reviewing the status of budget implementation in 2023, PharmaEngine generated NT$767,669 thousand dollars in revenue in 2023, which accounts for 119.26 % of the budget target, which included (1) US$13,705 thousand dollars (approx. NT$426,652 thousand dollars) royalties for the sales of ONIVYDE® in Europe and Asia regions and US$2,000 thousand dollars (approx. NT$62,470 thousand dollars) of sublicense revenue, approximately NT$489,122 thousand dollars in subtotal, and (2) NT$278,547 thousand dollars for the sales of ONIVYDE® in Taiwan. For the Income before Tax in 2023, PharmaEngine generated NT$337,974 thousand dollars, which accounts for 249.92% of the budget target.

3. Financial Income & Expenses and Profitability Analysis

Item \ Year		2022	2023
Financial Income & Expenses	Interest Income (in 000s)	25,569	54,320
	Interest Expenditure (in 000s)	77	310
Profitability Analysis	Return on Asset %	7.97	6.94
	Return on Equity %	8.16	7.10
	Net Profit Margin %	48.71	35.77
	Earnings Per Share (NT)	2.22	1.91

4. Research & Development Status

   Our progresses for drug development in 2023 and Q1 2024 are summarized as follow：

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 for hematologic cancers has been approved by Australia HREC and acknowledged by Australia TGA.

June 2023	Phase 1 clinical study of PEP07 for hematologic cancers has been approved by TFDA. PharmaEngine files post-approval change application for a new indication of ONIVYDE® to TFDA.
July 2023	Europe's EMA accepted ONIVYDE®'s Type II Variation application.
August 2023	First patient dosed in Phase 1 clinical trial of PEP07 for hematological cancers.
September 2023	Phase 1 clinical trial of PEP07 for solid tumorshas been approved by TFDA.
February 2024	ONIVYDE® sNDA receives approval from US FDA.
March 2024	ONIVYDE® sNDA receives approvals from Australia's TGA and Taiwan TFDA and received positive opinion from Committee for Medical Products for Human Use (CHMP) of the European Medicines Agency (EMA).

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 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. The sales of ONIVYDE® in 2024 in Taiwan are estimated to be around 13,000-16,000 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. 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. Accomplish marketing plans and sales target in Taiwan
      B. Continue to advance 1L PDAC marketing and sales strategy
   (3) Project Development
      A. Project of PEP07
         a. Aggressively implement PEP07 phase 1 clinical trials for hematologic cancers and solid cancers
         b. Continue to move forward with multiple hematologic and solid tumors preclinical trial efficacy testing and biomarker discovery
      B. Other Research Projects
         a. Accelerate the screening and pre-clinical development plan of new drug candidates
   (4) R & D strategy
      A. Aggressively in-licensing new drug projects that meet the criteria of business strategy and core competence of PharmaEngine
      B. Accelerate the launch of new drug products 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 (such as AI new drug development platform)

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. Expand and advance R&D projects on the pipeline.
3. Actively training R&D personnel of the Company, improving the techniques in new drug development, and achieving the sustainable growth of the Company.
4. 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 biopharmaceutical industry continues to be competitive. Drug prices around the world have been seeing cuts while development costs have been increasing due to the price increase of materials, energy, and logistics. This means margins of new drug development companies have been compressed.
PharmaEngine develops new drugs in accordance with the requirements of the regulatory authorities and international guidelines, such as GCP, ICH and more. Such implementation pushed ONIVYDE® to be successfully launched in the United States, Taiwan, Europe, Singapore, South Korea, Japan, China, and many countries and is included in the general health insurance in Taiwan with reasonable pricing strategy. Furthermore, PharmaEngine has begun phase 1 clinical trial for hematologic cancers in Australia and Taiwan in 2023. These achievements show that PharmaEngine is well-prepared to respond to the changes in the external competition, regulatory, and macro-economic environments. PharmaEngine will continue to move forward in the field of new drug development for oncology therapies, develop new successful projects, enhancing business sustainability, and strive to bring more benefits and returns to our shareholders.

II. Company Profile

2.1 Approval Date: August 12, 2002

2.2 Development history:

Year	Milestones
2002	►Founded on Aug. 12, 2002 with NT$1 million capital.
2003	►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	►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	►Expanded PEP02 license to the European territory.
2006	►Completed PEP02 single agent phase I study.
2007	►Permitted to conduct PEP02 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	►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	►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	►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. ►Cooperated with GERCOR, a famous French cancer research institute, to execute PEP02 colorectal cancer phase II trial.
2011	►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
	►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 shares issued through employee stock option for 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	►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 for 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	►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 shares issued through employee stock option for the year 2013 was NT$2,790,000 (279,000 shares).
2014	►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.

Year	Milestones
	►The new shares issued through employee stock option for the year 2014 was NT$14,570,000 (1,457,000 shares).
2015	►Presented the expanded analysis 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 shares issued through employee stock option for the year 2015 was NT$1,440,000 (144,000 shares).
2016	►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 shares issued through employee stock option for 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 shares issued 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).

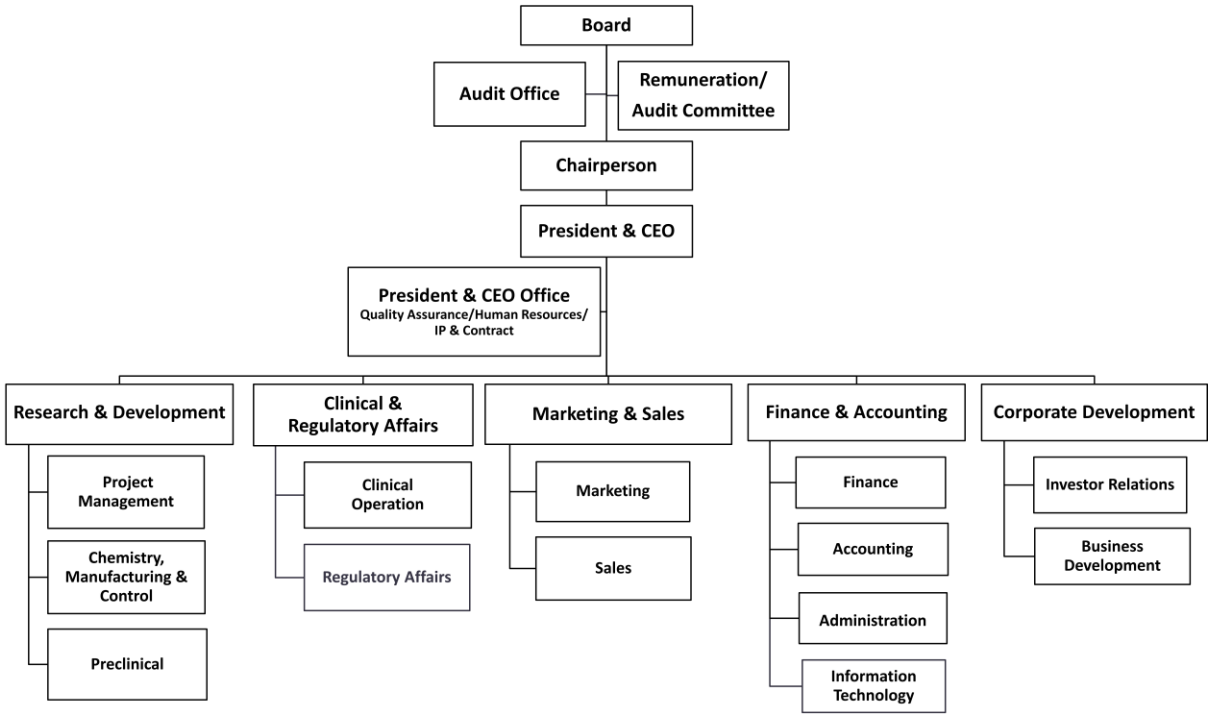
Year	Milestones
2017	►The new shares issued through employee stock option for the year 2017 was NT$1,530,000 (153,000 shares). ►Presented the study results of phase I/II head and neck cancer trial of PEP503(NBTXR3) at 2017 ASCO. ►The Korea Ministry of Food and Drug Safety (MFDS) approved ONIVYDE® for the treatment of metastatic pancreatic cancer, and PharmaEngine received the milestone payment of US$25 million. ►The new shares issued 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	►Singapore Health Sciences Authority approved ONIVYDE® for the treatment of metastatic pancreatic cancer. ►The new shares issued through employee stock option for 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 shares issued through employee stock option for the year 2018 was NT$1,490,000 (149,000 shares).
2019	►The new shares issued through employee stock option for the year 2018 was NT$1,690,000 (169,000 shares). ►Handling of 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	►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 US FDA granted Fast Track designation to ONIVYDE® as the first-line combination treatment for metastatic pancreatic cancer. ►Handling of the cancellation of treasury shares of NT$700,000 ►The rectal study of PEP503 (NBTXR3) entered phase II part and initiated the patient recruitment. ►PharmaEngine and Sentinel Oncology entered an exclusive collaboration and license agreement for SOL-578, a CHK1 inhibitor (PEP07).

Year	Milestones
	►US FDA granted Fast Track designation to ONIVYDE® as an investigational second-line monotherapy treatment for small cell lung cancer.
2021	►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	►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 of 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 issued through employee restricted stock awards for 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	►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". ►Handling of the cancellation of employee restricted stock awards of NT$80,000. ►Phase 1 clinical study of PEP07 for hematologic cancer approved by TFDA. ►PharmaEngine filed post-approval change application for a new indication of ONIVYDE® to TFDA. ►EMA accepted ONIVYDE®'s Type II Variation application. PharmaEngine received US$2 million of sub-license revenue. ►First patient dosed in PEP07 Phase 1 clinical trial of hematologic cancer. ►Phase 1 clinical study of PEP07 for solid tumors approved by TFDA.
2024	►Handling of the cancellation of employee restricted stock awards of NT$80,000. ►PharmaEngine's strategic partner, IPSEN, announced ONIVYDE® regimen (NALIRIFOX) for 1L PDAC obtained sNDA approval from US FDA. ►ONIVYDE® regimen (NALIRIFOX) for 1L PDAC obtained sNDA approvals from Australia TGA and Taiwan TFDA, and received positive opinion from Committee for Medical Products for Human Use (CHMP) of the European Medicines Agency (EMA).

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	Responsible for leading the 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. Sub-departments include: • QA Department: Responsible for overall quality of the project management planning and implementation controlling, collaborate project team to continuously 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 contracts.
Audit Office	In charge of the internal auditing process of the Company.
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 evaluation on the completion of the projects.
Clinical and Regulatory Affairs	• 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: Assists new project assessment and submission to abide by 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 cyber 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 with investors.

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

3.2.1 Directors and Independent Directors

March 26, 2024

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 Independent Directors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairperson	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's degree from the Department of Statistics at National Chengchi University; Chairperson of 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	0	National Chengchi University	1. Director and Senior Vice President - WT Mi3.croelectronics Co., Ltd. 2. Director- WT Microelectronics (Hong Kong) Limited 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.	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					

																15. Chairperson- Tang Ye Investment Co., Ltd. 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. 22. Director- Leader's Technology Co., Ltd. 23. Director- Daypower Energy Co., Ltd.			
Director	Taiwan	Legal Representative: Rui-Wen Wu	Male 50-59	May 27, 2022	3	Jan. 19, 2018	0	0	0	0	0	0	0	0	Master's in law from Chinese Culture University	Senior Director, Secretariat Division of Board of Directors- TTY Biopharm Co., Ltd	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 60-69	May 27, 2022	3	May 27, 2022	0	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. President-Taiwan Society of Internal Medicine 5. President- Formosan 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	0	Master's degree from the 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 70-79	May 27, 2022	3	Aug. 26, 2021	0	0	0	0	0	0	0	0	Doctor of Medicine, Kaohsiung Medical University; Former Superintendent, Kaohsiung	1. Professor of Surgery- Kaohsiung Medical	None	None	None

															Medical University Chung-Ho Memorial Hospital	University Chung-Ho Memorial Hospital 2. Advisor- Board of Directors of Kaohsiung Medical University 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. Supervisor- Institute for Biotechnology and Medicine Industry 7. Director- Taiwan Clinical Oncology Society 8. Member of Committee on Medical Regulations- Taiwan Medical Association 9. Executive Director- Kaohsiung City 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	Accountant- Moores Rowland CPAs	None	None	None
Independent Director	Taiwan	Ming-Daw Chang	Male 70-79	May 27, 2022	3	May 27, 2022	0	0	0	0	0	0	0	0	Master's degree from the Department of Law at Chinese Culture University	Chairperson- Bank of Panhsin	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; Former President- Taipei Medical University	1. Municipal Administration Adviser- Taipei City Government 2. Director- Fubon Life Insurance Co., Ltd. 3. Chair Professor- Taipei Medical University 4. Professor- Graduate Institute of Medical Science, Taipei Medical University 5. Director- National Applied Research Laboratories 6. Director- Center for Drug Evaluation, Taiwan	None	None	None

																7. Director- Professor C.Y. Lee Foundation 8. Director- Institute for Biotechnology and Medicine Industry 9. Executive Director-The Pharmacological Society			

Chart 1. Major shareholders of institutional investors

Mar. 26, 2024

Name of Institutional shareholders	Name of Major shareholders
TTY Biopharm Co., Ltd	Dawan Technology Company Limited (9.46%), Fubon Life Insurance Co., Ltd. (3.64%), Chang,Wen-I (2.28%), Hsiao, Ying-Chun (2.01%), Chang, Wen-Hwa (1.77%), Chang, Wen-Ling (1.68%), Chang, Jun-Ren (1.54%), Investment account of Norges Bank managed by Citibank Taiwan (1.33%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.16%), Chunghwa Post Co., Ltd. (1.12%)
National Development Fund, Executive Yuan	-

Chart 2. Major shareholders above who are institutional investors and their major shareholders:

Mar. 26, 2024

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%), Wu, Yong-Liang (7.34%), Xu, Mei-Qin (7.97%), Hsiao, Jia-Yu (3.11%), Hsiao, Jia-Bin (2.56%)
Nan Shan Life Insurance Co., Ltd	Fubon Financial Holding Co., Ltd.
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications (100%)

Chart 3. Independence of directors and independent directors

Mar. 26, 2024

Criteria / Name	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	Does not match any 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	-	None
TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu	-	-	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	-	None
National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	Distinguished Professor-Department of Internal Medicine, College of Medicine, National Taiwan University	Attending Physician-Department of Internal Medicine, National Taiwan University Hospital	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	-	None
Ming-Feng Hou	Visiting 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	None
Chih-Li Wang (Independent Director)	-	Accountant- Moores Rowland CPAs	v	v	v	v	v	v	v	v	v	v	v	v	v	None
Ming-Daw Chang (Independent Director)	-	-	v	v	v	v	v	v	v	v	v	v	v	v	v	None
Chien-Huang Lin (Independent Director)	Professor -Graduate Institute of Medical Science, Taipei Medical University	-	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 (this does not apply if the independent directors appointed by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Act or local national laws serve concurrently);
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 or 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 Act.
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 (this does not apply if the independent directors appointed by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Act or local national laws serve concurrently);
7. Not a director, supervisor, or employee (this does not apply if the independent directors appointed by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Act or local national laws serve concurrently) of a company of which the chairperson or CEO (or equivalent) themselves or their spouse also serve as the company's chairperson 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 (however, if a specific company or institution holds more than 20% but not more than 50% of the total number of issued shares of the company, and is a subsidiary of the company, its parent company, a subsidiary, or a subsidiary of the same parent company, it shall comply with this law or the local country.

This does not apply if the independent directors established by law serve as concurrent directors);

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 NT$500,000”.
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 Act.

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" 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 performance evaluation items, including the management 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 of the operation of the Board of Directors is confirmed and the performance of directors is served as reference in future director screening. 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 benefit the Company's operation and management.

(b) Possession of 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 the 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 ensure 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, at present, multiple high-ranking managers possess the required managerial capability and professionalism in the Company. Meanwhile, the Company will recruit professional talent externally prepare 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 regulations. The Company will hire independent directors according to its actual operational demand and in compliance with the "Independent Director Eligibility Review Regulations" to further strengthen 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. In particular, Independent Director Chih-Li Wang is a professional CPA and has had worked as a 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 2.90 years on average, and 3 independent directors, who have served for about 3.07 years on average. All the directors are R.O.C. nationals. The independent directors account for 33%. None of the directors is an employee of the Company. In terms of age, 1 director is 40-49 years old; 3 are 50-59 years old, 2 are 60-69 years old, and 3 are 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, except where the competent authority has granted approval, the following relationships may not exist among more than half of a company's directors: spousal and familial relationship with in the second degree of kinship. There are 9 directors in the 8th intake 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 is not applicable.

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

Mar. 26, 2024

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, Clinical Development	Taiwan	Brian Shen	Male	Mar. 22, 2023	27,448	0.01%	0	0	0	0	- Master, Biochemistry, Chung-Shan Medical and Dental College -Senior Director, Early Development, Translational Medicine, Cstone Pharmaceuticals -Manager, Clinical Research, Omnicare Clinical Research Inc.	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	Peggy 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	15,000	0.01%	0	0	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, Independent Directors, 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		Companies in the consolidated financial statements				
		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	Cash	Stock	Cash	Stock	The Company	Companies in the consolidated financial statements	
Chairperson	Legal Representative: Jan-Yau Hsu	4,500	4,500	0	0	0	0	24	24	4,524 1.65	4,524 1.65	0	0	0	0	0	0	0	0	4,524 1.65	4,524 1.65	None
	TTY Biopharm Co., Ltd.	0	0	0	0	1,170	1,170	0	0	1,170 0.43	1,170 0.43	0	0	0	0	0	0	0	0	1,170 0.43	1,170 0.43	
Director	Legal Representative: Rui-Wen Wu	0	0	0	0	0	0	84	84	84 0.03	84 0.03	0	0	0	0	0	0	0	0	84 0.03	84 0.03	None
	TTY Biopharm Co., Ltd.	0	0	0	0	1,170	1,170	0	0	1,170 0.43	1,170 0.43	0	0	0	0	0	0	0	0	1,170 0.43	1,170 0.43	
Director	Legal Representative: Wen-Hung Hsu	0	0	0	0	0	0	84	84	84 0.03	84 0.03	0	0	0	0	0	0	0	0	84 0.03	84 0.03	None
	TTY Biopharm Co., Ltd.	0	0	0	0	1,170	1,170	0	0	1,170 0.43	1,170 0.43	0	0	0	0	0	0	0	0	1,170 0.43	1,170 0.43	
Director	Legal Representative: Ming-Shiang Wu	0	0	0	0	0	0	84	84	84 0.03	84 0.03	0	0	0	0	0	0	0	0	84 0.03	84 0.03	None
	National Development Fund, Executive Yuan	0	0	0	0	1,170	1,170	0	0	1,170 0.43	1,170 0.43	0	0	0	0	0	0	0	0	1,170 0.43	1,170 0.43	
Director	Legal Representative: Yi-Hui Lin	0	0	0	0	0	0	60	60	60 0.02	60 0.02	0	0	0	0	0	0	0	0	60 0.02	60 0.02	None

	National Development Fund, Executive Yuan	0	0	0	0	1,170	1,170	24	24	1,194 0.43	1,194 0.43	0	0	0	0	0	0	0	0	1,194 0.43	1,194 0.43	
Director	Ming-Feng Hou	0	0	0	0	1,170	1,170	86	86	1,256 0.46	1,256 0.46	0	0	0	0	0	0	0	0	1,256 0.46	1,256 0.46	None
Independent Director	Chih-Li Wang	1,560	1,560	0	0	0	0	120	120	1,680 0.61	1,680 0.61	0	0	0	0	0	0	0	0	1,680 0.61	1,680 0.61	None
Independent Director	Ming-Daw Chang	1,560	1,560	0	0	0	0	120	120	1,680 0.61	1,680 0.61	0	0	0	0	0	0	0	0	1,680 0.61	1,680 0.61	None
Independent Director	Chien-Huang Lin	1,560	1,560	0	0	0	0	120	120	1,680 0.61	1,680 0.61	0	0	0	0	0	0	0	0	1,680 0.61	1,680 0.61	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. Representative: Wen-Hung Hsu 3. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 4. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	1. TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu 2. TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu 3. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 4. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	1. TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu 2. TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu 3. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 4. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	1. TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu 2. TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu 3. National Development Fund, Executive Yuan Representative: Yi-Hui Lin 4. National Development Fund, Executive Yuan Representative: Ming-Shiang Wu
NT$1,000,001 ~ NT$2,000,000	1. Chih-Li Wang 2. Ming-Daw Chang 3. Chien-Hunag Lin 4. Ming-Feng Hou	1. Chih-Li Wang 2. Ming-Daw Chang 3. Chien-Hunag Lin 4. Ming-Feng Hou	1. Chih-Li Wang 2. Ming-Daw Chang 3. Chien-Hunag Lin 4. Ming-Feng Hou	1. Chih-Li Wang 2. Ming-Daw Chang 3. Chien-Hunag Lin 4. Ming-Feng Hou
NT$2,000,001 ~ NT$3,500,000	1. National Development Fund, Executive Yuan	1. National Development Fund, Executive Yuan	1. National Development Fund, Executive Yuan	1. National Development Fund, Executive Yuan
NT$3,500,001 ~ NT$5,000,000	1. TTY Biopharm Co., Ltd. 2. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu	1. TTY Biopharm Co., Ltd. 2. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu	1. TTY Biopharm Co., Ltd. 2. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu	1. TTY Biopharm Co., Ltd. 2. TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu
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	11	11	11	11

(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	10,881	10,881	108	108	4,927	4,927	2,303	0	2,303	0	18,219 6.63	18,219 6.63	None
Vice President, Corporate Development	Chi-Hsing Chang													

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- Managers

Unit: NT$ thousands

	Title	Name	Stock	Cash	Total	Ratio of total compensation to net income (%)
Manager	President	Hong-Ren Wang	0	3,577	3,577	1.30
	Vice President, Corporate Development	Chi-Hsing Chang				
	Senior Director, Clinical Development	Brian Shen				
	Director, Finance & Accounting	Peggy Tsao				
	Associate Director, Audit Office	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 2022 and 2023 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	From the Company			
	2022		2023	
	Total Amount	Ratio of total amount to the net income (%)	Total Amount	Ratio of total amount to the net income (%)
Directors	13,208	4.14	11,966	4.36
Independent Directors	5,194	1.63	5,040	1.84
Presidents and Vice Presidents	18,509	5.81	18,219	6.63
Total	36,911	11.58	35,225	12.83

2. Remuneration policies, standards, and procedures

(1) Directors and Independent Directors:

A. Directors: It is divided into business expenses and surplus distributions. Both categories are referring to Articles of Incorporation and "Salary Policy, Systems, Standards and Structure".

B. Chairperson: It is divided into business expenses, salary and surplus distributions. All categories are referring to Articles of Incorporation and "Salary Policy, Systems, Standards and Structure".

C. Independent Directors: It is divided into business expenses and salary. Both categories are referring to Articles of Incorporation and "Salary Policy, Systems, Standards and Structure". 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 Policy, Systems, Standards and Structure".

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 paid to the presidents and vice presidents are based on "Regulations for Performance Appraisal". 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 the chairperson'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. According to the provisions of the Company's Articles of Incorporation, based on the level of participation and contribution of the individual director, the Board of Directors shall consider and allocate no more than 2% as directors' remuneration in accordance with Article 25 of the Company's Articles of Incorporation. Independent directors will not participate in the distribution of directors' remuneration. The Company regularly evaluates directors' remuneration in accordance with the "Board Performance Evaluation". Important director remuneration evaluation items include operating performance, external performance evaluation and industry standards, etc. Relevant performance appraisal and remuneration rationality are reviewed by the Remuneration Committee and the Board of Directors.
The Company's managers' remuneration is based on the "Regulations for Performance Appraisal" and clearly stipulates various work allowances and bonuses to sympathize with and reward employees for their hard work. Relevant bonuses are also based on the company's annual operating performance, financial status, operating conditions, and personal performance appraisal; in addition, if the company makes a profit in the current year, 1-10% will be allocated as employee remuneration in accordance with Article 25 of the Company's Articles of Incorporation. The performance evaluation results are carried out by the Company in accordance with the "Regulations for Performance Appraisal" are used as a reference for the issuance of managers' bonuses. Managements and the Remuneration Committee regularly review the Company's payroll policy to ensure competitive advantage and risk control of human resources. The Company could pay managers with treasury stocks, employee stock options, restricted stocks awards, and so on, so managers can also undertake the operating risks in the future with the Company.

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	4,803
Senior Director, Clinical & Regulatory Affairs	Brian Shen	
Director, IP & Contract	Selena Kuo	
Associate Director, Audit Office	Tony Hong	

Vice President, Corporate Development	Chi-Hsing Chang	
Director, Finance & Accounting	Peggy Tsao	
Associate Director, Preclinical	Bettice Chen	
Associate Director, Medicinal Chemistry & CMC	Mel Liu	
Associate Director, Preclinical	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 4 (A) board of director meetings in recent years

Jan. 1, 2023 to Dec. 31, 2023

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Chairperson	TTY Biopharm Co., Ltd. Representative: Jan-Yau Hsu	4	0	100.0	
Director	TTY Biopharm Co., Ltd. Representative: Rui-Wen Wu	4	0	100.0	
Director	TTY Biopharm Co., Ltd. Representative: Wen-Hung Hsu	4	0	100.0	
Director	National Development Fund, Executive Yuan Representative: Yi-Hui Lin	4	0	100.0	
Director	National Development Fund, Executive Yuan Representative: Ming-Shiang Wu	4	0	100.0	
Director	Ming-Feng Hou	3	1	75.0	
Independent Director	Ming-Daw Chang	4	0	100.0	
Independent Director	Chien-Huang Lin	4	0	100.0	
Independent Director	Chih-Li Wang	4	0	100.0	

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

Jan. 1, 2024 to Apr. 12, 2024

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Chairperson	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:	1	0	100.0	

	Ming-Shiang Wu				
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 14-3 of the Securities and Exchange Act:

Meeting Date	Period	Proposal	Independent Director Opinions	Company Opinions
Mar. 2 2023	4th meeting of the 8th session	Discussion and assessment of the examination of the independence, competency qualifications and fees of Accountants	All passed	Approved by all attending directors
Apr. 27 2023	5th meeting of the 8th session	Discussion of the authorization of PEP07 CRO contract signing Discussion the cancellation of restricted stock awards Discussion the assignment of Deputy Spokesperson and Information Security Officer Discussion of the amendments to the "Ethical Corporate Management Best Practice Principles"	All passed	Approved by all attending directors
Apr. 27 2023	6th meeting of the 8th session	Discussion of the amendments to the "Salary Policy, System, Standards and Structure" Discussion of the amendments to the "Supervision and Management for Subsidiaries" Discussion of the amendments to the "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" Discussion of the amendments to the "Procedures for Derivatives Transactions" Discussion the cancellation of restricted stock awards	All passed	Approved by all attending directors
Apr. 27 2023	7th meeting of the 8th session	Discussion of the amendments to the "Internal control system- other management systems"	All passed	Approved by all attending directors
Feb. 29 2024	8th meeting of the 8th session	Discussion and assessment of the examination of the independence, competency qualifications and fees of Accountants Discussion of the amendments to the "Rules and Procedures of Board Meetings" Discussion of the amendments to the "Audit Committee Charter"	All passed	Approved by all attending 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

Feb. 29, 2024	Jan-Yau Hsu, Ming-Shiang Wu, Yi-Hui Lin, Ming-Feng Hou, Wen-Hung Hsu, Rui-Wen Wu	The Directors' remuneration	The 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, 2023 to Dec. 31, 2023	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 continuing knowledge development 5. Internal control	Above 4.84 (Excellent)
Yearly	Jan. 1, 2023 to Dec. 31, 2023	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 4.93 (Excellent)
Yearly	Jan. 1, 2023 to Dec. 31, 2023	functional committees	self-assessment of 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	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 continued to promote digital transformation, simultaneously release major information in English, and disclose annual greenhouse gas emissions for the past two years in the current and recent years. The Company participated in the 9th (2022) corporate governance evaluation and ranked among the top 5% of listed companies.

(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): Taiwan Corporate Governance Association appointed three assessment experts to evaluate the effectiveness of the Board of Directors in terms of 8 major aspects, including the composition, guidance, authorization, supervision, communication, self-discipline, internal control and risk management, and others such as board meetings and support systems and 38 indicators. This assessment was conducted through questionnaires and on-site visits. The performance assessment interview team from the Association is composed of independent and experienced executive committee members and specialists. This assessment of the Board of Directors is to fill out the open questionnaire, review the Company's related documents between the dates of December 1, 2020 to November 30, 2021 (such as board meeting notes and functional committees' meeting notes) and public information based on the 8 major aspects. Taiwan Corporate Governance Association (TCGA) team visited the Company to have face-to-face interviews with the managers on January 21, 2022, and finished the evaluation and issued an evaluation report on February 7, 2022.

The assessment results and suggestions for the Company were reported in the Board of Director meeting on March 8, 2022. The overall evaluation, suggestions from the Association, and implementation status for improvement were as follows:

A. Overall evaluation:

a. Your company's Board of Directors managed the teams to move forward in an active, collaborative, and professional way, with the appointment of a professional with extensive experiences in new drug research and development as the general manager (since 2021), which contributed to the effective governance and functioning of the Board of Directors.

b. Your company adjusted the business model to a Virtual Pharmaceutical Company Business Model in 2021 to increase operation flexibility. The general manager made regular reports to the Board of Directors on the development of new drugs and other important operation plans and implementation by the new drug screening team, which complied with the requirement that the Board of Directors should provide supervision and guidance.

c. In response to the Financial Supervisory Commission's "Corporate Governance 3.0 – Sustainable Development Road Map" initiative, your company created a sound initiative for the sustainable development (ESG) ecosystem. The independent directors directly supervised the integrity operation working group, and an external professional company for sustainability was hired to provide guidance. A 5-year ESG road map is formulated, and the implementation was regularly reported to the Board of Directors, demonstrating your company's emphasis on sustainable operation-related issues.

B. Suggestions/Improvements:

a. Suggested the Company should consider deducting 1 non-independent director seat and increasing 1 independent director seat for the composition of the next Board of Directors by reference to "Corporate Governance 3.0 – Sustainable Development Road Map." Also suggested the Company should consider setting up functional committees (such as one for sustainability) other than the ones required by law. Company response: The provisions for the appointment of independent directors stipulated in the Company's Corporate Governance Best Practice already covered the current requirements. No additional amendments shall be required at present.

b. Suggested the Company should consolidate various strategies, operational risks, and existing risk management regulations that we have, and formulate an integrated "Risk Management Policy and System" that was more in line with the company's needs, to assist the Board of Directors in accurately understanding major risk issues and control situations, in order to fulfill the responsibilities of the board of directors. The Company has developed the "Risk Management Measures" and the "New Drug Research and Development Risk Management Strategy" for periodic risk factor identification and for monitoring of potential risks and implementation of precaution measures to strengthen risk management in accordance with the development and guidance requirement of the latest internal audit.

c. Suggested the Company should optimize the disclosure of corporate governance information on the website, by setting up a corporate governance section on the official website, and regularly review and update the information to facilitate reference by shareholders and other stakeholders. Company response: The Company has optimized and updated our official website in January 2024, by setting up individual sections such as Investors, Corporate Governance, and Sustainability to provide information to shareholders and other stakeholders for reference.

(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 5, Excellent.

3.4.2 The Operation of the Audit Committees or Supervisors Involving in the Operation of the Board of Directors Meetings

1. The operation of the Audit Committee:
   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, risk management, and information security.
   (1) Matters deliberated primarily include:
      A. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
      B. Assessment of the effectiveness of the internal control system.
      C. Adoption or amendment, in accordance with Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
      D. A matter involving the personal interest of a director.
      E. A material asset or derivatives transaction.
      F. A material monetary loan, endorsement, or provision of guarantee.
      G. The offering, issuance, or private placement of any equity-type securities.
      H. Delegation, dismissal, or rewards of CPAs
      I. The appointment or discharge of a financial, accounting, or internal audit officer.
      J. Annual financial reports signed or sealed by the chairperson, a manager, and an accounting officer, and financial reports audited and attested by a CPA.
      K. Business report.
      L. Other material matters specified by the company or the competent authority.
   (2) Audit Committee Operations
      Audit Committee members review audit reports monthly, communicate with the internal audit officer regarding the content and findings of the audit reports, and periodically meet with CPAs to understand their key points of audit and outcomes.
      The Audit Committee meeting should be held on a quarterly basis at least. In the fiscal year of 2023 and up until the printing date of the annual report for that year, a total of 5 Audit Committee meetings were held. The matters discussed in these meetings include those listed in Article 6 of the Audit Committee Charter of the Company. In addition, the attendance rate of all 3 committee members was 100%. All Audit Committee proposals were approved by all members and submitted to the Board of Directors for approval. The main matters reviewed by the Audit Committee during this period were as follow:

      A. Review and approve financial reports
         The Company's 2022 and 2023 annual business reports, financial statements, and profit distribution proposals. The financial statements have been audited and an audit report has been issued by PricewaterhouseCoopers (PwC) Taiwan. The financial reports for the first to third quarters of 2023, along with the review report issued by PwC Taiwan were reviewed and approved.

      B. 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 Office, 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.

C. Delegation of CPA

The Audit Committee is empowered to supervise the independence of the CPAs and the accounting firm 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 No. 10 Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China, "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 (five major constructs, namely professionalism, quality control, independence, supervision, and innovation, respectively). It was reviewed and approved during the 8th meeting of the 3rd intake of Audit Committee on February 29, 2024 and the 8th meeting of the 8th intake of Board of Directors on February 29, 2024 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.

(1) Attendance of independent directors of the last 4 (A) board of Auditing Committees meetings in recent years

Jan. 1, 2023 to Dec. 31, 2023

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Director (Convener)	Ming-Daw Chang	4	0	100.0	
Independent Director	Chih-Li Wang	4	0	100.0	
Independent	Chien-Huang Lin	4	0	100.0	

Director					

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

Jan. 1, 2024 to Apr. 12, 2024

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Director (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:

1. For any operations of the Audit Committee 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
Mar. 2 2023	4th meeting of the 3rd session	Discussion of the Company's 2022 annual financial statements report and business report 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 attending directors
Apr. 27 2023	5th meeting of the 3rd session	Discussion of the Company's first-quarter 2023 first quarter financial statements Discussion of the amendments of the "Ethical Corporate Management Best Practice Principles"	None	All passed	Approved by all attending directors
July. 27 2023	6th meeting of the 3rd session	Discussion of the Company's second-quarter 2023 financial statements Discussion of the amendments to the "Supervision and Management for Subsidiaries" Discussion of the amendments to the "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" Discussion of the amendments to the "Procedures for Derivatives Transactions"	None	All passed	Approved by all attending directors
Oct. 31 2023	7th meeting of the 3rd session	Discussion of the Company's third-quarter 2023 financial statements Discussion of the amendments to the "Internal control system- other management systems"	None	All passed	Approved by all attending directors
Feb. 29, 2024	8th meeting of the 3rd session	Discussion of the Company's 2023 annual financial statements and business report Discussion and assessment of the examination of the independence, competency qualification and fees of Accountants Discussion of 2023 annual "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" review Discussion of the amendments to the "Rules and	None	All passed	Approved by all attending directors

		Procedures of Board Meetings” Discussion of the amendments to the “Audit Committee Charter”			

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

2. For cases of independent directors avoiding conflict of interests, should list the name of supplementary information such as the directors, the proposal, the reasons for the avoidance, and voting result in detail: None.

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

A. Communication Method:

(1) PharmaEngine's finance manager, internal audit manager and certified accountant physically attends the board meetings so the independent directors can communicate with any one of them at any time. Independent directors can also provide suggestions at the board meeting and the suggestions are recorded in the meeting minutes.

(2) Independent directors and internal audit manager hold at least one meeting per year to fully discuss over and give suggestions on our internal control system and our internal and external audit topics and keep a written record.

(3) When the internal audit manager completes monthly audit report, the report will be handed to the members of the Audit Committee before the end of the following month for review. The result of the internal audit report is reported to the Audit Committee and the Board of Directors periodically. The Audit Committee reviews our implementation of internal control and audit and results from self-inspection. The Audit Committee also regularly reviews the financial reports and provide audit reports.

(4) Internal audit manager complies with regulations and attend the Audit Committee meeting to report on matters such as the implementation of internal audit tasks, audit personnel training, and major inspection issues and improvements both internally and externally.

(5) If the Audit Committee members have questions or assigned tasks after reading the audit report, they will contact the internal audit manager via email or telephone or any other appropriate methods.

(6) The Audit Office should track the implementation progress of the improvement of internal control deficiencies and abnormal matters in the audit report monthly and prepare tracking reports on a quarterly basis and submit them to each Audit Committee member.

(7) The accountant should report to the independent directors at least once per year on our finances, domestic and international subsidiaries’ finances, the overall operation, and the implementation of internal control inspections. The accountant should fully communicate with the independent directors alone whether there are any major adjusting items or legal amendments that affect the accounting procedure. The accountant should report the review or the results of the review of the financial statements for the quarter at each quarterly Audit Committee meeting, as well as communicate matters required by relevant laws and regulations.

(8) PharmaEngine's internal audit manager and accountant and Audit Committee members (independent directors) can understand our operations and audit matter through the regular audit report presented in the Audit Committee meetings, the Board of Directors meetings and by the Audit Office. Independent directors can conduct efficient communication with the internal audit manager and the accountant via various channels such as the telephone, fax, and email.

B. Communication Item and Result: For more information regarding the communication item and result between independent directors, internal audit manager, and the accountants, please visit the “Independent Director Communication” webpage on our company website.

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 the Company's website.	None
2. Shareholding structure & shareholder's right				
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes, and litigations, and implement based on the procedure?	V		(1) The Company has a spokesperson, an acting spokesperson, and an investor section on its website to manage 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 to take timely and appropriate actions, 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 the shareholders list and monthly share change list based on declarations by directors and managers from the shareholding agency.	None

(3)	Does the company established and execute the risk management and firewall system within its conglomerate structure?	V		(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.	None
(4)	Does the company establish internal rules against insiders trading with undisclosed information?	V		(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 4 times in 2023 that trading their stocks during the closed period before the announcement of annual and quarterly financial reports were prohibited to prevent them from accidentally violating the regulations.	None

			On October 6, 2023, the 1.5 hours of education and communication of applicable laws and regulations on "Anti-insider Trading" was completed with attendance of 23 people. New hires are informed and communicated on "Anti-insider Trading" during pre-service training.	
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?	V		(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" 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 performance, including the control over the Company's goals and tasks, awareness of responsibilities, involvement in operation, internal relations management and communication, professional	None

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 when director candidates 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 conducted 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	Operation 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	50-59 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	60-69 years old	less than 3 years	V	
Ming-Feng Hou	male	70-79 years old	less than 3 years	V	
Chih-Li Wang	male	60-69 years old	3-6 years	V	V
Ming-Daw Chang	male	70-79 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	V	V	V	V	V	
Rui-Wen Wu	V	V	V	V	V	
Wen-Hung Hsu	V	V	V	V	V	
Yi-Hui Lin	V	V		V		
Ming-Shiang Wu	V	V	V	V	V	
Ming-Feng Hou	V	V	V	V	V	
Chih-Li Wang	V	V	V	V		
Ming-Daw Chang	V	V	V	V	V	
Chien-Huang Lin	V	V	V	V	V	

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 2.90 years on average, and 3 independent directors, who have served for about 3.07 years on average. All of the directors are R.O.C. nationals. The independent directors account for 33%. None of the directors is an employee of the Company. In terms of age, 1 director is 40-49 years old; 3 are 50-59 years old, 2 are 60-69 years old and 3 are 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 continue.	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) Except for setting up the Remuneration Committee and the Audit Committee by law, the Company does not have other functional committees.	The Company does not have other functional committees.
(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?	V		(3) The Company has passed the stipulated performance evaluation measures of the Board of Directors on March 19, 2015, which stipulated 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. A. Ensuring the unit to be evaluated and its scope (e.g., the whole board of directors, remuneration, or individual board members, etc.). 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.). C. Evaluation implementation unit comprises of Meeting Affair Unit of Board of Directors. D. Upon the end of every year, implementation	The Company has formulated a performance evaluation method for the Board of Directors. Performance evaluation is conducted annually and regularly. External evaluation is conducted 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.

			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 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. 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 Meeting Affair Unit of Board will make statistics based on the data collected and report the result in the board meeting. 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). This	

			institution and its three experts have no financial business dealings with the Company and are independent. The Association not only reviewed the relevant documents provided by the Company for evaluation, but also appointed three evaluation experts to the Company for an on-site visit on January 21, 2022, interviewed the Chairperson, President, Independent Directors and the Corporate Governance Supervisor, the Accounting & Finance Director, and the Internal Audit 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 follow: 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. 3. It is recommended that the Company optimizes the disclosure of corporate governance information on the company website, set up a corporate governance	

			section on the company website, and regularly review and continuously update it to facilitate the reference of shareholders and other stakeholders. 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 February 29, 2024. Recommendations for improvements were compiled and reported as follow. Recommendations for improvement: Under the leadership of the Chairperson, the Board of Directors improved the Company's corporate governance, operated well, and safeguarded the rights and interests of shareholders.	
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The Board of Directors of the Company evaluates the CPAs once a year according to the following items: 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 (five major constructs, namely professionalism, quality control, independence, supervision, and innovation, respectively). B. Evaluating if the CPAs maintain 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	None

			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 February 29, 2024 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 2024 financial reports.	

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)?	V		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 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, and shareholders' meetings, to handle the related preparation works for convening meetings and the meeting minutes for the board 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 and Exchange Act, "Corporate Governance Best Practice Principles" and other relevant laws and regulations based on the spirit and requirements of corporate governance.	None

<table>
<tr>
<td></td>
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<td></td>
<td>In addition, the Company provides the directors with information about the professional courses and helps to arrange for the directors' advanced studies to assist the Board of Directors and individual directors in performing their duties.
Trainings done by the Corporate Governance Supervisor in 2023:
<table>
<tr><th>Course</th><th>Hours</th></tr>
<tr><td>ESG Elite Seminar 2023 for TPEx-listed Companies</td><td>3</td></tr>
<tr><td>Company Insider Equity Promotion Briefing Session for Listing OTC and Emerging Companies</td><td>3</td></tr>
<tr><td>Legal Compliance Practice for Auditing the Competent Authority’s Requirement to Set Up “Corporate Governance Officer”</td><td>6</td></tr>
<tr><td>Internal Auditors' Audit and Control Practices for "Information Security Management Systems"</td><td>6</td></tr>
<tr><td>Big Data Analysis and Corporate Fraud Detection and Prevention</td><td>3</td></tr>
<tr><td>Discussion on Legal Liability of Employee Fraud and the Practice of Fraud Identification</td><td>3</td></tr>
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<tr>
<td>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 manage all the issues they care for in terms of corporate social responsibilities?</td>
<td>V</td>
<td></td>
<td>In pursuit of sustainable development, the Company has a deep understanding of the significance of stakeholders and continuously conducts our commitment toward society, with the anticipation of establishment of transparent and effective communication channel. The Company has established a specific stakeholders section on the company website to provide more information for stakeholders to understand us better. 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. To respond properly to the important issues that the stakeholders are interested in,</td>
<td>None</td>
</tr>
</table>

			each department works together to take charge of communication with the stakeholders respectively and report to Board of Directors periodically after summarizing the information. 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 business plans. During the implementation of policy planning and projects, the Company is willing to understand what feedback from stakeholders at any time as follow-up improvements.	
6. Does the company appoint a professional shareholder 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 company website.	None
(2) Does the company have other information disclosure channels (e.g., an English website, appointing designated people to manage information collection and disclosure, creating a spokesperson system, webcasting investor conferences)?	V		(2) The Company has set up a Chinese and English company website and designated a spokesperson and investor relations to collect and announce information to ensure the information that could affect the decision-making of shareholders and interested parties will be disclosed in a timely manner. In addition, the spokesperson for the Company is Vice President, Chi-Hsing Chang, and deputy spokesperson is Director, Peggy Tsao. The spokesperson	None

			and deputy spokesperson 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. The Company participated in 4 institutional investors' conferences in 2023 and the presentations and recordings are on the Company's website.	
(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?		V	(3) Accounting treatment from the Company can comply with the rule of announcement before deadline but the improvement is expected to be made by 2025.	To be improved
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)?	V		Please refer to "Summary for 8" for the details.	None
9. Specify the company's improvements in accordance with the recently released evaluations of corporate governance by the Corporate Governance Center of the	V		Please refer to "Summary for 9" for the details.	None

Taiwan Stock Exchange Corporation (TWSE). As for those yet to be improved, account for the company's list of priorities and theirimplementation.				

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 sustainable business operation and growth, the Company adopts humanity-centered management since establishment, gives colleagues full respect and care, provides group insurance, regular health check-up, on-the-job training, studying abroad opportunities, and awards to senior employees and outstanding performance employees, sets up complete welfare approach, implements welfare measures, strengthens the full range care to employees, and provides a joyful and high quality work 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 by setting up a professional service team with the spokesperson system and designated stock registrar to ensure the best service quality and smooth communication channels with 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 strategies and effects on the industry.

B. The Company attends investors' conferences held by 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 recording of the online investor conference on March 5, 2024, has 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 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) Supplier relations

The Company has formulated supplier management policies and has been implementing accordingly. Please refer to page 89-92 for details.

(4) 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 insures 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.

The Company did not violate the laws relating to the health and safety, information and marks, or marketing promotion in 2023. In addition, there is no selling of prohibited or controversial products and no complaints about violations of customer privacy and loss of customer information.

(5) Stakeholders’ rights

A. Identify and communicate with stakeholders

The Company's stakeholders include shareholders and investors, employees, in-license or out-license partners, customers, drug development partners, suppliers, communities and charity groups, government agencies, and media. The Company maintains good relationships with stakeholders and implements internal and external communication for each matter. Responsibilities and work plans for the relevant units are based on the matters concerned by different stakeholders. In addition, as the environment tends to evolve, amendments to the decree can also be overseen 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.

・Communication channels for PharmaEngine stakeholders

Stakeholder	Main Issues	Channels for Communication and Frequency	2023 Important Activity
Shareholders and Investors	• Operating and financial status • Business performance • Corporate governance • Risk management	• Shareholders’ Meeting/once a year • Investors’ Conference/once a year • MOPS/every time	• Held institutional investors’ conferences and road shows 4 times in 2023.

			• Regular announcement of financial statements (annual report)/every quarter (year) • Stock agency/every time • Information disclosed online/every time • Answering the investors by telephone or e-mail/every time	• Held shareholders' meeting 1 time and Board of Directors 4 times.
	Employees	• Welfare policy • Labor relations • Labor rights • Training • Workplace health and safety	• Labor conference/once a quarter • Internal website/permanent • Welfare Committee/permanent • Employee feedback line and mailbox/every time • Regular fire safety propaganda provided by the building management committee/every time • Annual health check/biennial	• Held labor-management meeting 4 times • Promoted "Employee Leave and Travel Subsidy Program" • Promoted "Employee Health Check Care Program" • More than 100 pieces of information about employee benefits and training were announced internally in 2023.
	In-license or Out-license partners	• Operating and financial status • Business performance • Risk management • Legal compliance	• E-mail/every time • Visits, meetings, and teleconferences/once a quarter	• Held group meetings regularly
	Customers	• Product quality and safety • Service quality • Marketing communications • Customer rights & interests and privacy	• Telephone or e-mail/every time • Unscheduled patient meetings/every event • Regular participation in medical associations/every time • Academic seminars/every time • Product information disclosed online/permanent	• 5 pancreatic cancer patient meetings • Product introduction in medical centers and hospitals • 2023 World Pancreatic Cancer Day activities
	Drug Development Partners	• Sustainable procurement • Communication Policy	• Unscheduled supplier visits and audits/twice every year	• Suppler audits and audits 2 times

		• Telephone or e-mail/every time	• Audited by email
Suppliers	• Product quality and safety • Sustainable procurement • Communication Policy	• Unscheduled supplier visits and audits/twice every year • Telephone or e-mail/every time • Communicate with vendor via procurement staff/every time	• 3 GxP supplier capability assessments before cooperation • Audited by email • On-line meeting • On-line audit
Communities and Charity Groups	• Charities and fundraising • Community work • Environmental management • Legal compliance	• Contact the charities by the event organizer/every time • Contact by welfare committee members/every time	• Visually impaired massage • Continued to support “Do One Thing for Tamsui River” by promoting the history of Dadaocheng and water conservation • Held trainings for GHG inventory • Held events for ESG
Government agencies	• Legal compliance • Labor relations • Participation in public policies	• Competent authority meetings and participate in related seminars/every time	• Contacted the Industrial Development Administration by phone number and e-mail • Contacted the DOIT by phone number and e-mail
Media	• Business performance • Operating and financial status • Legal compliance	• Press release/every time • Spokesperson system/permanent • Information disclosed online/every time • Public relations department/permanent	• Material information and press release were issued 28 times

B. Responses and responsibilities to stakeholders

In the sustainable development of our company, we must constantly communicate with interested parties to understand the needs of stakeholders as the reference of the Company’s policy and plan development. The Company strives to always listen to the feedback 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 "Stakeholder Communication" during the Board of Directors meeting on October 31, 2023. It covered the major topics of borders, major issues concerning stakeholders, and identification of and communication with stakeholders.

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 2023: established cyber security policies, obtained ISO27001 Information Security certification with third-party verification, uploaded non-edited video recordings for AGM and one investors' conference in 2023, recorded questions asked by shareholders in 2023 AGM and included them in the 2023 AGM Meeting Minutes, disclosed the Company's GHG emissions inventory (scope 1 & 2), water usage, and waste generated data for the past two years (2021-2022) and obtained third-party assurance, and the Board regularly assessed the independence and eligibility of certified accountants using Audit Quality Indicators (AQIs).

(6) Trainings done by Directors: Directors of the Company participated in relevant training by professional needs in 2023

Title	Name	Organization	Course	Hours
Chairperson	Jan-Yau Hsu	Taiwan Corporate Governance Association	Trends and Risk Management of Digital Technology and Artificial Intelligence	3
		Taiwan Corporate Governance Association	Legal matters that the board of directors should understand when supervising enterprises: be careful of accidentally touching the red line of joint behavior	3
Director	Rui-Wen Wu	Taiwan Institute of Directors	The Future of Enterprises in War: Strategy Pivot & Strategic Transformation	3
		Taiwan Corporate Governance Association	Latest Corporate M&A Normative Practices and Case Studies	3
		Taiwan Corporate Governance Association	Trends and Risk Management of Digital Technology and Artificial Intelligence	3
		Taiwan Corporate Governance Association	Legal Matters the Board of Directors Should Understand when Supervising Enterprises: Beware of Accidentally Stepping the Red Line of Concerted Behavior	3
Director	Wen-Hung Hsu	Taiwan Stock Exchange, Taipei Exchange	Sustainable Development Action Plans for TWSE- and TPEx-Listed Companies (2023)	3
		Securities & Futures Institute	2023 Insider Trading Prevention Policy Promotion Meeting	3
		Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6
		Securities & Futures Institute	ChatGPT Technology Development and Application Opportunities	3
Director		Taiwan Corporate Governance Association	Directors and Senior Executives of Listed Companies' Understanding of Current Supervision by Competent Authorities	3

	Ming-Shiang Wu	Taiwan Corporate Governance Association	Analysis on Criminal Liability in Securities Illegal Cases	3
Director	Yi-Hui Lin	National Development Fund, Executive Yuan	Corporate Governance Legal Representative Director System and Fiduciary Duties	3
		Taiwan Investor Relations Institute	Global Net Zero Challenge and Carbon Trading Opportunities	3
		Taiwan Investor Relations Institute	What is Blockchain: How to Build a Foundation of Trust for Digital Governance	3
		Taiwan Investor Relations Institute	Diverse Generation and Gender Equality Inclusion to Create Sustainable Development and Co-Prosperity	3
Director	Ming-Feng Hou	Taiwan Corporate Governance Association	Board Members Respond to Information Technology Wave	3
		Taiwan Corporate Governance Association	Legal Risks and Responses to Corporate Investment and Financing: From the Perspective of Corporate Directors' Responsibilities	3
Independent Director	Chien-Huang Lin	Taiwan Corporate Governance Association	Gear to IFRS 17- Key Points Revealed in Financial Reports, International Competitors' Opening and Business Strategies in the Same Industry	3
		Taipei Foundation of Finance	Corporate Governance - Prevention of Tax Money Laundering Risk - Eight Major National-Level Money Laundering Risks	3
		Independent Director Association Taiwan	New and Key Issues from Principle for Financial Service Industries to Treat Clients Fairly - Sustainable Development of Digital Finance and Consumer Protection	3
		Independent Director Association Taiwan	Industry Changes, Opportunities and Challenges under Generative AI	3
Independent Director	Chih-Li Wang	Taiwan Corporate Governance Association	Trends and Risk Management of Digital Technology and Artificial Intelligence	3
		CPA Associations R.O.C. (Taiwan)	A Brief Discussion on the Impact of Sustainable Development Action Plans and Assurance Agency Management Measures on the CPA Industry	3
		CPA Associations R.O.C. (Taiwan)	Accounting Treatments for the Climate Change	3

		CPA Associations R.O.C. (Taiwan)	Analysis on the Practical Operation of Independent Directors and Audit Committee	3
Independent Director	Ming-Daw Chang	Taiwan Academy of Banking and Finance	Corporate Governance - Friendly Service and Financial Exploitation from Financial Service Industries to Treat Clients Fairly	3
		Securities & Futures Institute	ChatGPT Technology Development and Application Opportunities	3
		Taiwan Corporate Governance Association	2024 Global Economic Outlook and Industry Trends	3
		Taiwan Academy of Banking and Finance	Corporate Governance - The Board's Responsibility Derived from Money Laundering Prevention and Terrorist Financing Countermeasures Policies	3

(7) 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
Audit Committee	Review risk management policies and their implementation.
General Manager Office	Risk management of business decision-making, intellectual property rights, and product quality.
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.
Research & 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:

1. New drug research and development risk management

The management for research and development risks in the Company includes the evaluation and introduction for new projects, project management execution, quality management, process development control, pharmacology and toxicology research management, clinical research management, regulatory inspection and registration management, project outcome management, promotion of new product outcomes, and document maintenance and preservation operation.

2. Climate change, accident, disaster, political and social risk management

Systemic risks normally significantly affect company operations and require a special taskforce. For example, in response to the global spread of the new coronavirus (COVID-19), the President & CEO of the Company called each department head to set up an epidemic prevention group to discuss the risk environment, risk management priorities, risk assessment, response measures and operational conditions we faced, and to formulate guidance on emergency response operations and related control measures for the COVID-19 Pandemic.

3. Regulation compliance risk management

a. Protect subjects in clinical trials to ensure their rights, safety, and wellbeing

The Company conducts clinical trials in accordance with the "Guidelines for Good Clinical Practice (GCP)" of ICH and upholds the ethical principles of medical research in the Declaration of Helsinki to ensure the rights, safety, and well-being of subjects. Each participant in the human clinical trials will be fully informed and protected. In addition, the Company provides relevant insurance for the clinical trials. If there is any physical harm due to participation in the trial, there will be clinical trial insurance to compensate the subject for damage.

b. Quality Policy

The Company upholds the spirit of innovation, manages new drug research and development projects, adheres to quality, and focuses on total quality management. The Company also complies with GMP, GDP, GLP, GCP and international regulations, and achieves new drug development research that meets the goals of safety, effectiveness, and consistent quality to enhance the development level of new drugs, promote the development of medicine and continuously improve the quality of medicines.

c. Notification for adverse drug reaction in clinical trials

For the Company's clinical trials, if there is any serious adverse reactions caused to the subjects due to the drugs, regardless of the location in Taiwan or other regions, the Company will notify Ministry of Health and Welfare or Taiwan National Adverse Drug Reaction Reporting System of Taiwan Drug Relief Foundation in accordance with the regulations.

d. Drug safety monitoring management

The Company's post-market risk management of drugs is targeted at drug safety, and a drug safety reporting system is established to ensure the monitoring and tracking of adverse reactions after new drugs are launched to avoid serious adverse drug reactions. The risk management methods

are conducted to reduce or avoid medication risks. The Company pays attention to and monitors possible adverse reactions caused by drugs, provides relevant drug information, and informs possible risks and possible adverse reactions in great detail during the medication process.

4. Operation (Drug Inventory Risk Management)

Our product is a pancreatic cancer drug. The focus of inventory risk management is to control the inventory cost, expiration date and avoid short supply. To control related inventory risks, we formulate a reasonable mechanism for safety stock, early warning, and inventory information circulation among different departments, and to ensure drug supply, inventory stability, and notification, the management methods for notification of drug supply shortages. By implementing drug inventory risk management and control to ensure the effective operation and management of drug procurement, drug safety stock and drug supply shortage notification. In addition, in response to the impact of COVID-19, we coordinated with suppliers to increase the flexibility of the supply schedule. We also appropriately increased the safety stock level, and uses the inventory buffer, adjust, and balance the inventory to ensure supply of medicines to domestic medical institutions normally during the product supply fluctuation.

5. Cyber Security

To implement the Company’s cyber security policy and build a continuously improving secure cyber environment to ensure the cyber security management system is effective, the Company adopted the ISO27001 Information Security measures in 2022 and obtained the certificate in January 2023.

6. Corporate Governance

The Company established important internal policies and mechanisms such as “Corporate Governance Best Practice Principles”, “Codes of Ethical Conduct”, and “Insider Trading Prevention and Management Measures” with methodical implementation.

7. Finance and Taxation

a. Finance: The finance personnel communicate closely with the bank to regularly monitor the Company's capital, interest rates, and foreign exchange rate trends.

b. Taxation: The accounting personnel communicate closely with the accountant to regularly monitor the international taxation trends to reduce tax-related risks.

8. Human Resources

The Company deeply values humanized method of management and provides full respect and care to employees including group insurance, regular health check up, on-the-job training and other benefits. The Company implements these benefits and strengthens dynamic employee care to provide a quality work environment.

9. Business Management

The Company entrusts professional stock affairs agencies for all stock-related matters and established the spokesperson system, investor relations personnel, and company website to build and strengthen communication channels with external stakeholders and the Company public image.

10. Others

Each department evaluates their specific risk management duties and measures.

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 31, 2023.

b. Besides continuing with general risk management operations, in 2023, multiple risk management projects were implemented in response to cyber security and regulatory changes. The Company began to introduce the ISO27001 information security management system in 2022 and obtained the certificate in January 2023. Also, the Company passed the information security management system (ISO/IEC ISO27001:2013) verification review on January 9, 2024.

(8) 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 complaint procedures and offers the customer complaint channel.

(9) 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 litigations and claims when conducting business.

(10) Courses related to corporate governance done by the Company's managers:

Title	Name	Organization	Course	Hours
Vice President	Chi-Hsing Chang	Taipei Exchange	ESG Elite Seminar 2023 for TPEx-listed Companies	3
		Taipei Exchange	Company Insider Equity Promotion Briefing Session for Listing OTC and Emerging Companies	3
		Accounting Research and Development Foundation	Legal Compliance Practice for Auditing the Competent Authority's Requirement to Set Up "Corporate Governance Officer"	6
		Accounting Research and Development Foundation	Internal Auditors' Audit and Control Practices for "Information Security Management Systems"	6
		Accounting Research and Development Foundation	Big Data Analysis and Corporate Fraud Detection and Prevention	3

		Accounting Research and Development Foundation	Discussion on Legal Liability of Employee Fraud and the Practice of Fraud Identification	3
Associate Director	Tony Hong	The Institute of Internal Auditors	Series of Core Knowledge and Skills for Internal Auditors: The Nature of Internal Auditing	18
		The Institute of Internal Auditors	Series of Core Knowledge and Skills for Internal Auditors: The Practice of Internal Auditing	18
		The Institute of Internal Auditors	Series of Core Knowledge and Skills for Internal Auditors: The Expertise of Internal Auditing	25

(11) 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	Peggy 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 10th (2023) corporate governance evaluation, and the results of the Securities and Futures Development Foundation of the Republic of China will be published by end of April 2024.

Major suggestions and improvements of the 10th (2023) corporate governance evaluation:

Major suggestions	Improvement
Does the company have an audit committee or a functional committee at the board level (such as a risk management committee) to supervise risk management, formulate risk management policies and procedures	Scheduled for a discussion regarding the establishment of a risk management

approved by the board of directors, and disclose the risk management organizational structure, risk management procedures and implementations, and report to the board of directors at least once a year?	committee or have the audit committee overseeing risk management matters.	
Does the company invest in energy-saving or green energy-related environmentally friendly and sustainable machinery and equipment, or invest in Taiwan's green energy industry (such as renewable energy power plants), or has issued or invested its funds for green or social benefit investment plans with sustainable development financial products that consist of realistic benefits, and disclose the investment status and specific benefits?	In 2023, the Company procured computers and printers with energy-saving certification labels and the total expenditure was NT$153,000. The Company is scheduled to discuss increasing investments for energy-saving or green energy related environmental equipment or Taiwan's green energy industry.	
Does the company invest resources to support local cultural developments and showcases supporting methods and results on the Company's website, annual report or sustainability report?	The Company will continue to invest resources to support local cultural developments.	

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Company has set up the Remuneration Committee whose duties are 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	Criteria / 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-Graduate Institute of Medical Science, Taipei Medical University	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Chih-Li Wang	-	Accountant- Moores Rowland CPAs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
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 (this does not apply if the independent directors appointed by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Act or local national laws serve concurrently);

（7）Not a director, supervisor, or employee (this does not apply if the independent directors appointed by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Act or local national laws serve concurrently) of a company of which the chairperson or CEO (or equivalent) themselves or their spouse also serve as the company's chairperson 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 (however, if a specific company or institution holds more than 20% but not more than 50% of the total number of issued shares of the company, and is a subsidiary of the company, its parent company, a subsidiary, or a subsidiary of the same parent company, it shall comply with this law or the local country. This does not apply if the independent directors established by law serve as concurrent directors);

（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 most recent year, 3 meetings had been held and their attendances illustrated as follow:

Jan. 1, 2023 to Dec. 31, 2023

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Chien-Huang Lin	2	0	100.0	
Committee Member	Chih-Li Wang	2	0	100.0	
Committee Member	Ming-Daw Chang	2	0	100.0	

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

Jan. 1, 2024 to Apr. 12, 2024

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 the 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 a remuneration rate that 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. 2 2023	3rd meeting of the 5th session	1. 2023 Salary Adjustment 2. 2022 Performance bonus 3. 2022 Remuneration ratio of Directs and Employees 4. 2022 Distribution of remuneration of directors	1. All passed 2. All passed 3. All passed 4. All passed	Approved by all attending directors
Jul. 27 2023	4th meeting of the 5th session	1. 2022 Distribution of remuneration of employees 2. Amendments to the "Salary Policy, System, Standards and Structure"	1. All passed 2. All passed	Approved by all attending directors
Feb. 29 2024	5th meeting of the 5th session	1. 2024 Salary Adjustment 2. 2023 Performance bonus 3. 2023 Remuneration ratio of Directs and	1. All passed 2. All passed 3. All passed	Approved by all attending directors

		Employees 4. 2023 Distribution of remuneration of directors	4. All passed	

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 monthly. 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 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 Chairperson 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 Chairperson 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 Policy, System, Standards and Structure", 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 Chairperson. 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 Chairperson. 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 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:

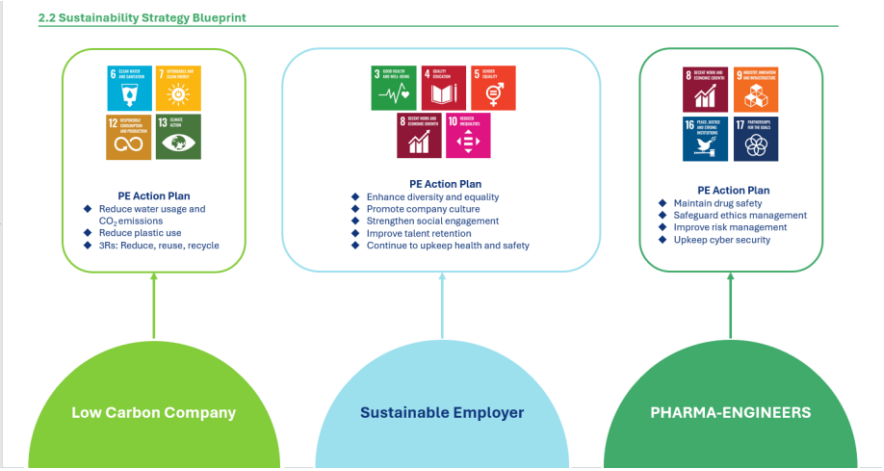
Evaluation Item	Implementation Status			Deviations from "The Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (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		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: 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 Taskforce" in March 2022. The Vice President of Corporate Development serves as the convener and appoints the executive secretary and teams in charge of corporate governance, environmental sustainability, employee care, social involvement, and product service. The Taskforce is responsible for identifying sustainability issues	None

			concerning the 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 2023 is given below: (1) Built a green life - protect the environment A. Continuing carbon inventory checks of electricity consumed, water usage, and trash generated in offices. B. Entrust PwC Accounting Firm to provide Greenhouse Gas Inventory trainings, support to finish the verification of scope 1 and scope 2 of Greenhouse Gas Inventory and obtain the 3rd party assurance. C. Organized the "Do One Thing for Tamsui River" campaign and environmental education promotions in September. D. Promoted green consumption: Purchases of computer equipment were based on products carrying the Green Label. (2) Care for and be a friend to society - social engagement A. Shared industrial experience with 3 domestic universities. B. Held the World Pancreatic Cancer Day event with the hospital in 2023. C. Organized 5 pancreatic cancer patient meetings with the hospitals. (3) Care for and be a friend to society - talent development A. Aptitude analysis of employees is included in the annual performance review and assistance was given in career	

			planning and development, goal-setting, and educational training. B. Conducted periodic educational training on awareness of human rights. C. Performed team building to reinforce cohesiveness among employees. (4) Worked together in industrial growth - innovation, research and development A. Using AI to assist in exploratory studies in the hope of finding the target of the drug more precisely. B. Took part in cross-disciplinary expert advisory or academic symposiums to increase the knowledge. C. Reduced unnecessary animal experiments. D. Continued to explore and develop possible drugs and technologies. (5) Worked together in industrial growth - cyber security A. Planned complete remote office systems, measures, and equipment. B. Performed the business continuity planning exercise for the system and specific people in October 2023 and January 2024. C. Passed the information security management system (ISO/IEC ISO27001:2013) verification review on January 9, 2024. D. Jointly defined the information security protection goals and safeguarding and disaster recovery plans to minimize the information security risk. (6) Worked together in industrial growth - corporate governance A. Continued to set up long-term sustainability action plans B. Continued to promote digital transformation C. Organized corporate governance communication courses (insider trading prevention, intellectual property rights, ESG, etc.)	

(7) Worked together in industrial growth - industrial co-prosperity
Investigated items with possible influence on ESG issues of PharmaEngine in the biotech industry

3. The Sustainability Promotion Taskforce reports to the Board of Directors at least once a year.
Reports to the Board of Directors on October 31, 2023, included (1) Sustainable Development Strategy Blueprint, (2) Sustainable Development Action Plan, (3) Sustainability Promotion Taskforce members, and (4) 2024 ESG 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.



<table>
<tr>
<td>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?</td>
<td>V</td>
<td></td>
<td>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”.
<table>
<tr><th>Material Topic</th><th>Risk Assessment Item</th><th>Risk Management Policy or Strategy</th></tr>
<tr><td>Environment</td><td>Environmental protection and ecological conservation</td><td>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.
2. The Company formulates its internal audit plan on a yearly basis 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.</td></tr>
<tr><td>Society</td><td>1. Occupational safety
2. Product safety</td><td>1. The Company regularly holds fire drills and office safety training each year to nurture</td></tr>
</table>
</td>
<td>None
(Note: The Company does not have any subsidiaries.)</td>
</tr>
</table>

					employees' abilities in emergency response and self-safety management. 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, 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. 3. The Company takes out related clinical trial insurance for clinical trials to ensure the compensation	

					of the subject if there is any physical damage due to participation in the clinical trial. 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$10 million, to protect patients against damages arising from drug defects or unknown adverse reactions	
			Corporate Governance	1. Socioeconomic and legal compliance 2. Enhancing the functions of directors and fulfilling their responsibilities 3. Communication with stakeholders	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. To enhance the functions of Directors and ensure that they understand their legal liabilities, the Company makes arrangements every year for	

					Directors to attend courses on related topics and provides Directors with the latest regulations, institutional developments, and policies. 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. 4. As the Company attaches immense 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 investor relations is responsible for managing the mailbox and responding to investors' mails. 5. Please refer to 3.4.3 Corporate Governance Execution Status and Deviations from “Corporate	

					Governance Best-Practice Principles for TWSE/TPEx Listed Companies", "Summary for 8", and (4) Stakeholders' Rights for Responses and Responsibilities to Stakeholders.	
3. Sustainable Environment Development (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1) We are a biotech company adopting the "Virtual Pharmaceutical Company" business model; 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 manufacturing 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 key issues for the Company. In 2022 and 2023, we checked 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 plans, we will gradually expand to check other indirect emissions (scope 3) in 2024, as our aim is to reduce the amount of water and electricity as well as wastes and carbon emissions generated during operation.		None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low	V		(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			None

impact on the environment?			gasoline for the company vehicles. Since there is no manufacturing process, there is no process emission source. The water used in the Company's operations is 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: A. Recycle items: Newspaper, Xerox paper, magazines etc. and various bottles, cans, glasses, metal scraps etc. are collected by the commissioned recycle company. Scrapped computer equipment 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. B. Unrecycled items: These are general daily waste and is collected by the building's central management committee. Although energy consumption, water use, and waste management are not major issues for the Company, we still introduced 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.	
(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?	V		(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	None

(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?	V		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. 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. (4) 1. Greenhouse Gas: 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 come from purchased electricity. The statistics of greenhouse gas emissions in the past two years are as follow:	None

unit: tCO_2e

Operating Base	Scope	2022	2023
Head Office	1	56.0838	≈ 42
	2	72.4951	≈ 67
Total		128.5789	≈ 109

Note: The above table is based on GHG Protocol to implement the verification and the third-party assurance of 2023 annual greenhouse gas emissions is scheduled to be carried out in first-half 2024.

*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 tracks our 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%.

2. Water Consumption:

Item	Unit	2022	2023
Annual water consumption	ton	962.7	971.44
Number of employees at the end of the year	person	36	36
Water consumed per capita	ton/person	26.74	26.98

Note 1: The 2023 data in the table above 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 (2022-2023); it was 962.7 and 971.44 metric tons, respectively; and the amount of water consumed per capita was 26.74 and 26.98 metric tons, respectively. Accordingly, the corporate water reduction policy was defined. Through continued involvement in the “Do One Thing for Tamsui River” campaign, colleagues are given the idea about environmental protection in the conservation of water; a reduction of at least 0.5% of water consumed is set to be the per-capita goal.

3. Total Weight of Waste:

Item	Unit	2022	2023
Annual total weight of waste	kg	111.2	201.2
Number of employees at the end of the year	person	36	36
Weight of waste per capita	kg/person	3.08	5.59

Note 1: The 2023 data in the table above is collected by the Company and has not been confirmed by a third party.

			Note 2: The waste generated by the Company is general domestic waste, not hazardous business waste. *Management Policy: The Company only has office space, no production plants, or laboratories. Sources of waste are the general domestic waste generated from daily activities of our staff. The Company enforces garbage classification. Reusable materials such as paper, several types of bottles and cans, and food wastes. 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 equipment will be cleared and processed by recycling contractors or be donated to disadvantaged groups through the public welfare department. Since 2021, the Company starts to record its total weight of waste. The total weight of the garbage and recycled items in 2021, 2022 and 2023 are 135.75kg, 111.2kg, and 201.2kg. The reason for the increase is because in 2021 and 2022, the Company adopted the remote working system for all employees. However, in 2023, this system was modified to work from home one day a week. In response to the COVID-19 epidemic in 2023, the Company encouraged colleagues to have lunch in the office instead of in restaurants. The Company sets the target of reducing its total weight of waste per capita by at 2%.	
4. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures	V		(1)The Company set its “Human Rights Policy” and disclosed it on the corporate website since 2021 in compliance with the spirit of	None

according to relevant regulations and the International Bill of Human Rights?			the International Human Rights Instruments and based on the 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 2023, which was attended by a headcount of 28 people in total.	
(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?	V		(2) The Company has established and implemented reasonable employee benefit measures and distributes employee bonuses in line with the business performance. 1. Employees welfare measures 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 various types of leave that are superior to the Labor Standards Act,	None

annual bonus, birthday gift and party, wedding gift, fertility gift, annual gift on Dragon Boat Festival and mid-Autumn Festival, disease and hospitalization condolence money, disaster salvage subsidy, funeral subsidy, health inspection subsidy, domestic and international travel subsidy, insured NT$3-5 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	
		2022	2023	2022	2023
No. of Employees	Managerial Officer	4	4	1	1
	RD Employees	9	9	7	7
	Other Employees	6	5	9	10
	Total	19	18	17	18
No. of Employees, Beginning		17	19	15	17
No. of New Recruitments		4	1	6	3
New Recruitment %		21.05	5.56	35.29	16.67
Staff Turnover		2	2	4	2
Staff Turnover %		10.52	11.11	23.53	11.11
No. of Employees, Ending		19	18	17	18
Average Age		46.10	47.09	40.61	40.62
Average Job Tenure (year)		7.14	7.70	4.43	4.71

3. Salary Policy and Implementation

			The employee salary policy of the Company follows the "Salary Policy, System, Standards and Structure" and the performance bonus, sales bonus, temporary bonus, and project bonus are distributed in cash considering the factors such as the Company's profit and loss and profitability of the current year (at the end of the year, if there is a surplus, in addition to paying taxes, making up for losses, and withdrawing dividends and funds). 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.	
(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?	V		(3) The Company provides a safe 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 general health checkups. 1. The building where the Company is located undergoes regular disinfection and office cleaning operations, and the Company cooperates with the Taipei City Fire Department to conduct disaster prevention courses in the building, such as fire prevention knowledge courses, earthquake prevention knowledge courses, CPR & Heimlich courses, and fire extinguisher operation. In addition, the Company held a disaster prevention guidance course in 2023. 2. The building where the Company is located entrusts a qualified fire engineering company to conduct annual fire safety equipment testing.	None

			3. In 2023, the Company had not experienced any occupational injury, occupational disease, or fatal accident among its employees. 4. In 2023, the Company had no fire incidents.	
(4) Does the company provide its employees with career development and training sessions?	V		(4) The Company has established Regulations for Education and Training to develop employee competency. According to the Company's Regulations for Education and Training, each department sets a budget every year, conducts education and training during the year to strengthen the functional and core competency of colleagues and improve work efficiency and quality. The training includes expatriate training, internal training, on-the-job training, and organizing the “Pleasant Reading Club” to share timely knowledge. 1. Expatriate training: (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. (2) International: To absorb new professional knowledge and skills available in other countries and to develop talents, the Company will nominate people to overseas institution to attend educational training courses if they are considered to be practically necessary. 2. Internal training: (1) Pre-service: Such training aims to help new staff obtain knowledge on 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	None

			work in the future. Such training courses mainly cover the founding visions and operational strategies, operational pattern, corporate organization and functionality, introduction of technologies introduced, an update on the domestic and international 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. (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. (3) Other group 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 team-building workshops or other educational trainings in the Company so that more colleagues can participate and learn. 3. In-service: In order to develop high-ranking professional managers with an international view 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.	

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<td>4. Implementation of educational training programs in 2023 is given below:
Course title: Education and training Activities of China Medical University Hospital - Clinical Trial Center, Business Negotiation Skills and the Philosophy of War, Key Points and Considerations for First-In-Human (FIH) Clinical Trial Review, Drug Safety Surveillance Program and Verification Practices, Coaching Leadership, CompTIA Security＋ (for IT Security Certifications), CMC Regulatory Requirements at Each Stage of Protein Drug Development and more. A total of 89 courses.
● Annual education and training costs: NT$982,000 dollars
● Total trainees: 620 people
● Total training time: 1,706.5 hours
● The average number of training hours per year is as follows:
<table>
<tr><th colspan="2">Items</th><th>Male</th><th>Female</th></tr>
<tr><td rowspan="3">Average training time (hour)</td><td>Managerial Officers</td><td>52.4</td><td>38</td></tr>
<tr><td>R&D Employees</td><td>50.8</td><td>62.1</td></tr>
<tr><td>Other Employees</td><td>45.7</td><td>30.8</td></tr>
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<td>(5) Does the company comply with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulated relevant consumer or client protection policies and complaint procedures?</td>
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<td>(5)
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</td>
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			liability insurance to protect the rights and interests of consumers and medical institutions. 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. 3. The Company has established stakeholders and complaint system section on the company website with a contact window and a complaint window as communication channels for the purpose of protecting the rights of consumers and for inquiries.	
(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 the implementation is?	V		(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. *Supplier Management Policy:	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 engages 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. *Supplier Screening Criteria: The Company established the "Supplier Evaluation Mechanism" (Ethics Sustainability Indexes Rating Mechanism) to periodically manage, evaluate, assist, and 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 to guide and demand compliance of suppliers with applicable policies on sustainable management of suppliers. *Supplier Evaluation: Before the Company does business with a major supplier, the supplier evaluation will take place and whether 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. The drug, ONIVYDE®, which the Company sells in the Taiwan market now is 100% supplied by the IPSEN Signes. 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. *Supplier Evaluation Implementation Status: 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 collaborate 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. In 2023, the Company performed the annual supplier evaluation for the existing 2 qualified suppliers. For the additional 3 GxP suppliers, the evaluation result indicated the suppliers' provided services, execution capabilities, and structures qualify related regulations and the Company's expectations, therefore, they are enlisted into the roster. In summary, there were no existing suppliers rated E (suspending procurement) or new suppliers rated inadequate that required corrective and tracking measures in the 2023 evaluation process.	
5. Does the company refer to the reporting standards or guidelines which are accepted	V		The Sustainability Report	None

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?			The Company's 2022 Sustainability Report discloses the sustainable development performance in 2022 and addresses issues concerning stakeholders in compliance with the 2016 GRI Standards introduced by the Global Reporting Initiative and 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 2023 on the Company website and the Market Observation Post System. (https://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.	

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 Best Practice 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. The Company plans to make amendments to the "Corporate Social Responsibility Best Practice Principles" in 2024. 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.

7. Other important information to facilitate better understanding of the company's sustainable development practices:
   (1) Environmental protection:
      A. Pre-clinical study designs:

The Company implements pre-clinical study 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. To achieve human and material management efficiency, the Company completes the pre-clinical studies 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, 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. Centrally controlled 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 stamp" certified computers and multi-function machines could reduce electricity and carbon dioxide emissions. Total cost of purchasing the "Energy-saving stamp" certified computers and multi-function machines in 2023 was NT$153,000 dollars.

D. Environmental Protection: Continue to support the "Do One Thing for Tamsui River" target by having employees understand more about the history and importance of Tamsui River. The Company promoted the history of Tamsui River and water conservation by the Dadaocheng Pier on September 21, 2023.

(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, 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 5 pancreatic cancer patient meetings with hospitals in 2023.

(3) Consumers' rights:

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 in 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$10 million, 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 rights. The Company does not use child labor, nor forced labor or forced overtime and is against discrimination. The Company respects gender, nationality, race, religion, age, and association, sets up labor-management conference and complaints overseeing channel to maintain human dignity, ensures the diversity in recruitment 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 2023.

D. The Company's ratio of female employees to total workforce and senior executives:

Index	Percentage (%)	2030 Target
Women account for the total workforce (%)	50%	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	12.21%
Gap between the MEDIAN in men and women	23.68%
Gap between the MEAN of variable bonus in men and women	2.66%
Gap between the MEDIAN of variable bonus in men and women	21.18%

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

(1)The Company completed scope 1 and 2 GHG inventory check in 2023 and obtained third-party assurance. Emission reduction targets, strategies, and action plans are listed below:

Item	Description
Target	5% reduction in emissions per capita (base year is 2022)
Strategy	1. Procure certified computers and printers carrying the "Energy-saving Stamp" to reduce electricity use and lower CO_2 emissions. 2. Transition company car from fuel-based to fuel-electricity hybrid or pure electric vehicle. 3. Begin the initial phase of scope 3 GHG inventory check focusing on categorization and data collection of purchased goods and services (not including CROs).
Action Plan	Our business model is "Virtual Pharmaceutical Company" and we operate our business in a rented office space in a building located in Taipei, Taiwan. We do not have our own production facilities or laboratories. The main direct GHG emissions (scope 1) comes from gasoline for official vehicles and the emissions of refrigerants from freezers and refrigerators in our office space. The main indirect GHG emissions (scope 2) comes from purchased

	electricity. Our main action plan to build a green operation is as follow: 1. Procurement of “Energy-saving Stamp” certified computers and printers. 2. Launch the initial phase of scope 3 GHG inventory check in 2024.

(2)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 Taskforce 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 implementation status in the Company, reviews the effectiveness, and revises the strategic goals and the related regulatory systems.	●Continue to enhance the control the Board of Directors and the management over low-carbon medications, 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	The Company is devoted to realizing and promoting the combination 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.	●Continue promoting the low-carbon drugs and services. ●Include net zero emissions as a long-term development goal for the Company.
Risk Management	The Sustainability Promotion Taskforce identifies and weighs the transformational and physical risks, stipulates corresponding countermeasures and opportunities, and defines material risk/opportunity indicators and the control mechanism 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 in the biotech industry.
Indicator and Objective	●Define and fulfill the carbon reduction goal of corporate	●Completed Scope 1 and Scope 2 greenhouse gas

	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.	inventory check and obtained third-party assurance in 2023 ●Plan to complete the initial phase of Scope 3 GHG inventory check in 2024 ●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.

(3)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 in the future, policies such as greenhouse gas emission cap control is activated, or implementation of the carbon pricing is placed, or high water usage efficiency is encouraged, or electricity price is increased, or companies are required to purchase carbon rights certificates or renewable energy certificates, will all increase operation cost for the Company. As the climate change related loss continues to grow, the climate-related lawsuit risk can be increased, too.	The Company continues to promote low-carbon drugs and services. To enhance energy efficiency, the Company will continue to implement company strategies to gradually improve the existing experimental designs, build a low-carbon experimental model, and to reduce environmental impacts. Based on TaiPower data, if nuclear power is replaced by renewable energy and coal is replaced by natural gas in the future, the 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 138,925 kWh on externally purchased electricity over the past 2 years of PharmaEngine, it is estimated that additional NT$160,000 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.	The Company evaluates the impacts of climate change-related policies on the Company as a whole and plans operations for short-, mid-, and long-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.	To enhance its capabilities to undertake the climate change risk, the Company 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$16 million of the inventory as of the end of 2023, for each 1% of inventory increased, the inventory cost will climb by about NT$160,000.
		Reputation Risk	Climate change can impact customers or society, evaluating if the Company is devoted to low-carbon transformation, which is closely related to the Company’s image.	The Company is devoted to reinforcing its engagement mechanism with customers in the upstream and the downstream to reinforce the impacts the Company has on low-carbon transformation in 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	Extreme weather events caused by climate change can result in disruption of the Company’s supply chain of drug products and inability to ship, among other immediate financial impacts,

		disruption of the supply chain, among other immediate financial impacts.	which, when estimated by the operations of 2023, will cause revenue loss of about NT$280 million a year. 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.	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. 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.

(4)Climate change-related opportunities and countermeasures

Type of Opportunity	Description of Opportunity	Countermeasure and Potential Financial Impact
Resource Utilization Efficiency	●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.	●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.
Source of Energy	●Promote the electronic management system. ●When adding the new equipment, follow the government subsidy policy and apply for related energy-saving subsidies.	●Colleagues are encouraged to commute using public transportation or drive electric cars to work or have indoor 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 equipment 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.
	Products and Services	●Promote low-carbon products and services in response to climate change.	●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.
	Market	● International society continues to value the environmental protection awareness and care for lives on Earth while searching for new business opportunities.	●AI is applied to the research and development of new drugs in order to find their targets relatively precisely, reduce unnecessary animal experiments in honor of animal ethics, and to fulfill the 3R essence for laboratory animals.
	Resilience	●Enhance the ability to adapt to climate change in order to precisely manage climate change-related risks and keep track of opportunities.	●Have the Sustainability Promotion Taskforce gather respective teams 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 the differences with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed companies and its reasons:

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	
1. Establishment of ethical corporate management policies and programs (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?	V		(1) The Company has established the "Codes of Ethical Conduct", "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. The affairs related to corporate integrity management are conducted 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	None

			management officers to establish and supervise the implementation of ethical business 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 conducted by the HR Department to organize educational training related to ethical business management. In 2023, 191 persons cumulatively received 664 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.).	
(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?	V		(2) The Company has established the “Codes of Ethical Conduct” so the employees, the management, and the interested parties can have a better understanding and be 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 Directors, Independent Directors, senior managers and all practitioners.	None

			Among them, the rules of “Ethical Corporate Management Best Practice Principles” code: 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.	
(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?	V		(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. 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	None

			considered, and precautions are taken. If there is any 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.	
2. Fulfill operation integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-relate clauses in business contracts? (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?	V V		(1) Assessment must be done before the Company cooperates with important customers to avoid customers with non-integrity records. (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	None None

			implementation results and supervision to the Board of Directors at least once every six months. The Company's policy executed in 2023: 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. B. Regular examination Risk management and assessment for fraud of all operational activities are conducted and deficiency found 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 2023. 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 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 overseeing external reporting affairs, and assigning the Audit Committee as the internal unit to handle internal reporting and reports of unfair conducts by colleagues. The stakeholders section on the Company's official website provide 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 reporting of whistleblowers confidential. The whistleblowers will not be treated improperly during the process. In 2023, there were 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 continue to implement integrity management.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The Company's "Internal Control System and Regulation Management" and "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties".	None
(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?	V		(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. 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.	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The Company sent the Company's Corporate Governance Supervisor to take training courses related to ethical management and gave relevant educational training courses in the company in October 2023.	None
3. Operation of the integrity channel	V			None

(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?			(1) The Company has established “Complaint Policies for Violating Ethical Management”. When the employee reports any dishonest 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”: 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 managed 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	

			the report before the period, relevant information should be kept until the end of the litigation. 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 repeated occurrence of such behavior. F. The unit in charge should report the complaint contents, solution process, follow-up review and improvements to the Board of Directors. The Company's contact channels are as follow: Tel.: +886 2 2515-8228 #106 E-mail: audit@pharmaengine.com	
(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?	V		(2) The Company has established “Complaint Policies for Violating Ethical Management” which stipulated the relevant reporting channel and processing procedures. The whistleblower should report the following in written document to the Company: 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. B. Violation of ethical management policies C. Relevant proven information In addition, the processing procedures include the following:	None

			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 Chairperson or any of the Independent Directors. 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 managing the case if necessary. The Audit Office shall oversee 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. C. After accepting a whistleblowing case and reporting it in line with relevant procedures, the Audit Office shall ask the relevant department(s) to manage the case, and the relevant department(s) shall appropriately manage the case and submit the implementation to the Audit Office for approval. The Audit Office will inspect the legality, reasonableness, and practicality of the	

(3) Does the company provide proper whistleblower protection?	V		implementation and determine whether to continue processing, reinspect, or mark the case as completed. 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. (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, residence, and identification information of whistleblowers. The Company also promised not to dispose the whistleblower improperly or unfavorably.	None
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?	V		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 (https://www.pharmaengine.com).	None
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:				

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 93 hours of company management related training courses in 2023. The supervisor of corporate governance and audit manager also attended 85 hours courses held by Accounting Research and Development Foundation, the Institute of Internal Auditors, and Taipei Exchange. (2) The Company has established "Procedures for Handling Material Inside Information" and disclosed on the company's website (https://www.pharmaengine.com) to establish a better internal material information process and disclosure mechanism to avoid improper information leak and to ensure the consistency and accuracy of information announced to the public. (3) The Company has disclosed the revised "Ethical Corporate Management Best Practice Principles" on the company website. (https://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: https://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 2022 corporate social responsibility report and disclosed it on MOPS and on the company website at the end of September 2023.

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 image, 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 providing 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

February 29, 2024

PharmaEngine Company Limited has conducted a self-check of internal control for the year of 2023. 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, 2023 (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 February 29, 2024 with 9 directors present at the meeting and none disagreed with this Statement of Internal Control System.

PharmaEngine, Inc.

Chairperson: 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. 2023 important decision-making of shareholders' meeting and implementation review: (date of meeting: May 24, 2023)
   (1) Acceptance of 2022 annual business report and financial statements
   Implementation review: approved.

   (2) Acceptance of the proposal for distribution of 2022 profits.
   Implementation review: approved and distributed cash dividends on September 1, 2023 (cash dividends of NT$2 per share)

   (3) Acceptance of amendment to "Operational Procedures for Acquisition & Disposal of Asset"
   Implementation review: approved.

2. Major Resolution of Board Meetings

Date	Major Resolutions
Mar. 2, 2023	Acknowledgment of the report of finance, business, and internal audit report (includes the implement result of Ethical Corporate Management Codes of Practice) 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 Acceptance of the introduction an anti-cancer drug to sell in Taiwan market Acceptance of the 2022 annual financial report and business report Acceptance and assessment of the examination of the independence, competency qualifications and fees of Accountants Acceptance of the Proposed document of the Company's "General Principles of Pre-approval Non-assurance Service Policy" and the "Pre-approval List" Acceptance of 2022 performance bonus Acceptance of 2023 salary adjustment Acceptance of 2022 employees' remuneration ratio and directors' remuneration ratio Acceptance of 2022 distribution of directors' remuneration Acceptance of the proposal of 2022 profit distribution Acceptance of 2022 annual "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" review Acceptance of the remaining stock disposal plan for the participation of Formosa Pharmaceutical's cash capital increase case

	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
Apr. 27, 2023	Acknowledgment of the report of finance, business, and internal audit report Acceptance of the authorization of PEP07 CRO contract signing Acceptance of the Company's first-quarter 2023 financial statements report Acceptance the cancellation of restricted stock awards Acceptance the assignment of Deputy Spokesperson and Information Security Officer Acceptance of the amendments to the "Ethical Corporate Management Best Practice Principles"
Jul. 27, 2023	Acknowledgment of the report of finance, business, and internal audit report Acknowledgment of the ESG report and greenhouse gas inventory report Acknowledgment of the FAQ from investors Acceptance of the Company's second-quarter 2023 second quarter financial statements report Acceptance of the amendments to the "Salary Policy, System, Standards and Structure" Acceptance of the amendments to the "Supervision and Management for Subsidiaries" Acceptance of the amendments to the "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" Acceptance of the amendments to the "Procedures for Derivatives Transactions" Acceptance the cancellation of restricted stock awards Acceptance of the date of 2023 shareholders' meeting, the proposals from more than 1% shareholders and the nomination of candidates for directors
Oct. 31, 2023	Acknowledgment of the report of the progress of contract, finance, business, and internal audit report Acknowledgment of the risk management operation status report, intellectual property management and application report, ESG performance (including the communication with interested parties), ESG action plan report, review report of Independent Directors' qualifications during tenure, 2023 implementation of information security report, and 2023 Directors & Officers Liability Insurance Acceptance of the Company's third-quarter 2023 financial statements report Acceptance of the authorization of payment of PEP08 which met the milestone of Drug Candidate Nomination Acceptance of the continuous cooperation for PEP09 Acceptance of 2024 annual company operating goals and budget Acceptance of 2024 annual internal audit plan Acceptance of the amendments to the "Internal Control System- Other Management Systems"
Feb. 29, 2024	Acknowledgment of the report of finance, business, and internal audit report (includes the implement result of Ethical Corporate Management Codes of Practice) Acknowledgment of the report of assurance fee (excluding audit fee) and non-assurance fee, 2023 annual Remuneration Committee, Audit Committee and Board of Directors self-assessment results report Acceptance of the 2023 annual financial report and business report Acceptance and assessment of the examination of the independence, competency qualifications and fees of Accountants Acceptance of 2023 performance bonus Acceptance of 2024 salary adjustment Acceptance of 2023 employees' remuneration ratio and directors' remuneration ratio Acceptance of 2023 distribution of directors' remuneration Acceptance of the proposal of 2023 profit distribution Acceptance of 2023 annual "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" review

	Acceptance of the amendments to the "Rules and Procedures of Board Meetings" Acceptance of the amendments to the "Audit Committee Charter" Acceptance of the date of holding the 2024 shareholders' meeting, and the time, the venue, and related matters for accepting proposals from more than 1% shareholders

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 independent directors 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 chairperson, 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: NT$ 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, 2023 to Dec. 31, 2023	1,525	963	2,488	

Note: Non-auditing Fee: Tax Audit Fee NT$185 thousand, English Trasnlation Service Fee NT$170 thousand, Fee for the Application of 2023, 2022 ESG Report Assurance Fee NT$100 thousand, and Fee for Review of Information about Salary of Full-time Employees Who Are Not in A Managerial Position NT$20 thousand. 2022 Assurance Engagements on Greenhouse Gas Statement Fee NT$250 thousand, Consulting fee for building ability of Greenhouse Gas Inventories NT$238 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: Not applicable.

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, independent directors, managers, and shareholders with more than 10% shareholding:

3.8.1 Changes in Shareholding of Directors, Independent Directors, Managers and Major Shareholders:

Title	Name	2022		2023		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
Chairperson	Jan-Yau Hsu	0	0	0	0	0	0
President	Hong-Ren Wang	32,000	0	0	0	0	0
Vice President, Corporate Development	Chi-Hsing Chang	8,000	0	0	0	0	0
Senior Director, Clinical Development	Brian Shen	5,000	0	0	0	0	0
Director, Finance & Accounting	Peggy Tsao	6,000	0	0	0	0	0
Associate Director, Audit	Tong Hong	3,000	0	12,000	0	0	0

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, 2024

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	-	
Pao-Ching Tseng	2,526,000	1.73	0	0	0	0	None	-	
C. Grace Yeh	1,571,679	1.07	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	932,457	0.64	0	0	0	0	None		
TransGlobe Life Insurance Inc.	883,000	0.60	0	0	0	0	None	-	
Xiao Ronghua	861,000	0.59	0	0	0	0	None		
Hsien-Ming Tseng	851,000	0.58	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	840,477	0.57	0	0	0	0	None	-	
Ming-Te Chou	692,000	0.47	0	0	0	0	None	-	

3.10 The shareholding of the same invested company by the Company, the directors, the independent directors, 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: Thousand Shares, 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	
05/2023	10	180,000	1,800,000	145,684	1,456,848	Employee restricted stock awards retired	None	
08/2023	10	180,000	1,800,000	145,678	1,456,788	Employee restricted stock awards retired	None	
03/2024	10	180,000	1,800,000	145,678	1,456,782	Employee restricted stock awards retired	None	

Unit: Share

Category of Share	Authorized Capital Stock		
	Outstanding Shares	Unissued Shares	Total
Registered Common Share	145,678,240	34,321,760	180,000,000

4.1.2 Shareholder Structure:

Mar. 26, 2024 (Unit: Person; Share)

Structure of Shareholders Quantity	Governmental Institution	Financial Institution	Other Legal Persons	Natural Person	Foreign Institutions and Foreign Individuals	Total
Number of Persons	1	1	211	40,344	82	40,639
Shareholding	22,585,654	883,000	28,779,294	88,041,833	5,388,459	145,678,240
Shareholding Ratio	15.50%	0.61%	19.75%	60.44%	3.70%	100.00%

4.1.3 Shareholding Distribution Status:

Share Face Value: NT$10/share Mar. 26, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	23,500	841,745	0.58
1,000 ~ 5,000	14,070	27,246,798	18.70
5,001 ~ 10,000	1,623	12,376,209	8.50
10,001 ~ 15,000	511	6,539,046	4.49
15,001 ~ 20,000	293	5,337,524	3.66
20,001 ~ 30,000	260	6,590,837	4.52
30,001 ~ 40,000	128	4,525,830	3.11
40,001 ~ 50,000	54	2,487,085	1.71
50,001 ~ 100,000	125	8,699,037	5.97
100,001 ~ 200,000	47	6,698,509	4.60
200,001 ~ 400,000	15	3,642,089	2.50
400,001 ~ 600,000	2	1,083,456	0.74
600,001 ~ 800,000	1	692,000	0.48
800,001 ~ 1,000,000	5	4,367,934	3.00
1,000,001 or over	5	54,550,141	37.44
Total	40,639	145,678,240	100.00

Note: No preferred stock issued.

4.1.4 List of Major shareholders:

Major Shareholders

Mar. 26, 2024

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
Pao-Ching Tseng	2,526,000	1.73
C. Grace Yeh	1,571,679	1.07
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	932,457	0.64
TransGlobe Life Insurance Inc.	883,000	0.60
Xiao Ronghua	861,000	0.59
Hsien-Ming Tseng	851,000	0.58
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	840,477	0.57
Ming-Te Chou	692,000	0.47

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			2022	2023	As of Mar. 31,2024
Market Value Per Share	Highest		150.5	134	110
	Lowest		60.5	79.8	92.4
	Average		111.09	108.83	104.13
Net Value Per Share	Before Distribution		26.58	26.52	N/A
	After Distribution		24.61	N/A	N/A
EPS (Earning Per Share)	Weighted Average Number of Shares		143,596	143,610	N/A
	EPS (Earning Per Share)		2.22	1.91	N/A
Dividend Per Share	Cash Dividend		2	1.5	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		50.04	56.98	N/A
	Price-Dividend Ratio		55.55	72.55	N/A
	Dividend Yield (%)		1.80	1.38	N/A

4.1.6 Dividend Policy and Implementation Status:

1. Dividend Policy
   The dividend policy is based on the Company Act and the Company's Articles 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 or partial of the rest of the distribution allocating to the shareholders or retained earnings shall be proposed by the board meeting to the shareholders' meeting for resolution.

   (2) In the case that any earning 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 based on the factors of company profits, capital and financial structure, future operational requirements, the accumulated surplus and statutory reserves, market competition 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 considering 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 in the shareholders' meeting. If the Company has no surplus, no dividend or bonus will be paid out.

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

4. 2023 distribution of dividend (distribution of 2022 profits)

Dividend Category	Ratio	Issued Dividend by Shareholders' Meeting	Actual Dividend Issued	Differences
Cash dividend-surplus	100%	NT$287,194 thousand	NT$287,194 thousand	None

5. 2024 proposed dividend by shareholders' meeting
   (1)The Company proposed to distribute the profit, NT$215,444 thousand from unappropriated retained earnings in 2023. Each common shareholder will be in entitled to receive cash dividends of NT$1.5 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 applicable as the Company does not provide forecasts.

4.1.8 Compensation of employees, directors, and independent directors:

1. Employees, directors, and independent directors stipulated in the Company's Articles of Incorporation are included in the number or range of compensation:
   In the case that any earning 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 independent directors, 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 2023 employees' and directors' compensation is followed by the Article 25 of the Company's Articles of Incorporation, the Company assigned 1 to 10 percent as compensation for employees and no higher than 2 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-dividend when calculating 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 2023 employees' compensation and the Directors' compensation was reported in the Board Meeting on February 29, 2024. The compensation for employees is NT$7,041 thousand in cash and the compensation for Directors is NT$7,020 thousand in cash. The foresaid amounts, which have been expensed under the Company's 2023 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: Not applicable because the Company did not assign stock as employees' compensation in 2023.

4. Status and results on compensation distribution at shareholders' meeting:
   The Company plans to report on May 24, 2024 in the shareholders' meeting about the distribution of cash for employees' compensation and directors' compensation in 2023. The employees' compensation is NT$7,041 thousand. The Directors' compensation, NT$7,020 thousand is the same as the amount recognized in the financial report for the year 2023.

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. (2023 distributed 2022 annual profits):

Distribution Status	Recognized Number	Actual number Issued	Difference	Handling Status
Employees' compensation (cash)	NT$8,140 thousand	NT$7,076 thousand	Will be given to motivate employees	Will be given to motivate employees
Directors' compensation	NT$8,100 thousand	NT$8,100 thousand	None	Not Applicable

4.1.9 Company buyback shares (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 common 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 Corporate Bonds: None.

4.2.2 Preferred Stock: None.

4.2.3 Global Depository Receipt (GDR): None.

4.2.4 Restricted Stock Awards for employees:

Status of Restricted Stock Awards

Mar. 26, 2024

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	NT$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	(1) During the vesting period, employees may not sell, pledge, transfer, give away to others, provide as collaterals, or otherwise dispose of the RSA. (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. (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.
Custody status of restricted stock awards	The RSA issued by the Company may be managed by stock trust custody.
Measures to be taken where employees fail to meet the vesting conditions	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. (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. (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. (3) Disability or death caused by work injury: If 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).
Number of restricted stock awards which have been reclaimed	8,600 shares
Number of released restricted stock awards	32,800 shares

Number of unreleased restricted stock awards	48,600 shares
Ratio of unreleased restricted stock awards to total issued shares	0.03%
Impact on shareholders' interest	The percentage, 0.03%, represents a limited dilution of the Company's EPS, 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, 2024

Type of Employee Stock Option Certificate	2016: First 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 units issued	1,000	500
Number of units 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	380 (note 2)	214 (note 2)
Subscription price per share for those who have not executed the subscription	NT$175.4	NT$167.5
Proportion of unexecuted subscription quantity in total shares issued (%)	0.26%	0.15%
Impact on shareholders' rights and interest	The stock option certificate is executed within 8 years after the issue date, as towards the original shareholders' equity is diluted yearly, yet the effect is limited.	

Note 1: The Company issued the first employee stock certificate in year 2016, approved by Financial Supervisory Board on July 26, 2016 with a Financial Supervisory certificate documentation number 1050028625.

Note 2: Cancellation of units due to employee leaving without pay, respectively 620 units and 286 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, 2024

Title		Name	No. of Restricted Stocks Awards Obtained (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	Hong-Ren Wang	60,000	0.04	21,600	0	0	-	32,400	0	0	0.02
	Vice President, Corporate Development	Chi-Hsing Chang										
	Senior Director, Marketing & Sales	Peter Wu										
	Director, Finance & Accounting	Peggy Tsao										
	Senior Director, Clinical Development	Brian Shen										
	Associate Director, Audit	Tong Hong										
Employees	Associate Director, Project Management	Allen Lee	19,000	0.01	7,600	0	0	-	11,400	0	0	0.01
	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 Manager, Clinical Development	Weiche Yu										
	Associate Director, Preclinical Research	Bettice Chen										
	Associate Director, Chemistry, Manufacturing & Control	Mel Liu										

4.2.7 Information Disclosing the acquisition of employee stock option and number of shares obtained of the Top 10 employees:

Mar. 26, 2024

Title		Name	No. of Stock Options Obtained (thousand shares)	Stock Options as a Percentage of Shares Issued (%)	Exercised				Unexercised			
					No. of Shares Converted (thousand shares)	Strike Price (NT$)	Amount (NT$ Thousand)	Converted Shares as a Percentage of Shares Issued (%)	No. of Shares Converted (thousand shares)	Strike Price (NT$)	Amount (NT$ Thousand)	Converted Shares as a Percentage of Shares Issued (%)
Managers	Vice President, Corporate Development	Chi-Hsing Chang	614	0.42	0	-	0	0	199	167.5~175.4	34,320	0.14
	Forner Senior Director, Marketing & Sales	Peter Wu										
	Associate Director, Audit	Tong Hong										
	Senior Director, Clinical Development	Brian Shen										
	Former Vice President, Clinical and Regulatory Affairs	C. Hubert Chan										
Employees	Associate Director, Project Management	Allen Lee	660	0.45	0	-	0	0	340	167.5~175.4	58,688	0.23
	Director, Human Resources	Melody Lin										
	Senior Manager, Clinical Development	Weiche Yu										
	Former Senior Manager, Accounting	Jose Hsieh										
	Associate Director, Business Development	Roger Hsieh										
	Former Associate Director, Regulatory Affairs	Angel Yen										
	Director, IP & Contract	Selena Kuo										
	Former Senior Manager, Quality Assurance	Sophia Su										
	Former Director, Clinical Development	Erica Wang										
	Former Director, Business Development	Tony Hsieh										

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 this annual report, the securities which the Company previously issued or private placement were all completed, and effects have materialized.

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 2023):

   The Company is mainly engaged in the development of new drugs and the main sources of income are royalty revenues, sales income, and sublicense revenue from ONIVYDE®. In 2023, PharmaEngine generated NT$767,669 thousand which included (1) US$13,705 thousand dollars (approx. NT$426,652 thousand dollars) royalties for the sales of ONIVYDE® in Europe and Asia regions and US$2,000 thousand dollars (approx. NT$62,470 thousand dollars) of sublicense revenue, and (2) NT$278,547 thousand dollars for the sales of ONIVYDE® in Taiwan.

   Unit: NT$ Thousand

Items	2023 Income	Ratio
Sales revenue	278,547	36.28%
Royalty revenue	426,652	55.58%
Sublicense revenue	62,470	8.14%
Total	767,669	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. ONIVYDE® has received marketing approvals in more than 40 countries, including Taiwan, US, EU, Singapore, South Korea, Japan, China, and many countries. In first-quarter 2024, ONIVYDE® regimen (NALIRIFOX) for 1L PDAC has obtained approvals in the US, Australia, and Taiwan, and received positive opinion from Committee for Medical Products for Human Use (CHMP) of European Medicines Agency (EMA).

   Another project, PEP07, a checkpoint kinase 1 (CHK1) inhibitor, which targets the DNA Damage Response (DDR) network, is currently in Phase 1 clinical trial stage and its

target is to treat hematologic cancers such as Acute Myeloid Leukemia (AML) and Mantle Cell Lymphoma (MCL), and solid tumors.

4. Proposal of new development products (services):
   (1) Project of ONIVYDE®
      A. Accomplish marketing plans and sales target in Taiwan
      B. Continue to advance 1L PDAC marketing and sales strategy
   (2) Project of PEP07
      A. Aggressively implement PEP07 phase 1 clinical trials for both hematologic cancers and solid tumors
      B. Continue to move forward with multiple hematologic and solid tumors preclinical trial efficacy testing and biomarker discovery
   (3) Other Research Projects
      A. Accelerate the screening and preclinical trials 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 (such as AI new drug development platform).

5.1.2 Industry Overview:

1. Market situation and future outlook:

In 2022, the COVID-19 pandemic became controllable due to the availability of the vaccine and testing kits, and its impact on the global economy became less crucial compared to factors such as the Russian-Ukraine War, the ongoing supply chain conflicts between the US and China, and the rapid interest rate hike to battle inflation in most countries. In May 2023, World Health Organization (WHO) officially lifted the Public Health Emergency of International Concern (PHEIC) for COVID-19, normalizing the pandemic prevention measures.

Due to the outbreak of COVID-19, the global biotech industry accelerated R&D efforts creating many applications for innovative technologies such as mRNA, nucleic acid drugs, and gene coding, meanwhile rapidly develop fields such as vaccine, new drug, and regenerative medicine. Simultaneously, digital technologies including artificial intelligence (AI), big data, and deep learning to help develop products such as telemedicine, digital medicine, and precision medicines.

According to the statistical data of IQVIA, not including COVID-19 vaccines and therapies, the global pharmaceutical market size reached US$1.48 trillion in 2022, an annual growth of 4.2% compared with US$1.42 trillion in 2021. In particular, the market size in advanced countries reached around US$1.09 trillion, accounting for 73.42% share of the global market. The total pharmaceutical market size of the high-income countries (US, Germany, France, UK, Italy, Spain, Japan, Canada, Australia, and South Korea) with the most advanced medicine development reached US$968.9 billion in 2022, accounting for 65.36% share of the global market. The total pharmaceutical market size of emerging markets led by China, Brazil, and India reached US$370.8 billion in 2022, accounting for around 25.02% share of the global market. As for countries with lower income level, the pharmaceutical market size in 2022 was around US$23.2 billion, accounting for approximately 1.57% share of the global market.

IQVIA statistical data also showed that the top three therapeutic drugs around the world in 2027 would likely be cancer drugs, immunosuppressants, and anti-diabetics drugs, same was 2026. Please refer to the table below for more details. Cancer remains critical and difficult to treat, pushing many companies to aggressively pursue cancer drug developments. In the past few years, most market licenses have been approved for cancer drugs in Europe and the US. In addition, many countries have been promoting precision medicine and encouraging early screening, while innovative therapies have also been adopted for cancer treatment, pushing cancer drug usage to show continuous growth. It is estimated that by 2027, the market size of cancer drugs will likely reach US$377.0 billion, with cumulative annual growth rate (CAGR) of 13-16% from 2023-2027. Despite continuous rollout of new drugs, compared with the strong growth of cancer drugs, immunosuppressants and anti-diabetics drugs may only maintain 3-6% of CAGR due to patent expiry and competition from generic drugs. The estimated market size of immunosuppressants and anti-diabetics drugs for 2027 is US$177.0 billion and US$168.0 billion, respectively.

The world's top ten therapeutic drug classification fields from 2023 to 2027

(Unit: Hundred Million USD, %)

Field of Medicine	Expected 2027 Sales	2023-2027 CAGR
Oncologic	3,770	13-16
Immunosuppressants	1,770	3-6
Anti-diabetics	1,680	3-6
Cardiovascular	1,260	1-4
Respiratory	920	3-6
Central Nervous System	810	2-5
Infectious Diseases	740	2-5
GU Sexual Health	580	2-5
GI Products	520	3-6
Mental Health	480	0-3

Data source: 2023 Biotechnology Industry in Taiwan, 2023/08

The development of new drugs is limited by the safety of human use and its development time does not shorten because of the new drug development technology. The development process still takes 12-15 years with costs continue to be as high as US$300 million-US$1 billion. Therefore, new drug development requires massive resource support for a chance to succeed, and for the market to grow. During this lengthy process of new drug development, the most key competitive advantage is to shorten the development time and rapidly rollout the product.

To accelerate launching new drugs into the market, the US Food and Drug Administration (FDA) encourages companies to develop medicines for rare diseases and promotes many new drug approval measures including Rare Disease (also known as Orphan Designation), Fast Track, Breakthrough Therapy, Priority Review, and Accelerated Approval. This is to simplify or accelerate new drug approvals so the new drugs can be available in the market sooner and patients can receive better treatments. Among the 37 approved new drugs in 2022, 31 received at least one of the designations mentioned above, accounting for roughly 84%. In particular, 20 of the approved new drugs in 2022 received the Rare Disease designation, accounting for approximately 54%,

13 received the Breakthrough Therapy designation, accounting for approximately 35%, 21 received Priority Review, accounting for approximately 57%, 12 received Fast Track designation, accounting for approximately 32%, and 6 received Accelerated Approval designation, accounting for approximately 16%.

The US is the world's biggest medicine market with rigorous drug approval process and prices that are generally higher compared to other countries, therefore, many drug development companies choose the US as the first country to file for new drug certification. This also helps to shorten the marketing time in other countries. In 2022, among the new drugs approved by the US FDA, 25 listed the US as the first market for launch, accounting for approximately 68%, lower compared to 86% in 2021.

According to IQVIA's survey conducted in April 2023, the global market is likely to show CAGR of 5.4% in the next five years and forecasted to reach US$1.8 trillion in 2027. Regions such as North America, Western Europe and Japan will see growth slowing down, while regions such as Asia Pacific, Latin America, India, Africa, and the Middle East will see high growth due to the rapid population growth. Also, IQVIA's survey also believes the key factors to affect the pharmaceutical manufacturing industry in 2023-2030 including the healthcare system's tolerance for higher costs, enhanced review on drug values due to the financial burden and cost control of commercial insurance companies and governments, and the increasing resources given to preventive medicines and early screening due to the aging population and pandemics.

The energy price hike caused by the Russia-Ukraine War triggered a global inflation, and at the same time, the global consensus of energy conservation and carbon reduction may move towards levying carbon taxes. To curb inflation, in addition to central banks around the world raising interest rates to lower consumption, the US President signed the "Inflation Reduction Act" in August 2022 with the central theme surrounding green energy, medicine and healthcare, and taxes.

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.

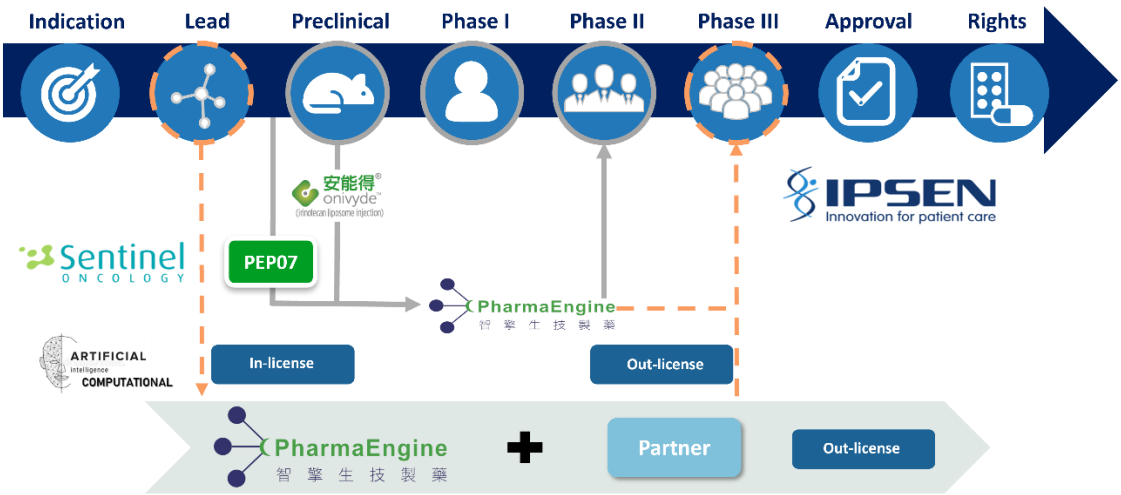
Over the past few years, the companies in Taiwan have been emphasizing significantly on the research and development of new drugs. New drugs available on the market still primarily feature small molecular ones, followed by biotech drugs. At present, the development of new formulation new drugs is focused 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 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 various 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 the Company concentrates on new drugs development that has market projections. By using the 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 conducts product manufacturing, marketing and out-licensing. New drugs development relevant chart of the Company is as follows:



3. Product development and trends:

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

   (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 in a 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 also continues to expand.

   (3)The rapid development of biomarkers is contributing enhance the precision and effectiveness of clinical trial stages and strategies in the development of new drugs and the utilization of medicinal therapies. Under the development between biopharmaceuticals and biomarkers, 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 evaluate 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. Our current ongoing project, ONIVYDE®, is an anti-cancer drug using nanotechnology development of liposomes preparations, for the treatment of metastatic pancreatic cancer. Currently, the most commonly prescribed drugs for metastatic pancreatic cancer treatment in Taiwan for 1L PDAC patients are Gemcitabine and its combination, ONIVYDE® and combination, and other mono or 2-3 and above combination treatments.

   Another ongoing project, PEP07, is a small molecule drug with characteristics such as 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 2023 till first quarter of 2024:

Unit: NT$ Thousand

Items	2023	First quarter 2024
R&D expenses	310,281	N/A

2. Developed technology or products:

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

June 2023	Phase 1 clinical study of PEP07 for hematologic cancers has been approved by TFDA PharmaEngine files post-approval change application for a new indication of ONIVYDE® to TFDA
July 2023	EMA accepted ONIVYDE®'s Type II Variation application
August 2023	First patient dosed in Phase 1 trial of PEP07 for hematological cancers
September 2023	Phase 1 clinical study of PEP07 for solid tumors has been approved by TFDA
February 2024	ONIVYDE® sNDA receives US FDA approval
March 2024	ONIVYDE® sNDA receives approvals from Australia's TGA and Taiwan TFDA, and received positive opinion from Committee for Medical Products for Human Use (CHMP) of the European Medicines Agency (EMA).

5.1.4 Long, short term business development plan:

1. Short-term business plan:
   (1) Marketing Planning of ONIVYDE®
   A. Accomplish marketing plans and sales target in Taiwan
   B. Continue to advance 1L PDAC marketing and sales strategy
   (2) Project Development
   A. Project of PEP07
   a.Aggressively implement PEP07 phase 1 clinical trials for both hematologic cancers and solid tumors
   b. Continue to move forward with multiple hematologic and solid tumors preclinical trial efficacy testing and biomarker discovery
   B. Other Research Projects
   a. Accelerate the screening and pre-clinical trials of new drug candidates
   C. R & D strategy
   a. Aggressively in-licensing new drug projects that 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 (such as AI new drug development platform)

2. Long-term business plan:
   (1) Adopting the business model of "Virtual Pharmaceutical Company" and reinforcing the collaboration with international partners to establish an international R&D team.
   (2) Expand and advance R&D projects on the pipeline.
   (3) Actively training R&D personnel of the Company, improving the techniques in new drug development, and achieving the sustainable growth of the Company.

(4) Our vision is to become the most professional and innovative new drug development company, which specializes on the medical treatment of cancers, in Asia.

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. Sales in Taiwan will be managed by the Company.

The Company is mainly engaged in the development of new drugs, currently has numerous new drug projects in pipeline while PEP07 is in the Phase 1 clinical trial stage, not yet listed for sale. ONIVYDE®, the treatment used in pancreatic cancer patients after failure of receiving the standard drug gemcitabine, was approved by Taiwan FDA and US FDA in October 2015, and obtained new drug market release permit by Europe EMA in October 2016, Japan MHLW in March 2020, and China NMPA in April 2022. Moreover, the ONIVYDE® regimen (NALIRIFOX) for 1L PDAC has obtained approvals in the US, Australia, and Taiwan. According to the latest estimates by the World Health Organization, the global number of new cases of pancreatic cancer in 2025 is estimated to be 548,963 (in particular, 64,265 in the US, 150,273 in Europe, 127,748 in China, and 50,350 in Japan). 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® regimen (NALIRIFOX) is currently used in the treatment of metastatic pancreatic adenocarcinoma. The product has been successively launched to the market globally, hence the Company currently has no market share of the product that could be evaluated, but the room for growth is foreseeable.

2. Future market supply and demand condition, and growth:
With the aging population, health awareness has been increasing which increases drug demand, therefore, demand in the global pharmaceutical industry is expected to grow continuously with stable developments. According to IQVIA's survey conducted in April 2023, the global market is likely to show CAGR of 5.4% in the next five years and forecasted to reach US$1.8 trillion in 2027. Regions such as North America, Western Europe and Japan will see growth slowing down, while regions such as Asia Pacific, Latin America, India, Africa, and the Middle East will see high growth due to the rapid population growth. Also, IQVIA's survey believes the key factors to affect the pharmaceutical manufacturing industry in 2023-2030 including the healthcare system's tolerance for higher costs, enhanced review on drug values due to the financial burden and cost control of commercial insurance companies and governments, and the increasing resources given to preventive medicines and early screening due to the aging population and epidemics.

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, Australia, Europe, and the US 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) PharmaEngine's R&D team independently completed preclinical and CMC activities for PEP07 project including vivo efficacious/toxicity studies and drug substance/drug product GMP manufacturing, which successfully led to a cross-national Phase 1 clinical trial (ongoing).

(5) Sales revenue and profit have entered a period of stable growth. Backed by stable cash flow, PharmaEngine continues to develop 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 oncology, 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.

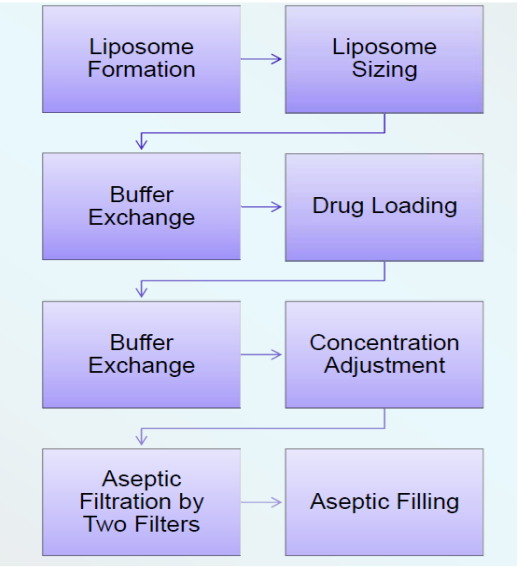
5.2.2 Important usage and production process of main product:

1. Important usage of the Company's product:

   ONIVYDE® can be developed indications including pancreatic cancer, small-cell lung cancer, colorectal cancer, children bone neoplasm, stomach cancer, and brain cancer. Currently PharmaEngine focuses on the development of pancreatic cancer related indications.

   PEP07 is currently in the phase 1 stage and its' targets are to treat hematologic cancers such as Acute Myeloid Leukemia (AML) and Mantle Cell Lymphoma (MCL) and solid tumors.

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: NT$ Thousand

	2022				2023				Till first quarter of 2024 (note 2)			
Items	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	79,339	100	None	Ipsen	31,117	100	None	N/A			
	Others	0	0	-	Others	0	0	-				
	Net total supplies	79,339	100	-	Net total supplies	31,117	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 2024 has not been certified by accountant.

2. Main customers:

Main customers of the most recent two fiscal year

Unit: NT$ Thousand

	2022				2023				Till first quarter of 2024 (note 2)			
Items	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	277,594	100	None	Zuellig	278,547	100	None	N/A			
	Others	0	0	-	Others	0	0	-				
	Net total supplies	277,594	100	-	Net total supplies	278,547	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 2024 has not been certified by accountant.

5.2.5 Production value of the most recent two fiscal year:

Till March 2024, 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; NT$ Thousand

Annual / Sales value / Main commodities	2022				2023			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Royalty revenue	N/A	0	N/A	376,789	N/A	0	N/A	489,122
Sales revenue	13.9	277,594	0	0	14.7	278,547	0	0
Total	13.9	277,594	N/A	376,789	14.7	278,547	N/A	489,122

5.3 Status of employees

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

Mar. 31, 2024

Year		2022	2023	Mar 31, 2024
Number of Employees	Managerial Officers	5	5	5
	R&D Personnel	16	16	16
	Other Employees	15	15	15
	Total	36	36	36
Average Age		43.51	44.73	43.61
Average Years of Service		5.86	7.10	5.95
Education (%)	Ph.D.	16.67%	16.67%	16.67%
	Master's	44.44%	52.78%	52.78%
	Bachelor's Degree	38.89%	30.56%	30.56%
	Senior High School	-	-	-
	Below Senior High School	-	-	-

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

Note 2: All employees are R.O.C. nationality and permanent employees (does not include contract employees and employees onboard for less than one month).

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 by commissioned recycle company.
   (2) Scrapped computer equipment 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.

   From the year 2023 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 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 be equipped with a complete fire safety system including fire extinguishing equipment, alarm system, and evacuation equipment (such as an escape system).

(2) The fire protection equipment of the building where the Company is located is commissioned by the qualified professional inspection company to conduct system function testing.

(3) The building where the Company is located cooperates with the Taipei City Fire Department to conduct disaster prevention guidance courses in the building, such as fire prevention knowledge courses, earthquake prevention knowledge courses, CPR & Heimlich courses, and fire extinguisher operation.

(4) Other fire safety related facilities: Dry powder fire extinguishers are placed in public walkways 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 2023.

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 stay in 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 that 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 from the Company.

G. Disaster salvage subsidy: Salvage subsidy will be given according to the specific situation.

H. Funeral subsidy: The Company will give the funeral subsidy of sympathy if the first-degree relatives (parents, children, spouse) or second-degree or third-degree relatives of the employee passed away.

I. Health checkup subsidy: Health checkup subsidy 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 for the new employees onboard 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, the subsidy is included in the company travel budget of that year. The subsidy for the newcomers onboard less than a year will be calculated in proportion.

(2) Leave regulation

A. Special leave

B. Paid sick leave

C. Paid family care leave

D. Menstrual leave/paid sick leave

E. Maternity leave/maternity exam 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 dinners, annual parties, and other activities from time to time.

2. Employee further education and training:

(1) According to the Company's Regulations for Education and Training, each department sets out a budget and implements the training courses during that year to strengthen peer functional and core competency 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 courses, and provide feedback or sharing experience.

(2) The implemented training courses offered in 2023 are as follow:

- Course Name：
  Education and training activities of China Medical University Hospital - Clinical Trial Center, Business Negotiation Skills and the Philosophy of War, Key Points and Considerations for First-In-Human (FIH) Clinical Trial Review, Drug Safety Surveillance Program and Verification Practices, Coaching Leadership, CompTIA Security＋ (for IT Security Certifications), CMC Regulatory Requirements at Each Stage of Protein Drug Development and more. There were 89 courses in total.
- Annual education and training costs: NT$982 thousand dollars
- Total trainees: 620 people
- Total training time: 1,706.5 hours
- The average number of training hours per year is as follows:

Items		Male	Female
Average Training Time (hour)	Managerial Officers	52.4	38
	R&D Employees	50.8	62.1
	Other Employees	45.7	30.8

(3) The Company will continue to uphold the core value of lifelong learning to provide employees with training opportunities and a learning environment to develop the professional skills required by the work, to ensure employees achieve the best job performance, and to earn customers' trust. This can also derive the win-win results among customers, shareholders, the Company, and employees.

3. Retirement system:
   (1) Effective on 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, 2023 were NT$2,700 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 Committee every year to manage the welfare of the employees including birthday celebration, company travel, family day, annual party, 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 has been harmonious, and there was no lost suffered as a result of labor disputes in the two most recent 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 managing 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 software and hardware equipment
   (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 to protect the privacy of employees, suppliers, and customers and maintain information security during business contact.
2. Information security risk management framework:
   (1) The Company established the Information Security Management Committee in 2022, with the General Manager serving as the convener. The Committee, including functional teams such as the Document Management Team, Incident Response Team, Continuous Operation Team, Internal Audit Team, and Risk Assessment Team, and is responsible for defining the information security management policy and periodically reflecting upon and modifying it.
   (2) Information Security Manager was set up in April 2023. The manager is responsible for promoting information security policies and targets, coordinating resource allocation on information security and monitoring safety measure implementation.
   (3) The Information Security Management Committee regularly holds management review meetings to examine whether the information security management system is implemented and whether the targets are achieved, to ensure the system is effective. It also reports on the implementation status and reviews to the Board of Directors annually.
   (4) Information security policy:
      A. Ensures 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.
      C. Prepares the information and communication security risk assessment and operation plan and implements information and communication security operating activities meeting applicable regulatory requirements.
      D. 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 the hacking of the Company’s network may cause material losses to the Company's finance and business.

A. The Company has various network security equipment (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. ISO 27001 information management system was officially introduced in 2022 and the Company has obtained the certification in January 2023. The validity period of the certificate is from January 30, 2023 to October 31, 2025.

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

E. Implementation status for the promotion of information security awareness in 2023:

The Company has completed the information risk assessment report and conducted related promotion and training based on the content of this report for 3 hours, which was participated by 38 people, including managers and employees.

F. The information security drills were conducted, and the Company simulated the scenario of “Company Website Being Hacked” in October 2023 and January 2024, respectively. The Company’s IT and outsourced service providers used backup data to restore the Company’s official website, ensuring its prompt recovery and normal operation. The aim was to accumulate experience through drill activities to face evolving information security threats.

G. The Company invested in NT$1,925 thousand in 2023 for information security management related issues.

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 Material Contracts

Mar. 31, 2024

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. Financial information:

Unit: NT$ Thousand

Item \ Year		Financial Data in the Most Recent 5 Years					Financial Data up to March 31, 2024
		2019	2020	2021	2022	2023	
Current Assets		3,576,842	4,168,528	4,008,969	3,926,084	3,923,020	Not applicable
Property, plant, and equipment		28,179	17,404	7,893	25,916	18,029	
Intangible assets		426	828	597	2,510	1,884	
Other assets		31,411	14,551	8,884	12,032	10,986	
Total assets		3,636,858	4,201,311	4,026,343	3,966,542	3,953,919	
Current liabilities	Before distribution	136,820	182,581	87,705	78,737	83,863	
	After distribution	209,653	546,573	475,416	365,931	N/A	
Noncurrent liabilities		17,043	7,597	0	15,728	7,143	
Total liabilities	Before distribution	153,863	190,178	87,705	94,465	91,006	
	After distribution	226,696	554,170	475,416	381,659	N/A	
Shareholder's equity attributable to parent company		3,482,995	4,011,133	3,938,638	3,872,077	3,862,913	
Common stock		1,466,668	1,465,968	1,465,968	1,456,868	1,456,782	
Advance receipts for share capital		0	0	0	0	0	
Additional paid-in capital		1,621,635	1,619,844	1,619,933	1,616,734	1,616,011	
Retained earnings	Before distribution	509,897	1,038,939	1,100,978	937,854	925,310	
	After distribution	437,064	674,947	713,267	650,660	N/A	
Other equity		(374)	1,213	0	(5,969)	(1,780)	
Treasury stock		(114,831)	(114,831)	(248,241)	(133,410)	(133,410)	
Other equity interest		0	0	0	0	0	
Total equity	Before distribution	3,482,995	4,011,133	3,938,638	3,872,077	3,862,913	
	After distribution	3,410,162	3,647,141	3,550,927	3,584,883	N/A	

6.1.2 Comprehensive Income Statement – IFRS:

1. Financial information:

Unit: NT$ Thousand, earnings per share NT$

Year / Item	Financial Data in the Most Recent 5 Years					Financial Data up to March 31, 2024
	2019	2020	2021	2022	2023	
Operating income	314,040	1,056,012	654,835	654,383	767,669	Not applicable
Gross Profit - net	282,241	1,018,778	617,762	604,684	718,972	
Operating profit or loss	34,436	808,529	363,646	282,739	277,183	
Non-Operating income and expenses	15,231	(56,054)	181,749	109,726	60,791	
Net income before tax	49,667	752,475	545,395	392,465	337,974	
Net income of continuing operations	42,550	604,281	426,031	318,783	274,650	
Loss of discontinued operation	0	0	0	0	0	
Net income (loss)	42,550	604,281	426,031	318,783	274,650	
Other comprehensive profit and loss (net)	(220)	1,587	(1,213)	0	0	
Total current comprehensive profit and loss	42,330	605,868	424,818	318,783	274,650	
Net income attributable to owners of the parent	42,550	604,281	426,031	318,783	274,650	
Net income attributable to other equity interest	0	0	0	0	0	
Total comprehensive profit and loss attributable to owners of the parent	42,330	605,868	424,818	318,783	274,650	
Total comprehensive profit and loss attributable to other equity interest	0	0	0	0	0	
Earnings per share (NT$)	0.29	4.15	2.95	2.22	1.91	

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

Year	CPA (Certified Public Accountant)	Audit Opinions
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
2023	(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 Financial Ratio Analysis- IFRS:

Analysis Item \ Year		Financial Analysis in the Most Recent 5 Years					Financial Data up to March 31, 2024
		2019	2020	2021	2022	2023	
Finance structure %	Debt to assets ratio	4.23	4.53	2.17	2.38	2.30	Not applicable
	Long term funds to property, plant, and equipment ratio	225,875.16	805,356.71	960,643.41	108,416.20	115,351.89	
Solvency %	Current ratio	2,614.27	2,283.11	4,570.96	4,986.32	4,677.89	
	Quick ratio	2,596.38	2,264.19	4,557.38	4,934.32	4,650.01	
	Interest coverage ratio	629.70	2,436.19	3,247.39	5,097.94	1,091.23	
Operating ability	Receivables turnover (times)	10.50	3.13	1.62	4.07	4.58	
	Average accounts receivable turnover days	34.76	116.61	225.30	89.68	79.69	
	Inventory turnover (times)	1.39	1.52	2.45	2.46	1.93	
	Payables turnover (times)	2.93	151.67	N/A	N/A	N/A	
	Average inventory turnover on sale	250.00	240.13	148.97	148.37	189.11	
	Property, plant, and property turnover (times)	118.17	1,034.80	1,440.78	327.51	221.19	
	Total asset turnover (times)	0.08	0.27	0.15	0.16	0.19	
Profitability	Return on assets (%)	1.14	15.43	10.35	7.97	6.94	
	Return on shareholder's equity (%)	1.19	16.13	10.71	8.16	7.10	
	Net income before tax to paid-in capital ratio	3.39	51.33	37.20	26.93	23.19	
	Profit margin (%)	13.55	57.22	65.05	48.71	35.77	
	Earnings Per Share (NT$)	0.29	4.15	2.95	2.22	1.91	
Cash flow	Cash flow from operations ratio (%)	11.26	35.80	1,059.42	256.56	306.41	
	Cash Flow Adequacy Ratio (%)	1.88	1.53	1.24	1.49	1.13	
	Cash Flow Re-investment Ratio (%)	(3.77)	(0.19)	14.36	(4.80)	(0.78)	
Leverage	Operating leverage	7.18	1.21	1.59	1.98	2.45	
	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 2023 Business Report, Financial Statements, and Proposal for Distribution of Profits have been proposed by the Board of Directors. The foresaid 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, 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 Act.

PharmaEngine, Inc.

The Chairperson of Audit Committee

Ming-Daw Chang

February 29, 2024

6.4 Consolidated Financial Report of 2023 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: Please refer to Appendix 1.

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.

6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

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

7.1 Financial Conditions

Analysis of Financial Status

Unit: NT$ Thousand

Items \ Year	2022	2023	Difference	
			Amount	%
Current assets	3,926,084	3,923,020	(3,064)	(0.08)
Non-current assets	40,458	30,899	(9,559)	(23.63)
Total assets	3,966,542	3,953,919	(12,623)	(0.32)
Current liabilities	78,737	83,863	5,126	6.51
Non-current liabilities	15,728	7,143	(8,585)	(54.58)
Total liabilities	94,465	91,006	(3,459)	(3.66)
Common stock	1,456,868	1,456,782	(86)	(0.01)
Additional paid-in capital	1,616,734	1,616,011	(723)	(0.04)
Retained earnings	937,854	925,310	(12,544)	(1.34)
Other equity	(5,969)	(1,780)	4,189	70.18
Treasury stock	(133,410)	(133,410)	0	0
Total equity	3,872,077	3,862,913	(9,164)	(0.24)

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

1. The decrease in non-current assets was mainly because of the decrease of right-of-use assets.
2. The decrease in non-current liabilities was mostly attributed to the decrease in non-current lease liabilities.
3. The decrease in other equity was due to the recognition of cost of restricted stocks awards.

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

Year / Items	2022	2023	Difference	
			Amount	%
Total sales	654,383	767,669	113,286	17.31
Less: sales return	0	0	0	-
sales discount	0	0	0	-
Net sales	654,383	767,669	113,286	17.31
Cost of goods sold	(49,699)	(48,697)	1,002	2.02
Plus: Realized income with affiliated companies	0	0	0	-
Less: Unrealized income with affiliated companies	0	0	0	-
Gross profit	604,684	718,972	114,288	18.90
Operating expenses	(321,945)	(441,789)	(119,844)	(37.22)
Operating income (loss)	282,739	277,183	(5,556)	(1.97)
Non-operating income and expenses	109,726	60,791	(48,935)	(44.60)
Net income of continuing operating (net loss)	392,465	337,974	(54,491)	(13.88)
Income tax (expenses) benefits	(73,682)	(63,324)	10,358	14.06
Net income (loss)	318,783	274,650	(44,133)	(13.84)
Other comprehensive income (loss)(net)	0	0	0	-
Total comprehensive income (loss) for the period	318,783	274,650	(44,133)	(13.84)

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:
   Total sales and gross profit in 2023 increased by NT$113,286 thousand and NT$114,288 thousand, respectively compared with 2022, mainly because of the sublicense revenue. In addition, due to the increase in research and development expenses, the opreating income drecreased around NTD$5,556 thousand.
2. Non-operating income and expense decreased as compared with the same period last year:
   This was mostly because the profits of disposal of financial assets at fair value through profits or loss in 2022 was higher than in 2023.

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. The sales of ONIVYDE® in 2024 in Taiwan are estimated to be around 13,000-16,000 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®, for the treatment of patients with metastatic adenocarcinoma of the pancreas who have been previously treated with gemcitabine-based therapy, is currently marketed in the USA, Europe, Taiwan, Singapore, Korea, Japan, China, and many countries. Furthermore, the ONIVYDE® regimen (NALIRIFOX) for 1L PDAC has obtained approvals in the US, Australia, and Taiwan. Moreover, the Company 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
1,768,859	256,970	(1,150,212)	875,617	-	-

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 2023 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 and sublicense revenue.
   After paying the relevant operating expenses, the net cash inflow from operating activities for the entire year was NT$256,970 thousand.
2. Net cash outflow from investing and financing activities for the year: NT$1,150,212 thousand, mostly 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
875,617	118,816	(215,444)	778,989	-	-

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 projects and related expenses, estimation of net cash flow by operation activities is NT$118,816 thousand.
2. Estimated annual cash outflow of investment and financing actives: Mainly due to the payment of cash dividend of NT$215,444 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: Not applicable due to no investee enterprises.

7.6 Risk Matters Should be Analyzed and Evaluated

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 2023:

Year 2023

Items	Interest received	Exchange gain (loss)
Net Amount	NT$54,010 thousand	NT$(2,134) thousand
Net Revenue Ratio	7.04%	-0.28%
Net Profit Pre-tax Ratio	15.98%	-0.63%

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 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 bargaining the commissioning of R&D contract or the payment of the technical licensing fee for foreign manufactures, we shall take into consideration of the Company's foreign currency account and make a payment through the 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 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 2.49% in the year of 2023, 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 leveraged investment. All 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 endorsed for others. In addition, there is no derivative transactions.
2. The types, objectives, methods, results, and accounting treatment of the applicable financial products (including derivative products): The Company never engages in derivative transactions so never used hedge accounting.
3. In the future, if the Company needs to be financed due to business needs, endorsement for others or engaging in derivative 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 follow:

   (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 Ispen in April 2017. It has been launched in the US, Europe, Taiwan, South Korea, Singapore, Japan, China, and many countries. 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$9,000 thousand in 2024.
   - 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 phase 1 clinical trial stage, with the aim of treating various hematologic cancers and solid tumors.
   - C. PEP07 began phase 1 clinical trial for hematologic cancers in August 2023 and phase 1 clinical trial for solid tumors is expected to begin in the first half of 2024. 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$112,000 thousand in 2024.
   - D. 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$9,000 thousand in 2024.

   (2). PEP07
   - A. Future R&D plans

     Pre-clinical trials and clinical trials will continue.
   - B. Future R&D expense

     Expected R&D expenses are approximately NT$112,000 thousand in 2024.

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) Factors such as the ongoing change of the global population structure, the continuous increase of medical expenditures, the breakthrough developments of new technology, and the change of medical treatment practices have been pushing medical policy makers to extend policies from disease diagnosis and treatment to prevention, detection, and promotion of health. The global biotech industry has been moving towards more precise, personalized, and value-driven "Precision Health". Facing challenges such as the rapid changes of the global economy and industrial environment, using the forward-planning strategy to help Taiwan's biotechnology industry to transform, since 2021, using the 5+2 "Biotechnology Industry Innovation Promotion Proposal" as basis, Taiwan government added six core strategic industries – "Taiwan Precision Health Strategic Industry Development Proposal". This proposal combines various government agencies such as the National Science and Technology Council, Ministry of Economic Affairs, Ministry of Health and Welfare, Ministry of Education, National Development Council, The Financial Supervisory Commission, Ministry of Agriculture, and Academia Sinica to jointly work together to promote the "Taiwan Precision Health Policy", using the biomedical industry as the core, supported by the competitive advantages of Taiwan's medical treatment and information technology industries, pushing the biomedical industry towards providing services including prevention, prediction, healthcare, testing, diagnosis, treatment, prognosis, and care to enhance health of people from all age groups.

(2) To strengthen the biotechnology innovation and biomanufacturing capabilities in the US, President Joe Biden signed an "Executive Order on Advancing Biotechnology and Biomanufacturing Innovation for a Sustainable, Safe, and Secure American Bioeconomy" and promoted the "National Biotechnology and Biomanufacturing Initiative" to: expand domestic capacity to manufacture all the biotechnology products the US invented to support a resilient supply chain, grow training and education opportunities for the biotechnology and biomanufacturing workforce of the future, improve the clarity and efficiency of the regulatory process for biotechnology products to help ensure products enter the market safely and efficiently, create a Biosafety and Biosecurity Innovation Initiative to reduce risks associated with advances in biotechnology and biomanufacturing, and pursue cooperation through joint research projects and data sharing.

(3) US President Joe Biden signed the "Inflation Reduction Act" in August 2022 aiming to lower inflation and reduce greenhouse gas emissions. The Act included themes on green energy, medical treatment and care, and taxes. In particular, the focus for medical treatment and care is to lower prescription drug prices. This will allow the federal-level Department of Health and Human Services to negotiate with pharmaceutical companies on specific drug prices covered by the federal medical insurance. This can help the save US$237.0 million of drug expenditures in the next ten years (2022-2031) and lower drug prices. However, the impact of such price control may have on the development of new drugs is unknown at this point. Also, it is still unknown if the price control on drugs will induce companies to outsource more production capacities.

2. Response measures:

(1) 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.

(2) PharmaEngine will re-examine the research projects and discuss the follow-up R&D strategies and clinical layouts to lower the drug price control's impact on the Company's research projects.

(3) PharmaEngine will apply for the related lease benefits under the Act for the Development of Biotech and Pharmaceutical Industry.

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

According to IQVIA's report "Global Use of Medicine in 2023", the therapy areas with the highest forecast spending in 2027 are oncology, immunology, and anti-diabetics, followed by cardiovascular. Oncology spending is expected to increase by 95% over the next five years, adding US$184 billion in spending in 2027, globally. Several factors will likely drive the increase in oncology treatment therapy spending: early diagnoses of patients, continued introduction of new drugs, wider access to novel cancer drugs in more countries beyond medically advanced economies, and longer treatments for medicines with survival benefits. The current global oncology drug pipeline is expected to add more than 100 new drugs in the next five years, which includes innovate treatment through cell therapy, RNA therapy, and immune-oncology treatments, including those which are mutation-specific and thus tumor-agnostic. There is a trend of increasing adoption of precision medicine for cancer treatment including treatment determined with biomarker testing or next generation sequencing. On the other hand, biosimilar in oncology is likely to have a stronger impact on market growth later in the decade.

Cyber security risk is another issue as hacking and security breaches have become more rampant in the past five years.

The Company's commercial drug ONIVYDE® for pancreatic cancer is available on the market in multiple countries 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. PharmaEngine conducts cyber security testing with internal and external audits each year with external consultants and experts to ensure the Company minimizes all possible risks.

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

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

The Company continues to adopt 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 product, ONIVYDE®, is currently on the market in the US, Europe, Taiwan, Singapore, South Korea, Japan, China, and many countries. 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.

Furthermore, the Company continues to develop new drugs and expand our pipeline. PEP07 is currently in Phase 1 clinical trial stage for hematologic cancers and phase 1 clinical trial for solid tumors is expected to begin in the first half of 2024.

Moreover, 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. Concentrated procurement 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 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. Concentrated sales 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 with shareholding exceed 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, independent directors, 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' eequity 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, independent directors, 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' eequity 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. With regard to the ex-chairperson of TTY Biopharm, Rong-Jin Lin (Mr. Lin), for his offense of aggravated breach of trust under the Securities and Exchange Act that has been put on trial several times, on December 23, 2021, the Supreme Court handed his case back to the Taiwan High Court for retrial, wherein it was still in progress as of the reporting date. On

the other hand, on September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case.

b. On May 31, 2016, TTY Biopharm filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between TTY Biopharm 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 TTY Biopharm's request, to confirm whether the monies incurred from the agreement in dispute belong to TTY Biopharm or Inopha. The case was suspended. As of December 31, 2023, 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 regards to the dispute on the Risperidone Contract entered between TTY Biopharm and Center Laboratories, Inc. (referred to as the CLI), TTY Biopharm considered the signing of the agreement to be incompliance with the relevant procedures and legal requirements, hence, should be deemed as invalid. However, CLI disagreed with TTY Biopharm's viewpoint and filed an action for declaratory judgment of the said contract, as a civil lawsuit, against TTY Biopharm in the Taipei District Court on July 1, 2016. The case has been put on trial several times, and on May 18, 2023, original ruling was declared to be invalid by the Supreme Court, and the case had been handed back to the Taiwan High Court for retrial.
e. On February 28, 2020, TTY Biopharm 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, TTY Biopharm 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, TTY Biopharm filed a complaint with the Taipei High Administrative Court to revoke the above penalty. The case on trial at the Taipei High Administrative Court.
g. On July 21, 2023, Taiwan Shilin District Prosecutors Office and the Ministry of Justice Investigation Bureau (referred to as the Investigation Bureau) came to TTY Biopharm to investigate the drug contract case due to TTY Biopharm filed against breach of trust cases on March 24, 2022 based on whistleblower letters, and the Investigation Bureau reviewed and selected TTY Biopharm's transaction documents related to certain drugs from July 2011 to July 2023. The case is under investigation. There is currently no impact on the TTY Biopharm s finances and operations.

In summary, the lawsuits, non-litigations, or administrative litigation incidents mentioned above has yet to receive a ruling by the courts, the final ruling does not yet have a significant impact on TTY Biopharm'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 it has reached the milestone, the following is a summary of the industry's specific KPI for year 2023:

KPI	2023 Target	2023 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 NT$270 million in Taiwan	111%
Product Development Perspective	PEP07 Clinical Trial Progress PEP07-101: Implement study enrollment PEP07-102: Submit IND application in TW	PEP07-101: Study enrollment started in 3Q23 PEP07-102: Successfully submitted IND application in TW in 3Q23	100%
	Implement new internal projects	In line with the expected progress of the 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 forecast of business indicators issued by the National Development Council to adjust historical and timely information to assess the default possibility of accounts receivable. At the end of 2023, the Company's loss allowance for credit risk was NT$20 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 2023, the Company's provision of allowance for reduction of inventory to market was NT$12 thousand.

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

(1) The Company currently does not own any real estate or plant. The equipment will continue to apply the 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 follow:

Items	Durability
Computer communication equipment	3-6 Years
Testing equipment	2-5 Years
Office 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 amortized 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 is mainly engaged in the research of new drugs. The Company operates 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: Not applicable due to no related companies.

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 2023 and as of the printing date of the annual report that had material impacts on shareholders' interests or securities prices as stated in item 3 paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan: None.

IX. Appendix

9.1 Financial Statements

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying balance sheets of PharmaEngine, Inc. (the "Company") as at December 31, 2023 and 2022, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, 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 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the 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 2023 financial statements. These matters were addressed in the context of our audit of the 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 2023 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$489,122 thousand, constituting 64% of total operating revenue for the year ended December 31, 2023. Refer to Note 4(20) for the accounting policy on licensing revenue recognition and Note 6(14) 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$875,617 thousand, constituting 22% of total assets at December 31, 2023. 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, 2023, time deposits that did not meet the definition of cash equivalents amounted to NT$2,752,443 thousand, constituting 70% 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) or Note 4(7).

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 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 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
February 29, 2024

The accompanying 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 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.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 875,617	22	$ 1,768,859	45
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)	2,752,443	70	1,836,840	46
1140	Current contract assets	6(14)	108,606	3	91,424	2
1170	Accounts receivable, net	6(4)	65,566	2	68,914	2
1200	Other receivables		11,011	-	6,752	-
1220	Current tax assets	6(14)	86,400	2	56,756	2
130X	Inventories	6(5)	15,901	-	34,375	1
1410	Prepayments		7,476	-	6,573	-
11XX	**Total current assets**		3,923,020	99	3,926,084	99
	Non-current assets					
1600	Property, plant and equipment, net	6(6)	3,355	-	3,586	-
1755	Right-of-use assets	6(7)	14,674	1	22,330	1
1780	Intangible assets		1,884	-	2,510	-
1840	Deferred income tax assets	6(22)	8,002	-	9,537	-
1900	Other non-current assets		2,984	-	2,495	-
15XX	**Total non-current assets**		30,899	1	40,458	1
1XXX	**Total assets**		$ 3,953,919	100	$ 3,966,542	100
	Liabilities and Equity					
	Current liabilities					
2200	Other payables	6(8)	$ 75,321	2	$ 69,942	2
2280	Current lease liabilities		7,666	-	7,537	-
2300	Other current liabilities		876	-	1,258	-
21XX	**Total current liabilities**		83,863	2	78,737	2
	Non-current liabilities					
2570	Deferred income tax liabilities	6(22)	-	-	919	-
2580	Non-current lease liabilities		7,143	-	14,809	-
25XX	**Total non-current liabilities**		7,143	-	15,728	-
2XXX	**Total liabilities**		91,006	2	94,465	2
	Equity					
	Share capital	6(11)				
3110	Common stock		1,456,788	37	1,456,868	37
3170	Share capital awaiting retirement		(6)	-	-	-
	Capital surplus	6(12)				
3200	Capital surplus		1,616,011	40	1,616,734	40
	Retained earnings	6(13)				
3310	Legal reserve		301,870	8	279,652	7
3350	Unappropriated retained earnings		623,440	16	658,202	17
	Other equity interest					
3400	Other equity interest		(1,780)	-	(5,969)	-
3500	Treasury stocks	6(11)	(133,410)	(3)	(133,410)	(3)
3XXX	**Total equity**		3,862,913	98	3,872,077	98
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 3,953,919	100	$ 3,966,542	100

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

PHARMAENGINE, INC.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE DATA)

	Items	Notes	Years ended December 31, 2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
4000	Operating revenue	6(14)	$ 767,669	100	$ 654,383	100
5000	Operating costs	6(5)(15)	(48,697)	(6)	(49,699)	(8)
5900	Gross profit		718,972	94	604,684	92
	Operating expenses	6(20)(21) and 9				
6100	Selling expenses		(38,538)	(5)	(45,104)	(7)
6200	General and administrative expenses		(92,971)	(12)	(94,953)	(14)
6300	Research and development expenses		(310,281)	(41)	(181,881)	(28)
6450	Expected credit impairment gain (loss)	12(2)	1	-	(7)	-
6000	Total operating expenses		(441,789)	(58)	(321,945)	(49)
6900	Operating profit		277,183	36	282,739	43
	Non-operating income and expenses					
7100	Interest income	6(16)	54,320	7	25,569	4
7010	Other income	6(17)	3,386	1	29,975	5
7020	Other gains and losses	6(2)(18)	3,395	-	54,259	8
7050	Finance costs	6(7)(19)	(310)	-	(77)	-
7000	Total non-operating income and expenses		60,791	8	109,726	17
7900	**Profit before income tax**		337,974	44	392,465	60
7950	Income tax expense	6(22)	(63,324)	(8)	(73,682)	(11)
8200	**Profit for the year**		$ 274,650	36	$ 318,783	49
8500	**Total comprehensive income for the year**		$ 274,650	36	$ 318,783	49
	Earnings per share (in dollars)	6(23)				
9750	Basic earnings per share		$ 1.91		$ 2.22	
9850	Diluted earnings per share		$ 1.91		$ 2.22	

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

PHARMAENGINE, INC.

STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Capital		Capital Reserves			Retained Earnings		Other Equity Interest		
	Notes	Common stock	Share capital awaiting retirement	Additional paid-in capital	Employee stock warrants	Employee restricted stock	Legal reserve	Unappropriated retained earnings	Unearned compensation	Treasury stocks	Total equity
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
Year ended December 31, 2023											
Balance at January 1, 2023		$ 1,456,868	$ -	$ 1,570,531	$ 38,767	$ 7,436	$ 279,652	$ 658,202	($ 5,969)	($ 133,410)	$ 3,872,077
Profit after income tax for the year ended December 31, 2023		-	-	-	-	-	-	274,650	-	-	274,650
Total comprehensive income		-	-	-	-	-	-	274,650	-	-	274,650
Employee stock options expired		-	-	17,851	(17,851)	-	-	-	-	-	-
Compensation cost of employee restricted stocks	6(10)	-	-	-	-	-	-	-	3,380	-	3,380
Forfeited employee restricted shares pending for retirement due to resignation of employees		(80)	80	-	-	-	-	-	-	-	-
Capital adjustment due to resignation of employee – forfeited restricted stocks		-	(86)	-	-	(723)	-	-	809	-	-
Lifting of the restrictions on the new restricted employee shares		-	-	1,665	-	(1,665)	-	-	-	-	-
Appropriations and distribution of 2022 retained earnings	6(13)										
Legal reserve		-	-	-	-	-	22,218	(22,218)	-	-	-
Cash dividends distributed to shareholders		-	-	-	-	-	-	(287,194)	-	-	(287,194)
Balance at December 31, 2023		$ 1,456,788	($ 6)	$ 1,590,047	$ 20,916	$ 5,048	$ 301,870	$ 623,440	($ 1,780)	($ 133,410)	$ 3,862,913

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

PHARMAENGINE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2023	2022
Cash flows from operating activities			
Profit before income tax for the year		$ 337,974	$ 392,465
Adjustments to reconcile net profit to net cash provided by operating activities:			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12(2)	(1)	7
Depreciation	6(6)(7)(20)	8,396	8,172
Amortization	6(20)	626	439
Amortization of compensation cost of share-based payments	6(10)	3,380	2,367
Interest income	6(16)	(54,320)	(25,569)
Interest expense	6(19)	310	77
Gain on lease modification	6(7)(18)	-	(4)
Net gain on financial assets at fair value through profit or loss	6(2)(18)	(5,529)	(45,455)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Current contract assets		(17,182)	22,368
Accounts receivable, net		3,349	(22,236)
Other receivables		27	3,563
Inventories		18,474	(28,943)
Prepayments		(903)	(342)
Other current assets		-	76
Net changes in liabilities relating to operating activities			
Other payables		5,379	(2,052)
Other current liabilities		(382)	58
Cash provided by operations		299,598	304,991
Interest received		50,034	21,522
Income taxes refund		-	16,436
Income taxes paid		(92,352)	(140,859)
Interest paid		(310)	(77)
Net cash provided by operating activities		256,970	202,013
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)	61,120	74,864
Increase in current financial assets at amortized cost	6(3)	(1,734,699)	(226,840)
Decrease in current financial assets at amortized cost	6(3)	819,096	53,000
Acquisition of property, plant and equipment	6(24)	(412)	(3,442)
Increase in intangible assets	6(24)	-	(502)
(Increase) decrease in refundable deposits (shown as 'other non-current assets')		(40)	5
Increase in other non-current assets		(546)	(200)
Net cash used in investing activities		(855,481)	(188,115)
Cash flows from financing activities			
Payments of lease liability	6(25)	(7,537)	(7,996)
Cash dividends paid	6(13)	(287,194)	(387,711)
Net cash used in financing activities		(294,731)	(395,707)
Net decrease in cash and cash equivalents		(893,242)	(381,809)
Cash and cash equivalents at beginning of year		1,786,859	2,150,668
Cash and cash equivalents at end of year		$ 875,617	$ 1,768,859

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

PHARMAENGINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(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 FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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 IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS17 and IFRS9 - comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company 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 that 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 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the

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 financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's presentation currency.

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'.

(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;

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 Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company 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) 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 equipment3~6 years

Testing equipment2~5 years

Office equipment 5 years

Leasehold improvements3~5 years

Transportation equipment 5 years

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) Revenue recognition

A. Sales of goods

The Company sells 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 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

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	$ 100	$ 100
Demand deposits	8,647	26,901
Cash equivalents		
Time deposits	796,057	1,651,965
Callable warrants	70,813	89,893
	$ 875,617	$ 1,768,859

A. 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.

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

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

Items	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Emerging stocks	$ -	$ 36,278
Valuation adjustment	-	19,313
	$ -	$ 55,591

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

	Years ended December 31,	
	2023	2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 5,529	$ 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

	December 31, 2023	December 31, 2022
Time deposits maturing between three months and a year	$ 2,752,443	$ 1,836,840

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

	December 31, 2023	December 31, 2022
Accounts receivable	$ 65,586	$ 68,935
Less: Loss allowance for bad debts	(20)	(21)
	$ 65,566	$ 68,914

A. The Company has no accounts receivable pledged to others as collateral.

B. The ageing analysis of accounts receivable is as follows:

	December 31, 2023	December 31, 2022
Not past due	$ 65,586	$ 68,935

The above ageing analysis was based on past due date.

C. As of December 31, 2023 and 2022, accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $46,699.

D. As at December 31, 2023 and 2022, 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 $65,566 and $68,914, respectively.

E. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Goods	$ 15,913	($ 12)	$ 15,901

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Goods	$ 34,375	$ -	$ 34,375

The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2023	2022
Cost of goods sold	$ 48,685	$ 49,027
Loss on inventory write-off	-	672
Loss on inventory obsolescence	12	-
	$ 48,697	$ 49,699

(6) Property, plant and equipment

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Transportation equipment	Total
At January 1, 2023						
Cost	$ 1,138	$ 94	$ 93	$ 7,694	$ 2,703	$ 11,722
Accumulated depreciation	(227)	(49)	(53)	(7,694)	(113)	(8,136)
	$ 911	$ 45	$ 40	$ -	$ 2,590	$ 3,586
2023						
Opening net book amount	$ 911	$ 45	$ 40	$ -	$ 2,590	$ 3,586
Additions	103	406	-	-	-	509
Depreciation charge	(195)	(79)	(16)	-	(450)	(740)
Closing net book amount	$ 819	$ 372	$ 24	$ -	$ 2,140	$ 3,355
At December 31, 2023						
Cost	$ 1,139	$ 500	$ 93	$ 7,694	$ 2,703	$ 12,129
Accumulated depreciation	(320)	(128)	(69)	(7,694)	(563)	(8,774)
	$ 819	$ 372	$ 24	$ -	$ 2,140	$ 3,355

	Computer and communication equipment	Testing equipment	Office equipment	Leasehold improvements	Transportation equipment	Total
At January 1, 2022						
Cost	$ 616	$ 94	$ 93	$ 7,694	$ -	$ 8,497
Accumulated depreciation	(321)	(34)	(38)	(7,694)	-	(8,087)
	$ 295	$ 60	$ 55	$ -	$ -	$ 410
2022						
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	$ 911	$ 45	$ 40	$ -	$ 2,590	$ 3,586
At December 31, 2022						
Cost	$ 1,138	$ 94	$ 93	$ 7,694	$ 2,703	$ 11,722
Accumulated depreciation	(227)	(49)	(53)	(7,694)	(113)	(8,136)
	$ 911	$ 45	$ 40	$ -	$ 2,590	$ 3,586

(7) 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, 2023	December 31, 2022
Buildings	$ 14,674	$ 22,330
Transportation equipment (Business vehicles)	-	-
	$ 14,674	$ 22,330

	Depreciation charge	
	Years ended December 31,	
	2023	2022
Buildings	$ 7,656	$ 7,549
Transportation equipment (Business vehicles)	-	357
	$ 7,656	$ 7,906

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $0 and $22,968, respectively.

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

	Years ended December 31,	
	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 310	$ 77
Expense on short-term lease contracts	1,059	950

Expense on leases of low-value assets	109	99
Gain on lease modifications	-	4

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were $9,015 and $9,122, respectively.

(8) Other payables

	December 31, 2023	December 31, 2022
Employees' salary and bonus payable	$ 22,928	$ 28,856
Accrued directors' remuneration and employees' compensation	15,724	16,839
Payable for contracted research expenses	28,566	15,610
Others	8,103	8,637
	$ 75,321	$ 69,942

(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.

B. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were $2,700 and $2,529, respectively.

(10) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
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
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)

	2023		2022	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,089	$ 179.35	1,578	$ 186.64
Options forfeited and expired	(495)	187.48	(489)	202.88
Options outstanding at December 31	594	172.57	1,089	179.35
Options exercisable at December 31	594		1,089	

(b) Restricted stocks (shares in thousands)

	2023	2022
At January 1	90	-
Stocks expired during the year (Note)	(9)	-
Stocks lifted during the year	(33)	-
Stocks issued during the year	-	90
At December 31	48	90

Note: Refer to Note 6(11)A. for the explanation.

C. For the years ended December 31, 2023 and 2022, no employee stock options were exercised.

D. As of December 31, 2023 and 2022, the range of exercise prices of stock options outstanding were $167.5~$175.42 and $167.5~$197.9 (in dollars), and the weighted-average remaining contractual period were 0.92 years and 0.21~1.92 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	2015.03.19	197.92	197.9	30.1%	8 years	-	1.35%	34.58

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)
options plan								
Sixth employee stock options plan	2016.08.11	175.42	175.4	31.6%	8 years	-	0.62%	31.75
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, 2023 and 2022, expenses incurred on share-based payment transactions were accrued at $3,380 and $2,367, respectively.

(11) Share capital

A. As of December 31, 2023, 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 obtions), and the paid-in capital was $1,456,788, 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):

	2023	2022
At January 1	143,686	143,596
Issuance of employee restricted stocks	-	90
Capital reduction-forfeited restricted stocks (Note)	(8)	-
Forfeited employee restricted stocks pending for retirement due to resignation of employee (Note)	(1)	-
At December 31	143,677	143,686

Note: In accordance with the Company's regulations for employee restricted stocks, employees are deemed to have failed to meet the vesting conditions from the effective date of their resignation. The restricted stocks will be taken back by the Company without compensation and retired. Among those shares, 8,000 shares have been registered for the change; 1,000 shares have not yet been applied for retirement due to capital reduction, as of December 31, 2023.

B. Treasury stocks

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

		December 31, 2023	
Name of company holding the shares	Reason for reacquisition	No. of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	2,000	$ 133,410

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

(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 five years from the reacquisition date and shares not reissued within the five-year period are to be retired.

(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 2022 and 2021 had been resolved at the stockholders' meeting on May 24, 2023 and May 27, 2022, respectively. Details are summarized below:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 22,218	$ -	$ 42,603	$ -
Cash dividends	287,194	2.0	387,711	2.7
	$ 309,412	$ 2.0	$ 430,314	$ 2.7

The appropriations of 2022 and 2021 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 2023 as proposed by the Board of Directors on February 29, 2024 are as follows:

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 27,465	$ -
Cash dividends	215,444	1.5
	$ 242,909	$ 1.5

As of February 29, 2024, the appropriations of 2023 earnings have not yet 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 (excluding the portion arising from employee restricted stocks) 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

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	$ 767,669	$ 654,383

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, 2023

	Royalty revenue	Sales revenue	Total
Total segment revenue	$ 489,122	$ 278,547	$ 767,669
Revenue from external customer contracts	$ 489,122	$ 278,547	$ 767,669

Year ended December 31, 2022

	Royalty revenue	Sales revenue	Total
Total segment revenue	$ 376,789	$ 277,594	$ 654,383

Revenue from external customer contracts	$ 376,789	$ 277,594	$ 654,383

Royalty revenue for the years ended December 31, 2023 and 2022 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, 2023 and 2022, the Company recognized royalty income from sales in the amount of US$13,705 thousand and US$12,495 thousand in accordance with the contract, respectively. For the years ended December 31, 2023 and 2022, royalty income which has not yet been collected amounted to US$3,930 thousand and US$3,308 thousand (of which US$3,537 thousand and US$2,977 were recognized in current contract assets as of December 31, 2023 and 2022, respectively, and remaining balance was recognized as current income tax assets as of December 31, 2023 and 2022), respectively.

Additionally, pursuant to the aforementioned supplementary agreement, when fulfilling related conditions as regulated in the contract, the Company could recognize the sublicense revenue in the amount of US$2,000 thousand. The Company has recognized the revenue in full amount in July 2023 which had been fully collected in September 2023.

B. Contract assets

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

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets	$ 108,606	$ 91,424	$ 113,792

(15) Operating costs

	Years ended December 31,	
	2023	2022
Cost of sales		
- Cost of goods sold	$ 48,685	$ 49,027
- Loss on inventory write-off	-	672
- Loss on inventory obsolescence	12	-
	$ 48,697	$ 49,699

(16) Interest income

	Years ended December 31,	
	2023	2022
Interest income from bank deposits	$ 54,320	$ 25,569

(17) Other income

	Years ended December 31,	
	2023	2022
Income from compensation (Note)	$ -	$ 29,950
Other income (Note)	3,386	25
	$ 3,386	$ 29,975

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, and reimbursed the Company half of the agreed-upon expenses incurred during the above metioned termination process. 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.

In accordance with the above-mentioned termination agreement, Nanobiotix S.A. has paid milestone compensation of US$6,500 thousand to the Company in 2021, paid milestone compensation of US$1,000 thousand in the third quarter of 2022, and reimbursed the Company half of the agreed-upon expenses incurred during the above mentioned termination process in the first quarter of 2023, amounting to US$3,386 thousand.

(18) Other gains and losses

	Years ended December 31,	
	2023	2022
Net currency exchange (losses) gains	($ 2,134)	$ 8,800
Gains on financial assets at fair value through profit or loss	5,529	45,455
Gains arising from lease modifications	-	4
	$ 3,395	$ 54,259

(19) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense on lease liabilities	$ 310	$ 77

(20) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	$ 115,537	$ 113,815
Depreciation charges on property, plant and equipment (including right-of-use assets)	$ 8,396	$ 8,172
Amortization charges on intangible assets	$ 626	$ 439

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

	Years ended December 31,	
	2023	2022
Wages and salaries	$ 82,089	$ 84,380
Share-based payment expenses	3,380	2,367
Labour and health insurance fees	5,766	4,779
Pension costs	2,700	2,529

Directors' remuneration	17,006	16,721
Other personnel expenses	4,596	3,039
	$ 115,537	$ 113,815

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, 2023 and 2022, employees' compensation were accrued at $7,041 and $8,140, respectively; while directors' remuneration were accrued at $7,020 and $8,100, 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, 2023 and 2022. The directors' remuneration was estimated and accrued based on 1.99% of distributable profit for the years ended December 31, 2023 and 2022. Employees' compensation and directors' remuneration for 2023 as resolved by the Board of directors on February 29, 2024 were in agreement with those amounts recognized in the 2023 financial statements. The employees' compensation for 2023 will be distributed in the from of cash.

Employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors on March 2, 2023 were in agreement with those amounts recognized in the 2022 financial statements. The employees' compensation for 2022 was distributed in the form of cash.

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,	
	2023	2022
Current tax:		
Current tax on profits for the year	$ 69,449	$ 77,471
Tax on undistributed surplus earnings	469	-
Prior year income tax overestimation	(7,210)	(155)
Total current tax	62,708	77,316
Deferred tax:		
Origination and reversal of temporary	616	(3,634)

differences		
Total deferred tax	616	(3,634)
Income tax expense	$ 63,324	$ 73,682

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	$ 67,595	$ 78,493
Effects from items disallowed by tax regulation	7,438	572
Tax exempt income by tax regulation	(4,968)	(5,228)
Prior year income tax overestimation	(7,210)	(155)
Tax on undistributed surplus earnings	469	-
Income tax expense	$ 63,324	$ 73,682

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

	2023				
	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	$ 9,537	($ 1,890)	$ -	$ -	$ 7,647
Unrealized exchange loss	-	355	-	-	355
	9,537	(1,535)	-	-	8,002
Deferred income tax liabilities:					
-Temporary differences					
Unrealised exchange gain	(919)	919	-	-	-
	$ 8,618	($ 616)	$ -	$ -	$ 8,002

	2022				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive	Recognized in equity	At December 31

			income		
Deferred income tax assets:					
-Temporary differences					
Amortisation of patents	$ 4,975	($ 4,562)	$ -	$ -	$ 9,537
Unrealized exchange loss	9	(9)	-	-	-
	4,984	4,553	-	-	9,537
Deferred income tax liabilities:					
-Temporary differences					
Unrealised exchange gain	-	(919)	-	-	(919)
	$ 4,984	$ 3,634	$ -	$ -	$ 8,618

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, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net profit	$ 274,650	143,610	$ 1.91
Diluted earnings per share			
Net profit	$ 274,650	143,610	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	-	
Restricted stocks	-	52	
Employees' compensation	-	79	
	$ 274,650	143,741	$ 1.91

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

(24) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	$ 509	$ 3,442
Add: Ending balance of prepaid equipment (Note)	103	-
Less: Opening balance of prepaid equipment (Note)	(200)	-
Cash paid during the year	$ 412	$ 3,442

Note: Prepaid equipment - shown as 'non-current assets'.

	Years ended December 31,	
	2023	2022
Purchase of intangible assets	$ -	$ 2,352
Less: Opening balance of prepaid intangible assets (Note)	-	(1,850)
Cash paid during the year	$ -	$ 502

Note: Prepaid intangible assets - shown as 'non-current assets'.

(25) Changes in liabilities from financing activities

	Lease liability
At January 1, 2023	$ 22,346
Changes in cash flow from financing activities	(7,537)
At December 31, 2023	$ 14,809

	Lease liability
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	$ 22,346

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, 2023 and 2022, the Company had no significant transactions made with related parties.

(2) Key management compensation

	Years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	$ 33,578	$ 33,637
Post-employment benefits	108	108
Share-based payments	1,774	1,052
	$ 35,460	$ 34,797

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2023 and 2022, the Company has entered into a drug research commissioned contract and software license contract amounting to $556,572 and $288,677, of which $302,855 and

$162,842 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 and USD 2,000 thousand (shown as 'research and development expenses') when the agreement was signed and the conditions of the first stage of milestone were fulfilled in the third quarter of 2023, and the payment had been made.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For the appropriations of 2023 earnings, refer to Note 6(13)D.

(2) For the information about the employees' compensation and directors' remuneration of 2023, refer to Note 6(21)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

	December 31, 2023	December 31, 2022
Financial assets		
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	$ 875,617	$ 1,768,859
Financial assets at amortised cost	2,752,443	1,836,840
Accounts receivable, net	65,566	68,914
Other receivables	11,011	6,752
Refundable deposits (shown as other non-current assets)	2,335	2,295
	$ 3,706,972	$ 3,683,660

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liabilities at amortised cost		
Other payables	$ 75,321	$ 69,942
Lease liability	$ 14,809	$ 22,346

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 mininize 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: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 16,015	30.71	$ 491,736
Financial liabilities			
Monetary items			
USD:NTD	832	30.71	25,547
GBP:NTD	26	39.15	1,036

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 9,132	30.71	$ 280,456
Financial liabilities			
Monetary items			
USD:NTD	371	30.71	11,391
EUR:NTD	34	32.72	1,112

ii. Total exchange gain (loss) arising from foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to ($2,134) and $8,800, respectively.

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

	Year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,917	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	255	-
GBP:NTD	1%	10	-

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,805	$ -
Financial liabilities			

Monetary items			
USD:NTD	1%	114	-
EUR:NTD	1%	11	-

(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. 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, 2023 and 2022, the provision matrix is as follows:

	Not past due	Total
December 31, 2023		
Expected loss rate	0.03%	
Total book value	$ 65,586	$ 65,586

Loss allowance	$ 20	$ 20

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

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

	2023	2022
At January 1	$ 21	$ 14
(Reversal of) provision for impairment loss	(1)	7
At December 31	$ 20	$ 21

(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, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Other payables	$ 75,321	$ -	$ -	$ -
Lease liability	7,847	7,193	-	-

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Other payables	$ 69,942	$ -	$ -	$ -
Lease liability	7,847	7,847	7,193	-

(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 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, 2023 and 2022 are as follows:

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

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

As of December 31, 2023, there was no financial instrument measured at fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost 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 1.

14. OPERATING SEGMENT INFORMATION

(1) General information

The Company mainly engaged in the research of new drugs. The Company operates 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) Measurement of segment information

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

(3) Reconciliation for segment income (loss)

The 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

Refer to Note 6 (14) for the related information.

(5) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
Taiwan	$ 767,669	$ 19,913	$ 654,383	$ 28,426

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 statement of comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Segment	Revenue	Segment
A	$ 489,122	Note	$ 376,789	Note

Note: The Company has only one reportable operating segment.

PHARMAENGINE, INC.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Petty cash		$ 100
Demand deposits		
- NTD		4,152
- Foreign currency	(USD$ 122 @30.71)	
	(Other FCY$ 20)	4,495
Cash equivalents		
Time deposits - NTD	Interest rate 1.35%; maturity dates are between January 11, 2024 and March 22, 2024	750,000
Time deposits – foreign currency	Interest rate 5.19%~5.25%; maturity dates are between January 22, 2024 and February 16, 2024	46,057
Callable warrants	Interest rate 1.20%~1.25%; maturity dates are between January 4, 2024 and January 24, 2024	70,813
		$ 875,617

PHARMAENGINE, INC.

STATEMENT OF FINANCIAL ASSETS AT AMORTISED COST-CURRENT

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 2

Item	Period	Maturity date	Interest rate	Amount
Time deposits - NTD	4 months to 1 year	January 10, 2024 to November 29, 2024	0.535%-1.58%	$ 2,423,900
Time deposits - USD	6 months to 1 year	February 27, 2024 to December 1, 2024	4.98%~5.50%	328,543
				$ 2,752,443

PHARMAENGINE, INC.

STATEMENT OF OPERATING COSTS

YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 3

Item		Amount
Beginning merchandise inventory	$	34,375
Add: Purchases during the year		31,117
Less: Ending merchandise inventory	(	15,913)
Transferred to research and development expense	(	894)
Cost of goods sold		48,685
Loss on inventory obsolescence		12
Operating costs	$	48,697

PHARMAENGINE, INC.

STATEMENT OF SELLING EXPENSES

YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 4

Item	Amount	Note
Wages and salaries	$ 15,302	
Advertising expenses	2,312	
Insurance expense	2,280	
Entertainment expense	1,963	
Conference fees	7,908	
Other expenses	8,773	None of the balances of individual item exceeded 5% of this account balance
	$ 38,538	

PHARMAENGINE, INC.

STATEMENT OF ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Amount	Note
Wages and salaries	$ 55,772	
Depreciation expenses	5,144	
Professional service fee	6,494	
Other expenses	25,561	None of the balances of individual item exceeded 5% of this account balance
	$ 92,971	

PHARMAENGINE, INC.

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 6

Item	Amount	Note
Wages and salaries	$ 27,841	
Contracted research expense	199,651	
Royalty expense	63,850	
Other expenses	18,939	None of the balances of individual item exceeded 5% of this account balance
	$ 310,281	

PHARMAENGINE, INC.

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES BY FUNCTION

YEAR ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

Statement 7

Function / Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	$ -	$ 82,089	$ 82,089	$ -	$ 84,380	$ 84,380
Share-based payment	-	3,380	3,380	-	2,367	2,367
Labour and health insurance fees	-	5,766	5,766	-	4,779	4,779
Pension costs	-	2,700	2,700	-	2,529	2,529
Directors' remuneration	-	17,006	17,006	-	16,721	16,721
Other personnel expenses	-	4,596	4,596	-	3,039	3,039
	$ -	$ 115,537	$ 115,537	$ -	$ 113,815	$ 113,815
Depreciation expense	$ -	$ 8,396	$ 8,396	$ -	$ 8,172	$ 8,172
Amortisation expense	$ -	$ 626	$ 626	$ -	$ 439	$ 439

Note:

A. As at December 31, 2023 and 2022, the Company had 47 and 46 employees, including 9 non-employee directors, respectively.

B. Average employee benefit expense in current year was $2,593 ((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 $2,624 ((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 $2,160 (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 $2,281 (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 (5%) ((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 professionality 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.

Chairperson: Jan-Yau Hsu