

**PHARMAENGINE, INC.**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT**  
**MARCH 31, 2024 AND 2023**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

### ***Introduction***

We have reviewed the accompanying balance sheets of PharmaEngine, Inc. (the “Company”) as at March 31, 2024 and 2023, and the related statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

### ***Scope of review***

We conducted our reviews in accordance with the Statement of Auditing Standard No. 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2024 and 2023, and of its financial performance and its cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Yu, Shu-Fen

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

April 25, 2024

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The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying 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

MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(THE BALANCE SHEETS AS OF MARCH 31, 2024 AND 2023 ARE REVIEWED, NOT AUDITED)

| Assets                  |                                                                          | Notes | March 31, 2024 |      | December 31, 2023 |      | March 31, 2023 |      |
|-------------------------|--------------------------------------------------------------------------|-------|----------------|------|-------------------|------|----------------|------|
|                         |                                                                          |       | AMOUNT         | %    | AMOUNT            | %    | AMOUNT         | %    |
| Current assets          |                                                                          |       |                |      |                   |      |                |      |
| 1100                    | Cash and cash equivalents                                                | 6(1)  | \$ 939,985     | 23   | \$ 875,617        | 22   | \$ 1,947,481   | 48   |
| 1110                    | Current financial assets at fair value through profit or loss            | 6(2)  | -              | -    | -                 | -    | 47,953         | 1    |
| 1136                    | Current financial assets at amortised cost                               | 6(3)  | 2,770,300      | 68   | 2,752,443         | 70   | 1,763,440      | 44   |
| 1140                    | Current contract assets                                                  | 6(14) | 89,280         | 2    | 108,606           | 3    | 85,606         | 2    |
| 1170                    | Accounts receivable, net                                                 | 6(4)  | 91,568         | 2    | 65,566            | 2    | 76,853         | 2    |
| 1200                    | Other receivables                                                        |       | 14,587         | 1    | 11,011            | -    | 10,922         | -    |
| 1220                    | Current tax assets                                                       |       | 86,400         | 2    | 86,400            | 2    | 56,756         | 1    |
| 130X                    | Inventory                                                                | 6(5)  | 33,863         | 1    | 15,901            | -    | 20,632         | 1    |
| 1410                    | Prepayments                                                              |       | 8,533          | -    | 7,476             | -    | 2,910          | -    |
| 11XX                    | Total current assets                                                     |       | 4,034,516      | 99   | 3,923,020         | 99   | 4,012,553      | 99   |
| Non-current assets      |                                                                          |       |                |      |                   |      |                |      |
| 1600                    | Property, plant and equipment                                            | 6(6)  | 3,463          | -    | 3,355             | -    | 3,607          | -    |
| 1755                    | Right-of-use assets                                                      | 6(7)  | 12,760         | 1    | 14,674            | 1    | 20,416         | 1    |
| 1780                    | Intangible assets                                                        |       | 2,317          | -    | 1,884             | -    | 2,350          | -    |
| 1840                    | Deferred income tax assets                                               |       | 7,174          | -    | 8,002             | -    | 9,064          | -    |
| 1900                    | Other non-current assets                                                 |       | 2,438          | -    | 2,984             | -    | 2,335          | -    |
| 15XX                    | Total non-current assets                                                 |       | 28,152         | 1    | 30,899            | 1    | 37,772         | 1    |
| 1XXX                    | Total assets                                                             |       | \$ 4,062,668   | 100  | \$ 3,953,919      | 100  | \$ 4,050,325   | 100  |
| Liabilities and Equity  |                                                                          |       |                |      |                   |      |                |      |
| Current liabilities     |                                                                          |       |                |      |                   |      |                |      |
| 2170                    | Accounts payable                                                         |       | \$ 30,396      | 1    | \$ -              | -    | \$ -           | -    |
| 2200                    | Other payables                                                           | 6(8)  | 64,033         | 2    | 75,321            | 2    | 63,374         | 2    |
| 2230                    | Current tax liabilities                                                  | 6(14) | 6,170          | -    | -                 | -    | 10,776         | -    |
| 2280                    | Current lease liabilities                                                |       | 7,699          | -    | 7,666             | -    | 7,569          | -    |
| 2300                    | Other current liabilities                                                |       | 1,199          | -    | 876               | -    | 410            | -    |
| 21XX                    | Total current liabilities                                                |       | 109,497        | 3    | 83,863            | 2    | 82,129         | 2    |
| Non-current liabilities |                                                                          |       |                |      |                   |      |                |      |
| 2570                    | Deferred income tax liabilities                                          |       | 2,864          | -    | -                 | -    | 503            | -    |
| 2580                    | Non-current lease liabilities                                            |       | 5,205          | -    | 7,143             | -    | 12,905         | -    |
| 25XX                    | Total non-current liabilities                                            |       | 8,069          | -    | 7,143             | -    | 13,408         | -    |
| 2XXX                    | Total liabilities                                                        |       | 117,566        | 3    | 91,006            | 2    | 95,537         | 2    |
| Equity                  |                                                                          |       |                |      |                   |      |                |      |
|                         | Share capital                                                            | 6(11) |                |      |                   |      |                |      |
| 3110                    | Common stock                                                             |       | 1,456,782      | 36   | 1,456,788         | 37   | 1,456,868      | 36   |
| 3170                    | Share capital awaiting retirement                                        |       | -              | -    | ( 6)              | -    | ( 10)          | -    |
|                         | Capital surplus                                                          | 6(12) |                |      |                   |      |                |      |
| 3200                    | Capital surplus                                                          |       | 1,616,011      | 40   | 1,616,011         | 40   | 1,616,651      | 40   |
|                         | Retained earnings                                                        | 6(13) |                |      |                   |      |                |      |
| 3310                    | Legal reserve                                                            |       | 301,870        | 7    | 301,870           | 8    | 279,652        | 7    |
| 3350                    | Unappropriated retained earnings                                         |       | 705,166        | 17   | 623,440           | 16   | 739,582        | 18   |
|                         | Other equity interest                                                    |       |                |      |                   |      |                |      |
| 3400                    | Other equity interest                                                    |       | ( 1,317)       | -    | ( 1,780)          | -    | ( 4,545)       | -    |
| 3500                    | Treasury stocks                                                          | 6(11) | ( 133,410)     | ( 3) | ( 133,410)        | ( 3) | ( 133,410)     | ( 3) |
| 3XXX                    | Total equity                                                             |       | 3,945,102      | 97   | 3,862,913         | 98   | 3,954,788      | 98   |
|                         | Significant contingent liabilities and unrecognized contract commitments | 9     |                |      |                   |      |                |      |
| 3X2X                    | Total liabilities and equity                                             |       | \$ 4,062,668   | 100  | \$ 3,953,919      | 100  | \$ 4,050,325   | 100  |

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

**PHARMAENGINE, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE MONTHS ENDED MARCH 31, 2024 AND 2023**  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE DATA)  
 (REVIEWED, NOT AUDITED)

|                                                |           |  | Three months ended March 31, |           |                  |           |
|------------------------------------------------|-----------|--|------------------------------|-----------|------------------|-----------|
|                                                |           |  | 2024                         |           | 2023             |           |
| Items                                          | Notes     |  | AMOUNT                       | %         | AMOUNT           | %         |
| 4000 Operating revenue                         | 6(14)     |  | \$ 164,471                   | 100       | \$ 168,333       | 100       |
| 5000 Operating costs                           | 6(5)(15)  |  | ( 11,045)                    | ( 7)      | ( 13,628)        | ( 8)      |
| 5900 Gross profit                              |           |  | <u>153,426</u>               | <u>93</u> | <u>154,705</u>   | <u>92</u> |
| Operating expenses                             | 6(20)(21) |  |                              |           |                  |           |
| 6100 Selling expenses                          |           |  | ( 7,152)                     | ( 4)      | ( 9,676)         | ( 6)      |
| 6200 General and administrative expenses       |           |  | ( 22,367)                    | ( 14)     | ( 24,324)        | ( 14)     |
| 6300 Research and development expenses         |           |  | ( 56,521)                    | ( 34)     | ( 39,611)        | ( 24)     |
| 6450 Expected credit impairment loss           | 12(2)     |  | ( 8)                         | -         | ( 2)             | -         |
| 6000 Total operating expenses                  |           |  | ( 86,048)                    | ( 52)     | ( 73,613)        | ( 44)     |
| 6900 Operating profit                          |           |  | <u>67,378</u>                | <u>41</u> | <u>81,092</u>    | <u>48</u> |
| Non-operating income and expenses              |           |  |                              |           |                  |           |
| 7100 Interest income                           | 6(16)     |  | 16,030                       | 10        | 11,474           | 7         |
| 7010 Other income                              | 6(17)     |  | -                            | -         | 3,386            | 2         |
| 7020 Other gains and losses                    | 6(2)(18)  |  | 19,394                       | 12        | 6,590            | 14        |
| 7050 Finance costs                             | 6(7)(19)  |  | ( 57)                        | -         | ( 90)            | -         |
| 7000 Total non-operating income and expenses   |           |  | <u>35,367</u>                | <u>22</u> | <u>21,360</u>    | <u>13</u> |
| 7900 Profit before income tax                  |           |  | 102,745                      | 63        | 102,452          | 61        |
| 7950 Income tax expense                        | 6(22)     |  | ( 21,019)                    | ( 13)     | ( 21,072)        | ( 13)     |
| 8200 Profit for the period                     |           |  | <u>\$ 81,726</u>             | <u>50</u> | <u>\$ 81,380</u> | <u>48</u> |
| 8500 Total comprehensive income for the period |           |  | <u>\$ 81,726</u>             | <u>50</u> | <u>\$ 81,380</u> | <u>48</u> |
| Earnings per share (in dollars)                | 6(23)     |  |                              |           |                  |           |
| 9750 Basic earnings per share                  |           |  | <u>\$ 0.57</u>               |           | <u>\$ 0.57</u>   |           |
| 9850 Diluted earnings per share                |           |  | <u>\$ 0.57</u>               |           | <u>\$ 0.57</u>   |           |

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

PHARMAENGINE, INC.  
STATEMENTS OF CHANGES IN EQUITY  
THREE MONTHS ENDED MARCH 31, 2024 AND 2023  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(REVIEWED, NOT AUDITED)

|                                                                                             | Notes | Capital Reserves    |                                   | Capital Reserves           |                         |                           | Retained Earnings |                                  | Other Equity Interest | Treasury stocks      | Total equity        |
|---------------------------------------------------------------------------------------------|-------|---------------------|-----------------------------------|----------------------------|-------------------------|---------------------------|-------------------|----------------------------------|-----------------------|----------------------|---------------------|
|                                                                                             |       | Common stock        | Share capital awaiting retirement | Additional paid-in capital | Employee stock warrants | Employee restricted stock | Legal reserve     | Unappropriated retained earnings | Unearned compensation |                      |                     |
| <u>Three months ended March 31, 2023</u>                                                    |       |                     |                                   |                            |                         |                           |                   |                                  |                       |                      |                     |
| 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 three months ended March 31, 2023                           |       | -                   | -                                 | -                          | -                       | -                         | -                 | 81,380                           | -                     | -                    | 81,380              |
| Total comprehensive income                                                                  |       | -                   | -                                 | -                          | -                       | -                         | -                 | 81,380                           | -                     | -                    | 81,380              |
| Employee stock options expired                                                              |       | -                   | -                                 | 12,024                     | ( 12,024 )              | -                         | -                 | -                                | -                     | -                    | -                   |
| Compensation cost of employee restricted stocks                                             | 6(10) | -                   | -                                 | -                          | -                       | -                         | -                 | -                                | 1,331                 | -                    | 1,331               |
| Capital adjustment due to resignation of employees - forfeited restricted stocks            |       | -                   | ( 10 )                            | -                          | -                       | ( 83 )                    | -                 | -                                | 93                    | -                    | -                   |
| Balance at March 31, 2023                                                                   |       | <u>\$ 1,456,868</u> | <u>(\$ 10 )</u>                   | <u>\$ 1,582,555</u>        | <u>\$ 26,743</u>        | <u>\$ 7,353</u>           | <u>\$ 279,652</u> | <u>\$ 739,582</u>                | <u>(\$ 4,545 )</u>    | <u>(\$ 133,410 )</u> | <u>\$ 3,954,788</u> |
| <u>Three months ended March 31, 2024</u>                                                    |       |                     |                                   |                            |                         |                           |                   |                                  |                       |                      |                     |
| Balance at January 1, 2024                                                                  |       | \$ 1,465,788        | (\$ 6 )                           | \$ 1,590,047               | \$ 20,916               | \$ 5,048                  | \$ 301,870        | \$ 623,440                       | (\$ 1,780 )           | (\$ 133,410 )        | \$ 3,862,913        |
| Profit after income tax for the three months ended March 31, 2024                           |       | -                   | -                                 | -                          | -                       | -                         | -                 | 81,726                           | -                     | -                    | 81,726              |
| Total comprehensive income                                                                  |       | -                   | -                                 | -                          | -                       | -                         | -                 | 81,726                           | -                     | -                    | 81,726              |
| Compensation cost of employee restricted stocks                                             | 6(10) | -                   | -                                 | -                          | -                       | -                         | -                 | -                                | 463                   | -                    | 463                 |
| Forfeited employee restricted shares pending for retirement due to resignation of employees |       | ( 6 )               | 6                                 | -                          | -                       | -                         | -                 | -                                | -                     | -                    | -                   |
| Balance at March 31, 2024                                                                   |       | \$ 1,456,782        | \$ -                              | \$ 1,590,047               | \$ 20,916               | \$ 5,048                  | \$ 301,870        | \$ 705,166                       | (\$ 1,317 )           | (\$ 133,410 )        | \$ 3,945,102        |

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

PHARMAENGINE, INC.  
STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2024 AND 2023  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(REVIEWED, NOT AUDITED)

|                                                                                   |             | Three months ended March 31, |              |
|-----------------------------------------------------------------------------------|-------------|------------------------------|--------------|
|                                                                                   | Notes       | 2024                         | 2023         |
| <b>Cash flows from operating activities</b>                                       |             |                              |              |
| Profit before income tax for the period                                           |             | \$ 102,745                   | \$ 102,452   |
| Adjustments to reconcile net profit to net cash provided by operating activities: |             |                              |              |
| Adjustments to reconcile profit (loss)                                            |             |                              |              |
| Expected credit impairment loss                                                   | 12(2)       | 8                            | 2            |
| Depreciation                                                                      | 6(6)(7)(20) | 2,115                        | 2,093        |
| Amortization                                                                      | 6(20)       | 171                          | 160          |
| Amortization of compensation cost of share-based payments                         | 6(10)       | 463                          | 1,331        |
| Interest income                                                                   | 6(16)       | ( 16,030 )                   | ( 11,474 )   |
| Interest expense                                                                  | 6(19)       | 57                           | 90           |
| Net gain on financial assets at fair value through profit or loss                 | 6(2)(18)    | -                            | ( 9,125 )    |
| Changes in assets/liabilities relating to operating activities                    |             |                              |              |
| Net changes in assets relating to operating activities                            |             |                              |              |
| Current contract assets                                                           |             | 19,326                       | 5,818        |
| Accounts receivable, net                                                          | (           | 26,010 )                     | ( 7,941 )    |
| Other receivables                                                                 |             | -                            | ( 462 )      |
| Inventories                                                                       | (           | 17,962 )                     | 13,743       |
| Prepayments                                                                       | (           | 1,057 )                      | 3,663        |
| Net changes in liabilities relating to operating activities                       |             |                              |              |
| Accounts payable                                                                  |             | 30,396                       | -            |
| Other payables                                                                    | (           | 11,288 )                     | ( 6,568 )    |
| Other current liabilities                                                         |             | 323                          | ( 848 )      |
| Cash provided by operations                                                       |             | 83,257                       | 92,934       |
| Interest received                                                                 |             | 12,454                       | 7,766        |
| Income taxes paid                                                                 | (           | 11,157 )                     | ( 10,239 )   |
| Interest paid                                                                     | (           | 57 )                         | ( 90 )       |
| Net cash provided by operating activities                                         |             | 84,497                       | 90,371       |
| <b>Cash flows from investing activities</b>                                       |             |                              |              |
| Proceeds from disposal of financial assets at fair value through profit or loss   | 6(2)        | -                            | 16,763       |
| Increase in current financial assets at amortized cost                            | 6(3)        | ( 209,972 )                  | ( 88,540 )   |
| Decrease in current financial assets at amortized cost                            | 6(3)        | 192,115                      | 161,940      |
| Acquisition of property, plant and equipment                                      | 6(24)       | ( 309 )                      | -            |
| Increase in intangible assets                                                     | (           | 604 )                        | -            |
| Increase in refundable deposits (shown as 'other non-current assets')             |             | -                            | ( 40 )       |
| Decrease in other non-current assets                                              |             | 546                          | -            |
| Net cash (used in) provided by investing activities                               |             | ( 18,224 )                   | 90,123       |
| <b>Cash flows from financing activities</b>                                       |             |                              |              |
| Payments of lease liability                                                       | 6(25)       | ( 1,905 )                    | ( 1,872 )    |
| Net cash used in financing activities                                             |             | ( 1,905 )                    | ( 1,872 )    |
| Net increase in cash and cash equivalents                                         |             | 64,368                       | 178,622      |
| Cash and cash equivalents at beginning of period                                  |             | 875,617                      | 1,768,859    |
| Cash and cash equivalents at end of period                                        |             | \$ 939,985                   | \$ 1,947,481 |

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

PHARMAENGINE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2024 AND 2023  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
 EXCEPT AS OTHERWISE INDICATED)  
 (REVIEWED, NOT AUDITED)

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 the audit committee’s functions 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 April 25, 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<sup>®</sup>”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

| <u>New Standards, Interpretations and Amendments</u>                           | <u>Effective date by<br/>International Accounting<br/>Standards Board (IASB)</u> |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| 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 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

None.

(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:

| <u>New Standards, Interpretations and Amendments</u>                                                                      | <u>Effective date by IASB</u>                                |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts'                                                                                            | January 1, 2023                                              |
| Amendments to IFRS 17, 'Insurance contracts'                                                                              | January 1, 2023                                              |
| Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - Comparative information'                              | January 1, 2023                                              |
| IFRS 18, 'Presentation and disclosure in financial statements'                                                            | January 1, 2027                                              |
| Amendments to IAS 21, 'Lack of exchangeability'                                                                           | January 1, 2025                                              |

The above standards and interpretations 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 adopted are consistent with Note 4 in the financial statements for the year ended December 31, 2023, except for the compliance statement and basis of preparation, as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.
- B. These financial statements are to be read in conjunction with the financial statements for the year ended December 31, 2023.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC<sup>®</sup> Interpretations, and SIC<sup>®</sup> Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also

requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There was no significant change as of March 31, 2024. Refer to Note 5 in the financial statements for the year ended December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

|                                  | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|----------------------------------|-----------------------|--------------------------|-----------------------|
| Cash on hand and revolving funds | \$ 100                | \$ 100                   | \$ 100                |
| Demand deposits                  | 31,913                | 8,647                    | 21,309                |
| Cash equivalents                 |                       |                          |                       |
| Time deposits                    | 902,000               | 796,057                  | 1,858,150             |
| Callable warrants                | <u>5,972</u>          | <u>70,813</u>            | <u>67,922</u>         |
|                                  | <u>\$ 939,985</u>     | <u>\$ 875,617</u>        | <u>\$ 1,947,481</u>   |

- 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

| <u>Items</u>                                                               | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|----------------------------------------------------------------------------|-----------------------|--------------------------|-----------------------|
| Current items:                                                             |                       |                          |                       |
| Financial assets mandatorily measured at fair value through profit or loss |                       |                          |                       |
| Emerging stocks                                                            | \$ -                  | \$ -                     | \$ 26,860             |
| Valuation adjustment                                                       | <u>-</u>              | <u>-</u>                 | <u>21,093</u>         |
|                                                                            | <u>\$ -</u>           | <u>\$ -</u>              | <u>\$ 47,953</u>      |

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

|                                                                            | <u>Three months ended March 31,</u> |                 |
|----------------------------------------------------------------------------|-------------------------------------|-----------------|
|                                                                            | <u>2024</u>                         | <u>2023</u>     |
| Financial assets mandatorily measured at fair value through profit or loss |                                     |                 |
| Equity instruments                                                         | <u>\$ -</u>                         | <u>\$ 9,125</u> |

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

(3) Financial assets at amortised cost-current

|                                                           | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|-----------------------------------------------------------|-----------------------|--------------------------|-----------------------|
| Time deposits maturing between<br>three months and a year | <u>\$ 2,770,300</u>   | <u>\$ 2,752,443</u>      | <u>\$ 1,763,440</u>   |

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

(4) Accounts receivable

|                                      | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|--------------------------------------|-----------------------|--------------------------|-----------------------|
| Accounts receivable                  | \$ 91,596             | \$ 65,586                | \$ 76,876             |
| Less: Loss allowance for bad debts ( | ( 28)                 | ( 20)                    | ( 23)                 |
|                                      | <u>\$ 91,568</u>      | <u>\$ 65,566</u>         | <u>\$ 76,853</u>      |

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

|              | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|--------------|-----------------------|--------------------------|-----------------------|
| Not past due | <u>\$ 91,596</u>      | <u>\$ 65,586</u>         | <u>\$ 76,876</u>      |

The above ageing analysis was based on past due date.

- C. As of March 31, 2024, December 31, 2023 and March 31, 2023, accounts receivable were all from contracts with customers. As of January 1, 2023, the balance of receivables from contracts with customers amounted to \$68,935.
- D. As at March 31, 2024, December 31, 2023 and March 31, 2023, 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 was \$91,568, \$65,566 and \$76,853, respectively.
- E. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

|                      | <u>March 31, 2024</u> |                                         |                   |
|----------------------|-----------------------|-----------------------------------------|-------------------|
|                      | <u>Cost</u>           | <u>Allowance for<br/>valuation loss</u> | <u>Book value</u> |
| Goods                | \$ 4,814              | (\$ 12)                                 | \$ 4,802          |
| Inventory in transit | 29,061                | -                                       | 29,061            |
|                      | <u>\$ 33,875</u>      | <u>(\$ 12)</u>                          | <u>\$ 33,863</u>  |

|       |                  | December 31, 2023            |                  |
|-------|------------------|------------------------------|------------------|
|       | Cost             | Allowance for valuation loss | Book value       |
| Goods | <u>\$ 15,913</u> | <u>(\$ 12)</u>               | <u>\$ 15,901</u> |
|       |                  | March 31, 2023               |                  |
|       | Cost             | Allowance for valuation loss | Book value       |
| Goods | \$ 20,632        | \$ -                         | \$ 20,632        |

The cost of inventories recognized as expense for the period:

| Three months ended March 31, |           |
|------------------------------|-----------|
|                              | 2024      |
| Cost of goods sold           | \$ 11,045 |
|                              | 2023      |
|                              | \$ 13,628 |

(6) Property, plant and equipment

|                           | Computer and communication equipment | Testing equipment | Office equipment | Leasehold improvements | Transportation equipment | Total           |
|---------------------------|--------------------------------------|-------------------|------------------|------------------------|--------------------------|-----------------|
| <u>At January 1, 2024</u> |                                      |                   |                  |                        |                          |                 |
| Cost                      | \$ 1,139                             | \$ 500            | \$ 93            | \$ 7,694               | \$ 2,703                 | \$ 12,129       |
| Accumulated depreciation  | ( 320)                               | ( 128)            | ( 69)            | ( 7,694)               | ( 563)                   | ( 8,774)        |
|                           | <u>\$ 819</u>                        | <u>\$ 372</u>     | <u>\$ 24</u>     | <u>\$ -</u>            | <u>\$ 2,140</u>          | <u>\$ 3,355</u> |
| <u>2024</u>               |                                      |                   |                  |                        |                          |                 |
| Opening net book amount   | \$ 819                               | \$ 372            | \$ 24            | \$ -                   | \$ 2,140                 | \$ 3,355        |
| Additions                 | -                                    | 309               | -                | -                      | -                        | 309             |
| Depreciation charge       | ( 50)                                | ( 34)             | ( 4)             | -                      | ( 113)                   | ( 201)          |
| Closing net book amount   | <u>\$ 769</u>                        | <u>\$ 647</u>     | <u>\$ 20</u>     | <u>\$ -</u>            | <u>\$ 2,027</u>          | <u>\$ 3,463</u> |
| <u>At March 31, 2024</u>  |                                      |                   |                  |                        |                          |                 |
| Cost                      | \$ 1,139                             | \$ 809            | \$ 93            | \$ 7,694               | \$ 2,703                 | \$ 12,438       |
| Accumulated depreciation  | ( 370)                               | ( 162)            | ( 73)            | ( 7,694)               | ( 676)                   | ( 8,975)        |
|                           | <u>\$ 769</u>                        | <u>\$ 647</u>     | <u>\$ 20</u>     | <u>\$ -</u>            | <u>\$ 2,027</u>          | <u>\$ 3,463</u> |

|                             | Computer and<br>communication<br>equipment | Testing<br>equipment | Office<br>equipment | Leasehold<br>improvements | Transportation<br>equipment | Total           |
|-----------------------------|--------------------------------------------|----------------------|---------------------|---------------------------|-----------------------------|-----------------|
| <u>At January 1, 2023</u>   |                                            |                      |                     |                           |                             |                 |
| Cost                        | \$ 1,138                                   | \$ 94                | \$ 93               | \$ 7,694                  | \$ 2,703                    | \$ 11,722       |
| Accumulated<br>depreciation | ( 227)                                     | ( 49)                | ( 53)               | ( 7,694)                  | ( 113)                      | ( 8,136)        |
|                             | <u>\$ 911</u>                              | <u>\$ 45</u>         | <u>\$ 40</u>        | <u>\$ -</u>               | <u>\$ 2,590</u>             | <u>\$ 3,586</u> |
| <u>2023</u>                 |                                            |                      |                     |                           |                             |                 |
| Opening net book<br>amount  | \$ 911                                     | \$ 45                | \$ 40               | \$ -                      | \$ 2,590                    | \$ 3,586        |
| Additions                   | -                                          | 200                  | -                   | -                         | -                           | 200             |
| Depreciation charge         | ( 50)                                      | ( 12)                | ( 4)                | -                         | ( 113)                      | ( 179)          |
| Closing net book<br>amount  | <u>\$ 861</u>                              | <u>\$ 233</u>        | <u>\$ 36</u>        | <u>\$ -</u>               | <u>\$ 2,477</u>             | <u>\$ 3,607</u> |
| <u>At March 31, 2023</u>    |                                            |                      |                     |                           |                             |                 |
| Cost                        | \$ 1,138                                   | \$ 294               | \$ 93               | \$ 7,694                  | \$ 2,703                    | \$ 11,922       |
| Accumulated<br>depreciation | ( 277)                                     | ( 61)                | ( 57)               | ( 7,694)                  | ( 226)                      | ( 8,315)        |
|                             | <u>\$ 861</u>                              | <u>\$ 233</u>        | <u>\$ 36</u>        | <u>\$ -</u>               | <u>\$ 2,477</u>             | <u>\$ 3,607</u> |

(7) Leasing arrangements — lessee

- A. The Company leases various assets including buildings and multifunction printers. Rental contracts are made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, including guarantee, pledge or sublease.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

|           | Book value            |                          |                       |
|-----------|-----------------------|--------------------------|-----------------------|
|           | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
| Buildings | <u>\$ 12,760</u>      | <u>\$ 14,674</u>         | <u>\$ 20,416</u>      |

|           | Depreciation charge          |                 |
|-----------|------------------------------|-----------------|
|           | Three months ended March 31, |                 |
|           | 2024                         | 2023            |
| Buildings | <u>\$ 1,914</u>              | <u>\$ 1,914</u> |

- C. For the three months ended March 31, 2024 and 2023, the Company had no additions to right-of-use assets.
- D. The information on profit or loss in relation to lease contracts is as follows:

|                                       | Three months ended March 31, |       |
|---------------------------------------|------------------------------|-------|
|                                       | 2024                         | 2023  |
| <u>Items affecting profit or loss</u> |                              |       |
| Interest expense on lease liabilities | \$ 57                        | \$ 90 |
| Expense on short-term lease contracts | 274                          | 264   |
| Expense on leases of low-value assets | 15                           | 31    |

- E. For the three months ended March 31, 2024 and 2023, the Company's total cash outflow for leases were \$2,251 and \$2,257, respectively.

(8) Other payables

|                                                             | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|-------------------------------------------------------------|-----------------------|--------------------------|-----------------------|
| Employees' salary and bonus payable                         | \$ 16,474             | \$ 22,928                | \$ 17,939             |
| Accrued directors' remuneration and employees' compensation | 20,005                | 15,724                   | 21,107                |
| Payable for contracted research expenses                    | 22,580                | 28,566                   | 16,759                |
| Others                                                      | 4,974                 | 8,103                    | 7,569                 |
|                                                             | <u>\$ 64,033</u>      | <u>\$ 75,321</u>         | <u>\$ 63,374</u>      |

(9) Pensions

Defined contribution plan

- A. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance.
- B. The pension costs under the defined contribution pension plan of the Company for the three months ended March 31, 2024 and 2023 were \$685 and \$671, respectively.

(10) Share-based payment

- A. For the three months ended March 31, 2024 and 2023, the Company's share-based payment arrangements were as follows:

| <u>Type of arrangement</u>        | <u>Grant date</u> | <u>Quantity granted<br/>(in thousands)</u> | <u>Contract period</u> | <u>Vesting conditions</u> |
|-----------------------------------|-------------------|--------------------------------------------|------------------------|---------------------------|
| 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)

|                                  | 2024           |                                              | 2023           |                                              |
|----------------------------------|----------------|----------------------------------------------|----------------|----------------------------------------------|
|                                  | No. of options | Weighted-average exercise price (in dollars) | No. of options | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1 | 594            | \$ 172.57                                    | 1,089          | \$ 179.35                                    |
| Options forfeited and expired    | -              | -                                            | (290)          | 197.92                                       |
| Options outstanding at March 31  | <u>594</u>     | 172.57                                       | <u>799</u>     | 172.60                                       |
| Options exercisable at March 31  | <u>594</u>     |                                              | <u>799</u>     |                                              |

(b) Restricted stocks (shares in thousands)

|                                               | 2024      | 2023      |
|-----------------------------------------------|-----------|-----------|
| At January 1                                  | 48        | 90        |
| Stocks issued during the first quarter (Note) | -         | (1)       |
| At March 31                                   | <u>48</u> | <u>89</u> |

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

- C. For the three months ended March 31, 2024 and 2023, no employee stock options were exercised.
- D. As of March 31, 2024, December 31, 2023 and March 31, 2023, the range of exercise prices of stock options outstanding was both \$167.5~\$175.42 (in dollars), and the weighted-average remaining contractual period was 0.67 years, 0.92 years and 1.67 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 | 2015.03.19 | 197.92                   | 197.9                       | 30.1%                     | 8 years              | -                               | 1.35%                   | 34.58                            |
| Sixth employee stock options plan | 2016.08.11 | 175.42                   | 175.4                       | 31.6%                     | 8 years              | -                               | 0.62%                   | 31.75                            |
| 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 three months ended March 31, 2024 and 2023, expenses incurred on share-based payment transactions were accrued at \$463 and \$1,331, respectively.

(11) Share capital

- A. As of March 31, 2024, the Company's authorized capital was \$1,800,000, consisting of 180 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,456,782, with a par value of \$10 (in dollars) per share. All shares issued by the Company have been registered.

Movements in the number of the Company's ordinary shares outstanding are as follows (shares in thousands):

|                                                                                                         | <u>2024</u>    | <u>2023</u>    |
|---------------------------------------------------------------------------------------------------------|----------------|----------------|
| At January 1                                                                                            | 143,677        | 143,686        |
| Forfeited employee restricted stocks<br>pending for retirement due to resignation<br>of employee (Note) | -              | (1)            |
| At March 31                                                                                             | <u>143,677</u> | <u>143,685</u> |

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. The registration for the capital reduction has been completed as of March 31, 2024.

B. Treasury stocks

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

|                                                     |                                 | <u>March 31, 2024</u>                         |                                  |
|-----------------------------------------------------|---------------------------------|-----------------------------------------------|----------------------------------|
| <u>Name of company</u><br><u>holding the shares</u> | <u>Reason for reacquisition</u> | <u>No. of shares</u><br><u>(in thousands)</u> | <u>Carrying</u><br><u>amount</u> |
| The Company                                         | To be reissued to employees     | 2,000                                         | <u>\$ 133,410</u>                |

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

|                                                     |                                 | <u>March 31, 2023</u>                         |                                  |
|-----------------------------------------------------|---------------------------------|-----------------------------------------------|----------------------------------|
| <u>Name of company</u><br><u>holding the shares</u> | <u>Reason for reacquisition</u> | <u>No. of shares</u><br><u>(in thousands)</u> | <u>Carrying</u><br><u>amount</u> |
| The Company                                         | To be reissued to employees     | 2,000                                         | <u>\$ 133,410</u>                |

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within 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 were resolved at the stockholders' meeting on May 24, 2023 and May 27, 2022, respectively. Details are summarized below:

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

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:

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

As of April 25, 2024, the appropriations of 2023 earnings have not yet been approved by the shareholders.

- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items (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

|                                       | <u>Three months ended March 31,</u> |                   |
|---------------------------------------|-------------------------------------|-------------------|
|                                       | <u>2024</u>                         | <u>2023</u>       |
| Revenue from contracts with customers | <u>\$ 164,471</u>                   | <u>\$ 168,333</u> |

- A. Disaggregation of revenue from contracts with customers:

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

Three months ended March 31, 2024

|                                          | <u>Royalty revenue</u> | <u>Sales revenue</u> | <u>Total</u>      |
|------------------------------------------|------------------------|----------------------|-------------------|
| Total segment revenue                    | <u>\$ 99,200</u>       | <u>\$ 65,271</u>     | <u>\$ 164,471</u> |
| Revenue from external customer contracts | <u>\$ 99,200</u>       | <u>\$ 65,271</u>     | <u>\$ 164,471</u> |

Three months ended March 31, 2023

|                                          | <u>Royalty revenue</u> | <u>Sales revenue</u> | <u>Total</u>      |
|------------------------------------------|------------------------|----------------------|-------------------|
| Total segment revenue                    | <u>\$ 95,117</u>       | <u>\$ 73,216</u>     | <u>\$ 168,333</u> |
| Revenue from external customer contracts | <u>\$ 95,117</u>       | <u>\$ 73,216</u>     | <u>\$ 168,333</u> |

Royalty revenue for the three months ended March 31, 2024 and 2023 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 three months ended March 31, 2024 and 2023, the Company recognized royalty income from sales in the amount of US\$3,100 thousand and US\$3,124 thousand in accordance with the contract, respectively. For the three months ended March 31, 2024 and 2023, royalty income which has not yet been collected amounted to US\$3,100 thousand and US\$3,124 thousand (of which US\$2,790 thousand and US\$2,811 were recognized in current contract assets as of March 31, 2024 and 2023, respectively, and remaining balance was recognized as reduction of current income tax liabilities as of March 31, 2024 and 2023), respectively.

B. Contract assets

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

|                 | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> | <u>January 1, 2023</u> |
|-----------------|-----------------------|--------------------------|-----------------------|------------------------|
| Contract assets | <u>\$ 89,280</u>      | <u>\$ 108,606</u>        | <u>\$ 85,606</u>      | <u>\$ 91,424</u>       |

(15) Operating costs

|                      | <u>Three months ended March 31,</u> |                  |
|----------------------|-------------------------------------|------------------|
|                      | <u>2024</u>                         | <u>2023</u>      |
| Cost of sales        |                                     |                  |
| - Cost of goods sold | <u>\$ 11,045</u>                    | <u>\$ 13,628</u> |

(16) Interest income

|                                    | <u>Three months ended March 31,</u> |                  |
|------------------------------------|-------------------------------------|------------------|
|                                    | <u>2024</u>                         | <u>2023</u>      |
| Interest income from bank deposits | <u>\$ 16,030</u>                    | <u>\$ 11,474</u> |

(17) Other income

|                     | <u>Three months ended March 31,</u> |                 |
|---------------------|-------------------------------------|-----------------|
|                     | <u>2024</u>                         | <u>2023</u>     |
| Other income (Note) | <u>\$ -</u>                         | <u>\$ 3,386</u> |

Note: The Company entered into a license and collaboration contract for the exclusive sales of PEP503 (NBTXR3) in the Asia-Pacific region with Nanobiotix S.A. in August 2012. On March 4, 2021, both parties agreed to enter into a termination contract to terminate the rights under the aforementioned license and collaboration contract. Under the termination contract, the Company agreed to return all exclusive rights of the development and commercialization of NBTXR3 in the Asia-Pacific region to Nanobiotix S.A.. Nanobiotix S.A. agreed to pay milestone compensation to the Company amounting to US\$12,500 thousand in stages based on the achievement of each milestone, and reimbursed the Company half of the agreed-upon expenses incurred during the above mentioned 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 abovementioned termination agreement, Nanobiotix S.A. has paid milestone compensation of US\$6,500 thousand and US\$1,000 thousand to the Company in 2021 and in the third quarter of 2022, respectively, and reimbursed the Company half of the agreed-upon expenses incurred during the abovementioned termination process in the first quarter of 2023, amounting to US\$3,386 thousand.

(18) Other gains and losses

|                                                                | Three months ended March 31, |                 |
|----------------------------------------------------------------|------------------------------|-----------------|
|                                                                | 2024                         | 2023            |
| Net currency exchange gains (losses)                           | \$ 19,394                    | (\$ 2,535)      |
| Gains on financial assets at fair value through profit or loss | -                            | 9,125           |
|                                                                | <u>\$ 19,394</u>             | <u>\$ 6,590</u> |

(19) Finance costs

|                                       | Three months ended March 31, |       |
|---------------------------------------|------------------------------|-------|
|                                       | 2024                         | 2023  |
| Interest expense on lease liabilities | \$ 57                        | \$ 90 |

(20) Expenses by nature

|                                                                                       | Three months ended March 31, |           |
|---------------------------------------------------------------------------------------|------------------------------|-----------|
|                                                                                       | 2024                         | 2023      |
| Employee benefit expense                                                              | \$ 27,558                    | \$ 29,057 |
| Depreciation charges on property, plant and equipment (including right-of-use assets) | \$ 2,115                     | \$ 2,093  |
| Amortization charges on intangible assets                                             | \$ 171                       | \$ 160    |

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

|                                  | Three months ended March 31, |                  |
|----------------------------------|------------------------------|------------------|
|                                  | 2024                         | 2023             |
| Wages and salaries               | \$ 19,365                    | \$ 19,807        |
| Share-based payment expenses     | 463                          | 1,331            |
| Labour and health insurance fees | 1,361                        | 1,445            |
| Pension costs                    | 685                          | 671              |
| Directors' remuneration          | 4,575                        | 4,568            |
| Other personnel expenses         | 1,109                        | 1,235            |
|                                  | <u>\$ 27,558</u>             | <u>\$ 29,057</u> |

- A. In accordance with the Articles of Incorporation of the Company, if there is distributable profit of the current year, the Board of Directors shall resolve to allocate between 1% and 10% 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.

- B. For the three months ended March 31, 2024 and 2023, employees' compensation were accrued at \$2,141 and \$2,134, respectively; while directors' remuneration were accrued at \$2,141 and \$2,134, respectively. The aforementioned amounts were recognized in salary expenses and other expenses. The employees' compensation and directors' remuneration were both estimated and accrued based on 2% of distributable profit for the three months ended March 31, 2024 and 2023.

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 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:

|                                                   | <u>Three months ended March 31,</u> |                  |
|---------------------------------------------------|-------------------------------------|------------------|
|                                                   | <u>2024</u>                         | <u>2023</u>      |
| Current tax:                                      |                                     |                  |
| Current tax on profits for the period             | \$ <u>17,327</u>                    | \$ <u>21,015</u> |
| Deferred tax:                                     |                                     |                  |
| Origination and reversal of temporary differences | <u>3,692</u>                        | <u>57</u>        |
| Total deferred tax                                | <u>3,692</u>                        | <u>57</u>        |
| Income tax expense                                | <u>\$ 21,019</u>                    | <u>\$ 21,072</u> |

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

(23) Earnings per share

|                                                              | <u>Three months ended March 31, 2024</u> |                                                                                     |                                        |
|--------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------|
|                                                              | <u>Amount after tax</u>                  | <u>Weighted average number of ordinary shares outstanding (shares in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u>                              |                                          |                                                                                     |                                        |
| Net profit                                                   | \$ <u>81,726</u>                         | <u>143,621</u>                                                                      | \$ <u>0.57</u>                         |
| <u>Diluted earnings per share</u>                            |                                          |                                                                                     |                                        |
| Net profit                                                   | \$ 81,726                                | 143,621                                                                             |                                        |
| Assumed conversion of all dilutive potential ordinary shares |                                          |                                                                                     |                                        |
| Employee stock options                                       | -                                        | -                                                                                   |                                        |
| Restricted stocks                                            | -                                        | 36                                                                                  |                                        |
| Employees' compensation                                      | -                                        | 66                                                                                  |                                        |
|                                                              | <u>\$ 81,726</u>                         | <u>143,723</u>                                                                      | <u>\$ 0.57</u>                         |

|                                                                 | Three months ended March 31, 2023 |                                                                                       |                                       |
|-----------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------|---------------------------------------|
|                                                                 | Amount after tax                  | Weighted average<br>number of ordinary<br>shares outstanding<br>(shares in thousands) | Earnings<br>per share<br>(in dollars) |
| <u>Basic earnings per share</u>                                 |                                   |                                                                                       |                                       |
| Net profit                                                      | \$ 81,380                         | 143,596                                                                               | \$ 0.57                               |
| <u>Diluted earnings per share</u>                               |                                   |                                                                                       |                                       |
| Net profit                                                      | \$ 81,380                         | 143,596                                                                               |                                       |
| Assumed conversion of all dilutive<br>potential ordinary shares |                                   |                                                                                       |                                       |
| Employee stock options                                          | -                                 | -                                                                                     |                                       |
| Restricted stocks                                               | -                                 | 50                                                                                    |                                       |
| Employees' compensation                                         | -                                 | 68                                                                                    |                                       |
|                                                                 | <u>\$ 81,380</u>                  | <u>143,714</u>                                                                        | <u>\$ 0.57</u>                        |

(24) Supplemental cash flow information

Investing activities with partial cash payments

|                                                      | Three months ended March 31, |             |
|------------------------------------------------------|------------------------------|-------------|
|                                                      | 2024                         | 2023        |
| Purchase of property, plant and equipment            | \$ 309                       | \$ 200      |
| Add: Ending balance of prepaid equipment<br>(Note)   | 103                          | -           |
| Less: Opening balance of prepaid equipment<br>(Note) | (103)                        | (200)       |
| Cash paid during the period                          | <u>\$ 309</u>                | <u>\$ -</u> |

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

(25) Changes in liabilities from financing activities

|                                                | Lease liability  |
|------------------------------------------------|------------------|
| At January 1, 2024                             | \$ 14,809        |
| Changes in cash flow from financing activities | (1,905)          |
| At March 31, 2024                              | <u>\$ 12,904</u> |
|                                                |                  |
|                                                | Lease liability  |
| At January 1, 2023                             | \$ 22,346        |
| Changes in cash flow from financing activities | (1,872)          |
| At March 31, 2023                              | <u>\$ 20,474</u> |

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

For the three months ended March 31, 2024 and 2023, the Company has no significant transactions made with related parties.

(2) Key management compensation

|                                                 | Three months ended March 31, |                 |
|-------------------------------------------------|------------------------------|-----------------|
|                                                 | 2024                         | 2023            |
| Salaries and other short-term employee benefits | \$ 7,883                     | \$ 7,848        |
| Post-employment benefits                        | 27                           | 27              |
| Share-based payments                            | 228                          | 608             |
|                                                 | <u>\$ 8,138</u>              | <u>\$ 8,483</u> |

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- A. As of March 31, 2024 and 2023 the Company has entered into drug research commissioned and software license contracts amounting to \$614,624 and \$341,367, of which \$351,752 and \$174,782 had been paid, respectively.
- B. 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, respectively, which had been paid.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There was no significant change in the reporting period. Refer to Note 12 in the financial statements for the year ended December 31, 2023.

(2) Financial instruments

A. Financial instruments by category

|                                                                            | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|----------------------------------------------------------------------------|-----------------------|--------------------------|-----------------------|
| <u>Financial assets</u>                                                    |                       |                          |                       |
| Financial assets at fair value through profit or loss                      |                       |                          |                       |
| Financial assets mandatorily measured at fair value through profit or loss | \$ -                  | \$ -                     | \$ 47,953             |
| Financial assets at amortised cost                                         |                       |                          |                       |
| Cash and cash equivalents                                                  | \$ 939,985            | \$ 875,617               | \$ 1,947,481          |
| Financial assets at amortised cost                                         | 2,770,300             | 2,752,443                | 1,763,440             |
| Accounts receivable, net                                                   | 91,568                | 65,566                   | 76,853                |
| Other receivables                                                          | 14,587                | 11,011                   | 10,922                |
| Refundable deposits (shown as other non-current assets)                    | 2,335                 | 2,335                    | 2,335                 |
|                                                                            | <u>\$ 3,818,775</u>   | <u>\$ 3,706,972</u>      | <u>\$ 3,801,031</u>   |
| <u>Financial liabilities</u>                                               |                       |                          |                       |
| Financial liabilities at amortised cost                                    |                       |                          |                       |
| Accounts payable                                                           | \$ 30,396             | \$ -                     | \$ -                  |
| Other payables                                                             | 64,033                | 75,321                   | 63,374                |
|                                                                            | <u>\$ 94,429</u>      | <u>\$ 75,321</u>         | <u>\$ 63,374</u>      |
| Lease liability                                                            | <u>\$ 12,904</u>      | <u>\$ 14,809</u>         | <u>\$ 20,474</u>      |

B. Financial risk management policies

There was no significant change in the reporting period. Refer to Note 12 in the financial statements for the year ended December 31, 2023.

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:

| <u>March 31, 2024</u>                      |                                                     |                      |                            |
|--------------------------------------------|-----------------------------------------------------|----------------------|----------------------------|
|                                            | Foreign<br>currency amount<br><u>(in thousands)</u> | <u>Exchange rate</u> | Book value<br><u>(NTD)</u> |
| (Foreign currency: functional<br>currency) |                                                     |                      |                            |
| <u>Financial assets</u>                    |                                                     |                      |                            |
| <u>Monetary items</u>                      |                                                     |                      |                            |
| USD:NTD                                    | \$ 17,486                                           | 32                   | \$ 559,565                 |
| <u>Financial liabilities</u>               |                                                     |                      |                            |
| <u>Monetary items</u>                      |                                                     |                      |                            |
| USD:NTD                                    | 552                                                 | 32                   | 17,675                     |
| EUR:NTD                                    | 807                                                 | 34.46                | 27,800                     |
| <u>December 31, 2023</u>                   |                                                     |                      |                            |
|                                            | Foreign<br>currency amount<br><u>(in thousands)</u> | <u>Exchange rate</u> | Book value<br><u>(NTD)</u> |
| (Foreign currency: functional<br>currency) |                                                     |                      |                            |
| <u>Financial assets</u>                    |                                                     |                      |                            |
| <u>Monetary items</u>                      |                                                     |                      |                            |
| USD:NTD                                    | \$ 16,015                                           | 30.71                | \$ 491,736                 |
| <u>Financial liabilities</u>               |                                                     |                      |                            |
| <u>Monetary items</u>                      |                                                     |                      |                            |
| USD:NTD                                    | 832                                                 | 30.71                | 25,547                     |
| GBP:NTD                                    | 26                                                  | 39.15                | 1,036                      |
| <u>March 31, 2023</u>                      |                                                     |                      |                            |
|                                            | Foreign<br>currency amount<br><u>(in thousands)</u> | <u>Exchange rate</u> | Book value<br><u>(NTD)</u> |
| (Foreign currency: functional<br>currency) |                                                     |                      |                            |
| <u>Financial assets</u>                    |                                                     |                      |                            |
| <u>Monetary items</u>                      |                                                     |                      |                            |
| USD:NTD                                    | \$ 11,401                                           | 30.45                | \$ 347,175                 |
| <u>Financial liabilities</u>               |                                                     |                      |                            |
| <u>Monetary items</u>                      |                                                     |                      |                            |
| USD:NTD                                    | 369                                                 | 30.45                | 11,244                     |

- ii. Total exchange gain (loss), arising from foreign exchange variation on the monetary items held by the Company for the three months ended March 31, 2024 and 2023 amounted to \$19,394 and (\$2,535), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| <u>Three months ended March 31, 2024</u> |                            |                                 |                                             |
|------------------------------------------|----------------------------|---------------------------------|---------------------------------------------|
| <u>Sensitivity analysis</u>              |                            |                                 |                                             |
|                                          | <u>Degree of variation</u> | <u>Effect on profit or loss</u> | <u>Effect on other comprehensive income</u> |
| (Foreign currency: functional currency)  |                            |                                 |                                             |
| <u>Financial assets</u>                  |                            |                                 |                                             |
| <u>Monetary items</u>                    |                            |                                 |                                             |
| USD:NTD                                  | 1%                         | \$ 5,596                        | \$ -                                        |
| <u>Financial liabilities</u>             |                            |                                 |                                             |
| <u>Monetary items</u>                    |                            |                                 |                                             |
| USD:NTD                                  | 1%                         | 177                             | -                                           |
| EUR:NTD                                  | 1%                         | 278                             | -                                           |
| <u>Three months ended March 31, 2023</u> |                            |                                 |                                             |
| <u>Sensitivity analysis</u>              |                            |                                 |                                             |
|                                          | <u>Degree of variation</u> | <u>Effect on profit or loss</u> | <u>Effect on other comprehensive income</u> |
| (Foreign currency: functional currency)  |                            |                                 |                                             |
| <u>Financial assets</u>                  |                            |                                 |                                             |
| <u>Monetary items</u>                    |                            |                                 |                                             |
| USD:NTD                                  | 1%                         | \$ 3,472                        | \$ -                                        |
| <u>Financial liabilities</u>             |                            |                                 |                                             |
| <u>Monetary items</u>                    |                            |                                 |                                             |
| USD:NTD                                  | 1%                         | 112                             | -                                           |

(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 March 31, 2024, December 31, 2023 and March 31, 2023, the provision matrix is as follows:

|                          | <u>Not past due</u> | <u>Total</u> |
|--------------------------|---------------------|--------------|
| <u>March 31, 2024</u>    |                     |              |
| Expected loss rate       | 0.03%               |              |
| Total book value         | \$ 91,596           | \$ 91,596    |
| Loss allowance           | \$ 28               | \$ 28        |
|                          | <u>Not past due</u> | <u>Total</u> |
| <u>December 31, 2023</u> |                     |              |
| Expected loss rate       | 0.03%               |              |
| Total book value         | \$ 65,586           | \$ 65,586    |
| Loss allowance           | \$ 20               | \$ 20        |
|                          | <u>Not past due</u> | <u>Total</u> |
| <u>March 31, 2023</u>    |                     |              |
| Expected loss rate       | 0.03%               |              |
| Total book value         | \$ 76,876           | \$ 76,876    |
| Loss allowance           | \$ 23               | \$ 23        |

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

|                          | 2024         | 2023         |
|--------------------------|--------------|--------------|
| At January 1             | \$ 20        | \$ 21        |
| Provision for impairment | 8            | 2            |
| At March 31              | <u>\$ 28</u> | <u>\$ 23</u> |

(c) Liquidity risk

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

| March 31, 2024                              | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
|---------------------------------------------|-------------------------|------------------------------|------------------------------|---------------------|
| <u>Non-derivative financial liabilities</u> |                         |                              |                              |                     |
| Accounts payable                            | \$ 30,396               | \$ -                         | \$ -                         | \$ -                |
| Other payables                              | 64,033                  | -                            | -                            | -                   |
| Lease liability                             | 7,847                   | 5,231                        | -                            | -                   |
| December 31, 2023                           | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
| <u>Non-derivative financial liabilities</u> |                         |                              |                              |                     |
| Other payables                              | \$ 75,321               | \$ -                         | \$ -                         | \$ -                |
| Lease liability                             | 7,847                   | 7,193                        | -                            | -                   |
| March 31, 2023                              | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
| <u>Non-derivative financial liabilities</u> |                         |                              |                              |                     |
| Other payables                              | \$ 63,374               | \$ -                         | \$ -                         | \$ -                |
| Lease liability                             | 7,847                   | 7,847                        | 5,231                        | -                   |

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Management considered that the carrying amounts of financial assets and financial liabilities not measured at fair value, including cash and cash equivalents (including financial assets at amortised cost), contract assets, accounts receivable, other receivables, accounts payable and other payables, are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at March 31, 2024 and 2023 are as follows:

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

| March 31, 2023                                        | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------------------------|----------------|----------------|----------------|--------------|
| <b>Assets</b>                                         |                |                |                |              |
| <u>Recurring fair value measurements</u>              |                |                |                |              |
| Financial assets at fair value through profit or loss |                |                |                |              |
| Equity securities                                     | \$ 47,953      | \$ -           | \$ -           | \$ 47,953    |

As of March 31, 2024 and 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 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.

(2) 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)

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.

| PharmaEngine, Inc.                        |                       |               |  |
|-------------------------------------------|-----------------------|---------------|--|
| Major shareholders information            |                       |               |  |
| March 31, 2024                            |                       |               |  |
| Table 1                                   |                       |               |  |
| Name of major shareholders                | Number of shares held | Ownership (%) |  |
| TTY BIOPHARM COMPANY LIMITED              | 25,866,808            | 17.75%        |  |
| National Development Fund, Executive Yuan | 22,585,654            | 15.50%        |  |