Stock Code: 6446

PharmaEssentia Corp.

2021 Annual Report

PharmaEssentia's Annual Report is available

at http://mops.twse.com.tw

Published on May 6, 2022

1. **The name, title, contact number, and e-mail address of the Company's spokesperson or acting spokesperson:**

   Spokesperson: Ko-Chung Lin　　E-mail: ir@pharmaessentia.com
   Title: Chief Executive Officer　　Tel: 886-2-2655-7688
   Acting Spokesperson: Muriel Huang　　E-mail: ir@pharmaessentia.com
   Title: Senior Manager　　Tel: 886-2-2655-7688

2. **The address and contact number of the Company's headquarters, branch offices, and factories:**

   Address of Headquarters: 13F, No. 3, Yuanqu Street, Nankang District, Taipei City
   Tel: 886-2-2655-7688
   Address of Taichung Branch Office: 3F, No. 28, Keya West Road, Daya District, Taichung City
   Tel: 886-4-2567-7880

3. **The name, address, website, and contact number of the agency handling share transfers:**

   Chinatrust Commercial Bank
   Website: http://www.ctbcbank.com
   Address: 5F, No. 83, Section 1, Chongqing South Road, Zhongzheng District, Taipei City
   Tel: 886-2-6636-5566

4. **The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address, website, and contact number of said person's accounting firm:**

   Name of Certified Public Accountant: Chien-Ju Yu, Li-Feng Lin
   Name of Accounting Firm: Ernst & Young　　Address: No. 333, Section 1, Keelung Rd, Xinyi District, Taipei City
   Website: http://www.ey.com/tw/zh_tw/home　　Tel: 886-2-2757-8888

5. **The name of any exchanges where the company's securities are traded offshore, and the method for accessing information on said offshore securities:** None.
6. **The Company's website:** http://www.pharmaessentia.com

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I. Letter to Shareholders

Dear Shareholders,

First of all, we wish to thank all of you for your years of love and support. The following is a summary of our business achievements in 2021 and the business plan for 2022:

1. 2021 Operations Report

(1) Business plan results

BESREMi® (Ropeginterferon alfa-2b, P1101), developed and produced by PharmaEssentia Corporation, was officially granted a polycythemia vera (PV) drug license by the European Medicines Agency (EMA) in February 2019. Thus far, P1101 has been marketed in 16 European countries (e.g., Germany, Austria, United Kingdom, France, and Austria). P1101 has also obtained polycythemia vera (PV) drug licenses in non-EU countries such as Switzerland and Israel. P1101 is the first frontline, long-term interferon treatment that was approved for PV, and with the sale and pricing of BESREMi® being approved in an increasing number of European countries, the European market for BESREMi® will continue to expand.

For PV drug license in the United States, PharmaEssentia Corporation was informed through a response letter on March 12, 2021. PharmaEssentia Corporation provided the required information on May 14, 2021, and the FDA visited the company's Taichung factory on September 20, 2021, to perform a Good Manufacturing Practice (GMP) inspection. On November 12, 2021 (U.S. time zone), PharmaEssentia Corporation received formal FDA approval for the use of P1101 to treat PV. PharmaEssentia Corporation prices P1101 at approximately US$180,000 (NT$5 million) per person per year in the United States. As the drug was granted orphan drug designation for the treatment of PV in the United States on April 2, 2012, Pharmasset Corporation was granted 7 years of orphan drug exclusivity (from November 12, 2021, onward) in the U.S. market. P1101 is the first FDA-approved medication and interferon therapy for PV. PharmaEssentia Corporation signed a purchase agreement for P1101 with its U.S. subsidiary PharmaEssentia USA Corporation, which officially enabled the establishment of sales channels and implementation of marketing activities in the U.S. market following the launch of P1101 as planned.

For the Japanese market, PharmaEssentia Corporation's Japanese subsidiary PharmaEssentia Japan KK reached an agreement with Japan's Pharmaceuticals and Medical Devices Agency (PMDA) after extensive discussion over multiple consultation meetings. A total of 29 Japanese patients participated in the phase II bridging clinical trial for the use of P1101 in PV treatments, and the report on the clinical trial results was obtained on July 20,

2021. PharmaEssentia Japan KK is now preparing for its application to launch P1101 in Japan. In South Korea, P1101 received marketing authorization from the country's Ministry of Food and Drug Safety (MFDS) on October 13, 2021. PharmaEssentia Corporation's South Korean subsidiary PharmaEssentia Korea Corporation will submit an application to South Korea's National Health Insurance Service for P1101 to be covered by the country's national health insurance system and continue to engage in pre-launch marketing activities and commercial sales.

In China, the country's National Medical Products Administration (NMPA) approved the single-arm phase II bridging clinical trial report for P1101 license application in April 2021. After conducting discussions with the Center for Drug Evaluation (CDE) of China over multiple consultation meetings, PharmaEssentia Corporation will apply to launch P1101 in China based on the data derived from the single-arm phase II bridging clinical trial.

After passing the drug inspection and registration review of Taiwan's Ministry of Health and Welfare in May of 2020, P1101 was granted the license for the use of PV in Taiwan in June 2020. Consequently, Taiwan became the first country in Asia to use P1101 for the early treatment of PV, a clonal hematopoietic stem cell disorder. Prior to the final stages of approval, multiple discussions were held with Taiwan's National Health Insurance Administration during the application process for P1101 to be covered under Taiwan's health insurance system.

In addition to treating PV, P1101 can be used to treat essential throbocythemia (ET), thereby benefiting patients with this rare disease. For the worldwide phase III clinical trials of P1101 for ET indications, participants have been recruited from the United States, Japan, Taiwan, South Korea, Hong Kong, China, Singapore, and Canada. At present, the clinical trial data have been reviewed by the Data and Safety Monitoring Board (DSMB), which gave a positive response for P1101 and verified its safety. The DSMB recommended PharmaEssentia Corporation to proceed with its initial clinical plan.

In July 2021, PharmaEssentia Corporation introduced P1101 for the treatment of novel coronavirus pneumonia (COVID-19). The phase III clinical trial for the use of P1101 to treat COVID-19 was initiated by a principal investigator based in National Taiwan University Hospital, and the drug was approved for use by the Taiwan Food and Drug Administration (TFDA) in August 2021. The relevant institutional review boards are preparing for the review and start-up of the clinical trial for P1101and are prepared ready to screen and recruit suitable patients with COVID-19 for the trial.

On February 15, 2021, PharmaEssentia Corporation and Athenex agreed to expand the list of licensed countries in the original agreement to include Japan and South Korea while expanding the scope of KX01 applications to the treatment of skin cancer and all dermatological indications.

In August 2021, the TFDA reviewed drug license for KX01 using a simplified review mechanism and approved it for Actinic Keratosis (AK) treatments. The review process was simplified and shortened from 360 to 180 days. In November 2021, PharmaEssentia Corporation submitted its drug license application, which is expected to be approved in 2022.

Regarding the use of KX01 in Japan, the related AK phase III clinical trial report was successfully submitted to the PMDA on October 3, 2021, and the report was approved in the same month. Phase I and III clinical trials for AK will be conducted in Japan to prepare for the review and registration application for this new drug.

(2) Budget

Unit: NT$1000

	Annual budget for 2021 (A)	Actual expenditure in 2021 (B)	Difference (B − A)
Operating revenue	2,231,244	656,506	(1,574,738)
Operating costs	(458,334)	(378,856)	79,478
Gross profit (loss)	1,772,910	277,650	(1,495,260)
Operating expenses	(3,626,892)	(3,100,058)	526,834
Net profit (loss)	(1,853,982)	(2,822,408)	(968,426)
Nonoperating revenue	29,260	11,420	(17,840)
Net profit (loss) before tax	(1,824,722)	(2,810,988)	(986,266)
Net profit (loss) this period	(1,824,722)	(2,810,988)	(986,266)
Other gains and losses	0	(19,879)	(19,879)
Total gains and losses this period	(1,824,722)	(2,830,867)	(1,006,145)

(3) Income and expenditure and profitability analysis

After receiving its PV license in Europe in 2020, PharmaEssentia Corporation obtained its PV license in the United States in November 2021. The successive launch of its products resulted in a considerable growth in operating revenue. Because PharmaEssentia Corporation expected to receive its U.S. PV license in the first quarter of 2021, its annual budget differed from the actual expenditure. As a new biotechnology drug company, PharmaEssentia Corporation is still investing substantially in the R&D of new drugs, thus it is still operating at an overall loss. For the year 2021, the corporation reported an operating revenue of NT$656,506,000, net operating loss of NT$2,822,408,000, and total comprehensive loss of NT$2,830,867,000 with a loss per share of NT$10.08.

(4) Research and development

A. 2021 annual research and development (R&D) staffing and expenses

Unit: NT$1,000

Item/year		2021
R & D expenses	Operating revenue (A)	656,506
	R&D funds (B)	1,272,776
	Total staffing (C)	326
	Total R&D staffing (D)	88
	R&D funding as percentage of operating revenue (B/A)	194%
	R&D staff percentage (D/C)	26.99%

B. PharmaEssentia Corporation is a new biotechnology drug company. In addition to conducting Phase III clinical trials for treating ET in multiple countries and centers worldwide, it is continually investing in the R&D of new drugs. Consequently, its overall R&D expenditure for 2021 exceeded its operating revenue for 2021.

C. Recent awards and R&D achievements

- PharmaEssentia Corporation received a Taipei Biotech Award under the category of "Go Global Award" for the global marketing of BESREMi®.
- PharmaEssentia Corporation received GMP certification from the EMA and Taiwan's Ministry of Health and Welfare for its Taichung factory.
- PharmaEssentia Corporation received GMP certification from the EMA for its Taipei laboratory for pilot production.

- BESREMi® was granted approval for its marketing authorization application (MAA) by the EU's EMA.
- BESREMi® was granted approval for its MAA by South Korea's Ministry of Food and Drug Safety (MFDS).
- BESREMi® was granted approval for its MAA by the U.S. FDA.

D. 2021 Patent applications

Patent issue date	Country	Patent title	Patent Number
110/1/7	Japan	Dosage Regimen for PEGylated Interferon	6820841
110/1/13	Ukraine	Dosage Regimen for PEGylated Interferon	122867
110/2/2	Brazil	Protein-Polymer Conjugate	PI0814482-6
110/2/10	Singapore	Dosage Regimen for PEGylated Interferon	11201702798P
110/2/11	Eurasian Patent Organization: Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Turkmenistan	Dosage Regimen for PEGylated Interferon	037151
110/9/1	Taiwan	Dosage regimen for pegylated interferon	I737583
110/10/7	Australia	Dosage Regimen for PEGylated Interferon	2015342908
110/10/26	Brazil	Use of Protein-Polymer Conjugates	BR112012014017-5
110/10/28	South Africa	Dosage Regimen for PEGylated Interferon	2017/02704

2. Summary of the 2022 Business Plan

(1) P1101: for the treatment of blood diseases

- P1101 as a PV treatment

  PharmaEssentia Corporation further expanded its application of PV drug licenses to Asia. The company expects to apply for a PV license in Japan and China in 2022 and 2023, respectively.

- P1101 as a treatment for ET

  The recruitment of the worldwide phase III clinical trials for the use of P1101 to treat ET indications is expected to be completed within 2022.

(2) The use of P1101 as a treatment for chronic hepatitis is now focusing on combination therapy for hepatitis D and on those hepatitis B patients who were taking long-term courses of small-molecule antiviral drugs but still failed to clear his/her hepatitis B surface antigen.

(3) Cancer

- Anti-PD-1 antibodies: These are immune-checkpoint inhibitors that can be used to treat various malignant tumors (e.g., malignant pigment tumors, non-small-cell lung cancer, and advanced renal cancer). PharmaEssentia Corporation intends to develop a high-quality and stable anti-PD-1 antibody and high productivity cell lines, thereby reducing the production cost.
- The phase Ib trial for the use of P1101 in combination with anti-PD1 (Nivolumab, Bristol-Myers Squibb Co.) for the treatment of chronic hepatitis B or D and for combined therapies aimed at treating the post-operative recurrence of hepatitis B virus began in National Taiwan University Hospital, Taipei Veterans General Hospital, ChangGung Medical Foundation, LinKou, and Taipei Medical University Hospital. The four hospitals has started the screening process.
- Anti-PD1 (P1801), developed and produced by PharmaEssentia Corporation, as a new drug: PharmaEssentia Corporation plans to apply to the TFDA for approval to conduct a phase I clinical trial to test the new drug on healthy participants in the fourth quarter of 2022.
- Oraxol as a treatment for breast cancer: As FDA requests an additional phase III study for the treatment, Athenex is now planning for a trial with Merck in combination with anti-PD1 for the treatment of Advanced Solid Malignancies.
- PharmaEssentia Corporation has partnered with U.S. company Athenex to codevelop Oraxol, an orally administered drug for treating cancer. The safety bridging studies in Taiwan on the drug have been completed. The clinical pharmacokinetic bridging study

(Study ID Number: KX-ORAX-007) required for the review and registration of a new drug in Taiwan was inspected on-site by TFDA GCP on December 16, 2020, at the Tri-Service General Hospital. On March 10, 2021, PharmaEssentia Corporation obtained the reference letter from the TFDA for the approval of its clinical trial report, which can then be used to support the review and registration of new drugs in Taiwan. However, Athenex's U.S. drug license application was unsuccessful; PharmaEssentia Corporation received the FDA's complete response letter on March 1, 2021, and it is currently communicating with the FDA regarding this matter.

- KX-01 as a psoriasis treatment: This product was licensed by Athenex, and PharmaEssentia Corporation plans to develop a topical drug for treating indications of psoriasis. The clinical trial report for the drug was completed on October 29, 2021. PharmaEssentia Corporation is currently discussing follow-up clinical R&D plans with Athenex on the basis of the trial results.

(4) Expected sales volume and the basis of its calculation

PharmaEssentia Corporation obtained PV drug licenses for P1101 in the EU, Taiwan, Switzerland, Israel, and South Korea, and the U.S. FDA has approved the use of P1101 for treating adults with PV. With the use and pricing of P1101 being approved in an increasing number of EU countries, PharmaEssentia Corporation envisions a gradual expansion of the European market for P1101. The expected sales volume was obtained based on the estimated orders, which was provided by AOP, an authorized distributor in Europe. In the United States, PharmaEssentia Corporation's drug license application for the use of P1101 to treat PV was approved by the FDA in November 2021. P1101 is priced at approximately US$180,000 (NT$5 million) per person per year in the United States. The insurance coverage for P1101 continues to increase in the United States. Since its launch, P1101 has been included in the Kaiser Permanente and state insurance coverage; the insurance coverage for P1101 is increasing and is projected to reach 80% in the first half of 2022.

(5) Major production and marketing policies

- PharmaEssentia Corporation will facilitate applications for local drug licenses and government medical insurance subsidies; we will actively promote the international visibility of BESREMi®, enhance the deployment of talent across its subsidiaries in various regions, and use the appropriate resources to assess local regulations and medical needs. Furthermore, we will continue to maintain our robust relationships with opinion leaders and hospital physicians who treat blood cancer. We will also strive to obtain

priority certification by submitting PV drug license applications in each country to shorten licensing schedules and accelerate the release of our products in each market.

- PharmaEssentia Corporation will continue to optimize and commercialize its new-generation process technologies to mass produce active pharmaceutical ingredients and protein factories to improve productivity levels and reduce costs.
- PharmaEssentia Corporation will formally establish its Taichung injection plant to comply with the Pharmaceutical Inspection Cooperation Scheme (PIC/S) GMP specifications for manufacturing injection products, effectively link upstream and downstream manufacturing, and improve the comprehensiveness of its product line. In the future, P1101 injections can be directly manufactured and shipped worldwide from Taiwan, fulfilling the corporation's vision for global market deployment.
- PharmaEssentia Corporation will continue to promote the market deployment of BESREMi® and implement a comprehensive support plan for patients that go beyond treatment assistance and insurance applications. Furthermore, PharmaEssentia Corporation aims to waive the copayment requirements for privately insured patients to help alleivate their medication-related financial burden.

3. Future company development strategies

(1) Business plans

After receiving PV drug licenses in South Korea and the United States in 2021, PharmaEssentia Corporation is preparing to submit similar PV drug license applications in countries such as Japan, China, Singapore, and Hong Kong, and discuss about the cooperation with drug distributors in Central and South America and in South East Asia to drive its revenue growth for 2022. For clinical trials, PharmaEssentia Corporation is not only proceeding with its phase III global clinical trials for ET, several new drugs developed itself are entering clinical trials.

(2) Marketing plans

PharmaEssentia Corporation's overall operations have formally shifted from the R&D, clinical, and production stages to the independent planning and marketing stage. PharmaEssentia Corporation has obtained PV drug licenses for P1101 in the EU, Taiwan, Switzerland, Israel, and South Korea, and the U.S. FDA has approved the use of P1101 for treating adults with PV. PharmaEssentia Corporation will continue to build its marketing planning teams in Taiwan and the United States, with its key focus being the U.S. market. After more than 2 years of planning, the U.S. team is currently actively preparing for the market launch of P1101. In 2019, the U.S. team signed a third-party logistics contract with

Cardinal Health to establish a crucial channel for connecting the drug supply chain of PharmaEssentia Corporation with drug purchasing patients. PharmaEssentia Corporation will further strengthen its market and channel deployment by launching a comprehensive support plan for patients; this plan is expected to increase the insurance coverage rate for P1101 to 80% in the first half of 2022.

4. Effects from external competition, legal, and overall business environments

Since its establishment, PharmaEssentia Corporation's mission has been to develop new drugs and invest its resources into developing innovative drugs, conducting trials, establishing factories for production, and acquiring drug licenses to market its products internationally. Through comprehensive vertical integration, PharmaEssentia Corporation aims to create new drugs that are completely developed and manufactured in Taiwan; it also seeks to keep pace with the rest of the world in terms of clinical trials and sales. Therefore, following its establishment in 2012, the Taichung biologic pilot plant has been handling trial mass production, Taiwan FDA inspections, and the verification production required for drug license applications. Furthermore, in 2018, the Taichung plant and the Taipei laboratory received GMP certifications from the EMA, making PharmaEssentia Corporation the first new-drug company in Taiwan to have EMA-certified biologic plants. In December 2018, the EMA's Committee for Medicinal Products for Human Use recommended the approval of BESREMi®, and in February 2019, PharmaEssentia Corporation was formally granted a drug license by the EMA. The corporation will build a supply chain based on its global marketing plan and sales demand to fulfill its vision of being "based in Taiwan, marketed around the world."

With the development and establishment of a P1101 technology platform for a complete global patent layout, PharmaEssentia Corporation continues to use external resources and partner with reputable vendors for outsourcing operations. PharmaEssentia Corporation has also established supply chains and sales channels through strategic alliances. Additionally, it has hired international experts with local knowledge to form core teams that ensure the quality of clinical trials and compliance with local regulations governing clinical trials, thereby minimizing the disparity between countries. This strategy helps the corporation to navigate local regulations and successfully manage the progress and quality of its ongoing projects. Therefore, PharmaEssentia Corporation will continue to focus on its long-term sustainable development, the fulfillment of its social obligations in R&D innovation, the marketing of its drugs, and the integration of operational resources to maximize shareholder profit.

We would like to wish all our shareholders good health and the best of luck.

Chairperson of the Board of Directors: Teng, ChingLeou

Manager: Huang, ChanKou

Accounting Supervisor: Chang, Snow

II. Company Profile

1. Date of Establishment

PharmaEssentia (hereinafter also referred to as "the Company") was founded on May 9, 1990 and began operations in October 2003. The Company is committed to developing new drug products, with Taiwan as the base where new drugs are innovated, invented, tested, produced, developed, and distributed across European and American countries to integrate with international markets.

2. Company History

Year	Important Milestones
1990	• The Company was established, with paid-in capital of NT$1,000,000.
2003	• Received additional capital of NT$500,000,000, raising paid-in capital to NT$501,000,000.
2004	• Awarded the Small Business Innovation Research (SBIR) grant by the Department of Industrial Technology (DOIT), Ministry of Economic Affairs (MOEA), for the first stage of the Company's PEC002 drug development.
2005	• Awarded the SBIR grant by the DOIT for the second stage of the Company's PEC002 drug development.
2006	• Awarded a grant by Taiwan's MOEA for a project on the development of third generation Ropeginterferon alfa-2b (P1101). • Invited to present new drug R&D results at the BIO International Convention. • Received a drug permit for Gemflor (Gemcitabine; GCTB) from Taiwan's health regulatory authorities. • Awarded the 4th National Innovation Award by the Institute for Biotechnology and Medicine Industry (IBMI). • Received additional capital of NT$489,000,000, raising paid-in capital to NT$990,000,000.
2007	• Awarded the SBIR grant by the DOIT for a project on PEG-EPO (pegylated erythropoietin) drug development. • Received the Industry Innovation Award in Recognition of Achievement - Product/System Innovation Category from the DOIT.
2008	• Designated a biotech and new biopharmaceutical company by the MOEA in accordance with the Act For The Development of Biotech and New Pharmaceuticals Industry. • Received additional capital of NT$92,500,000, raising paid-in capital to NT$1,082,500,000.

Year	Important Milestones
2009	• Granted US patent for stereoselective synthesis of β-nucleosides of Gemcitabine. • Obtained TFDA approval for a P1101 Phase I clinical trial (MOHWFDA No. 0980303443 on June 11, 2009). • Obtained U.S. FD approval for a P1101 Phase I clinical trial (IND 105,653, 7/20/2009). • Obtained BGTD approval for a P1101 Phase I clinical trial in Canada (control # 131397, 8/14/2009). • Licensed P1101 to AOP Orphan Pharmaceutical (AOP) of Austria for clinical trials of P1101 in the treatment of rare hematologic diseases in European regions and obtained a permit to sell P1101. • Awarded an SBRI grant by the DOIT for a project on the research and development of new processes for anti-cancer GCTB and pilot production. • Awarded an SBRI grant by the DOIT for a project on the development of long-acting interferon beta drugs. • Initiated a P1101 Phase I clinical trial in Montreal, Canada. • Received additional capital of NT$126,485,000, including NT$58,571,000 in capital contributions by claims, raising paid-in capital to NT$1,208,985,000.
2010	• Awarded the 7th National Innovation Award - Corporate Group/R&D Technique Category by the IBMI. • Awarded the 2010 Industry Innovation Award in Recognition of Achievement by the DOIT. • Won Silver Award - Pharmaceutical Category in the 2010 Incentive Reward for Research and Development of Pharmaceutical Technology. • Obtained US FDA Drug Master File (DMF) (No.24278) for GCTB API (active pharmaceutical ingredients). • Received a TFDA drug permit for GCTB API. • Concluded P1101 Phase I clinical trial in Canada; 48 subjects completed the trial. • Initiated a P1101 Phase I/II clinical trial for treatment of PV (polycythemia vera) in Europe.
2011	• Granted TFDA approval to conduct a P1101 Phase II clinical trial for treatment of hepatitis C (Genotype 1) (FDA No. 1005016854 dated May 17, 2011 and FDA No. 1015061146 dated February 4, 2013). • P1101 received Orphan Designation from the EMA (European Medicines Agency) (127th plenary meeting of Committee for Orpha Medicinal Products, 10/5/2011). • Won Award of Excellence – Biomedical Group in the 2011 Taiwan Biomedical and Biotech Agriculture Contest. • AOP presented Phase I/II interim data of P1101 for PV in Europe at the America Society of Hematology (ASH) Annual Meeting and Exposition.

Year	Important Milestones
2012	• P1101 obtained US patent for N-terminal modified interferon alpha. • P1101 obtained US patent for protein–polymer conjugates. • GCTB obtained US patent for novel synthesis of β-nucleosides. • GCTB obtained an R.O.C. patent for stereoselective synthesis of β-nucleosides. • Long-acting PEG-EPO obtained a US patent for protein–polymer conjugates. • P1101 received Orphan Designation from the US FDA (#12-3670, 4/2/2012). • Granted TFDA approval to conduct a P1101 Phase II clinical trial for the treatment of hepatitis C (Genotype 2) (FDA No. 1015013110 dated April 19, 2012 and FDA No. 1025015443 dated May 17, 2013). • Completed plant construction for new protein drugs manufacturing in Taichung and commenced pilot production for validation in November. • AOP presented Phase I/II clinical trial data of P1101 for PV in Europe at the ASH Annual Meeting and Exposition.
2013	• Received NT$252,015,000 in capital contributions by claims, raising paid-in capital to NT$1,461,000,000. • Production plant for protein new drugs in Taichung obtained a TFDA GMP certificate on April 18. • P1101 obtained an R.O.C. patent for protein–polymer conjugates. • P1101 obtained patents for protein–polymer conjugates from nine member states of the Eurasian Economic Union. Received NT$220,000,000 in cash, raising paid-in capital to NT$1,681,000,000. • Received NT$70,000,000 in cash, raising paid-in capital to NT$1,751,000,000. • Initiated a Phase III clinical trial of P1101 for PV in Europe. • Won the Taipei Biotech Award – Gold in the 2013 R&D Innovation Award. • Received NT$17,520,000 from subscription of employee stock options, raising paid-in capital to NT$1,768,520,000. • Won Gold Award – Biomedical Group in the 2013 Taiwan Biomedical and Biotech Agriculture Contest. • Received NT$100,000,000 in cash, raising paid-in capital to NT$1,868,520,000. • Held a Pre-IND meeting with the US FDA to talk about Phase III clinical trial of P1101 for PV treatment in the US. • AOP and multiple hematologic specialists presented the results of the P1101 PV clinical trial in Europe and other groundbreaking basic study results at the ASH Annual Meeting and Exposition. • Listed as a public company by the Securities and Futures Bureau, Financial Supervisory Commission (stock code: 6446).

Year	Important Milestones
2014	• Received NT$23,302,000 from subscription of employee stock options, raising paid-in capital to NT$1,888,828,000. • Listed on the Emerging Stock Market by Taipei Exchange. • P1101 obtained Australia patent for protein–polymer conjugates. • P1101 for MF (myelofibrosis) treatment received Orphan Designation from the US FDA (#14-4244, 4/1/2014). • P1101 for ET (essential thrombocythemia) treatment received Orphan Designation from the US FDA (#14-4245, 4/1/2014). • Completed recruitment in Taiwan for a Phase II clinical trial of P1101 hepatitis C GT2 treatment. • Received notice of IND (investigational new drug) acceptance from the US FDA for Phase III trial of P1101 for ET. • Awarded the 11th National Innovation Award - Corporate Group/Innovative Product Category by the IBMI.
2015	• Received US FDA approval to conduct a clinical trial of P1101 on primary myelofibrosis in the US. • Completed the recruitment of a Phase III study (PROUD-PV) of P1101 for the treatment of PV. • Received TFDA approval to conduct a Phase III clinical trial of P1101 for HCV GT2. • Obtained a “successful and marketable opinion on science and technology business and product or technology development” issued by the Industrial Development Bureau, MOEA. • Submitted an IND application to the TFDA in December 2014 after obtaining the licensing rights from Kinex Pharmaceuticals for the development of the new drug KX01 in Greater China and Southeast Asian territories, and received approval from the TFDA on May 27, 2014. • Won the MOHW & MOEA Pharmaceutical Technology Research and Development Award and Gold Award – Pharmaceutical Category. • Received NT$14,004,000 from subscription of employee stock options, raising paid-in capital to NT$1,902,832,000.
2016	• Collaborated with the Hematology Society of Taiwan to jointly organize “MPN Asia,” the 1st Annual International Symposium on Myeloproliferative Neoplasms. • Received MFDS approval to conduct a Phase III clinical study of P1101 for HCV GT2 treatment. • Received TFDA approval to conduct a clinical trial protocol (IND) for Oraxol (HM30181 tablets 15 mg/Paclitaxel capsules 30 mg) in breast cancer treatment.

Year	Important Milestones
	• Publicly listed on the Taipei Exchange. • AOP presented the pivotal study results of P1101 in PV treatment at the 2016 ASH Annual Meeting and Exposition. • P1101 obtained a South Korea patent for protein–polymer conjugates. • Received NT$14,004,000 from subscription of employee stock options, NT$23,708,000 from restricted employee stocks, and NT$250,000,000 in cash, raising paid-in capital to NT$2,184,601,000.
2017	• Established the subsidiaries PharmaEssentia Japan KK and PharmaEssentia USA Corporation.. • Received TFDA approval to conduct a registration trial of the concurrent use of Oraxol and Ramucirumab Solution in the treatment of advanced gastric and esophageal cancer. • Hosted the MPN Asia 2nd Annual International Symposium on Myeloproliferative Neoplasms in Japan. • Received US FDA approval for Compassionate Use of P1101 for treatment of PV patients stably controlled on Pegasys. • The Company's P1101 was listed in Priority Review by the CFDA. • Received approval from the MOHW for the compassionate use of P1101 in patients with persistent MF and ET. • The Company's European partner AOP Orphan submitted an application to EMA for permission to sell the Company's P1101 on the market. • The Company's strategic partner AOP presented the CONTI-PV clinical result of P1101 for PV treatment at the 2017 ASH Annual Meeting and Exposition. • Received NT$5,649,000 from subscription of employee stock options and cancelled NT$(2,954,000) in restricted employee stocks, raising paid-in capital to NT$2,187,208,000.
2018	• PharmaEssentia's Taichung Plant received a GMP certificate approved by the EMA and Taiwan's MOHW. • PharmaEssentia's Taipei Laboratory received a GMP certificate approved by the EMA. • TGA permitted a Phase I trial for P1101 in Japan. • Filed anti-arbitration injunction with the International Chamber of Commerce (ICC) for the AOP arbitration case. • Received CFDA approval to conduct a clinical trial of P1101 in China. • CHMP recommended granting marketing authorization for Besremi® (P1101) by AOP. • Received CFDA approval to conduct an international multicenter clinical trial of

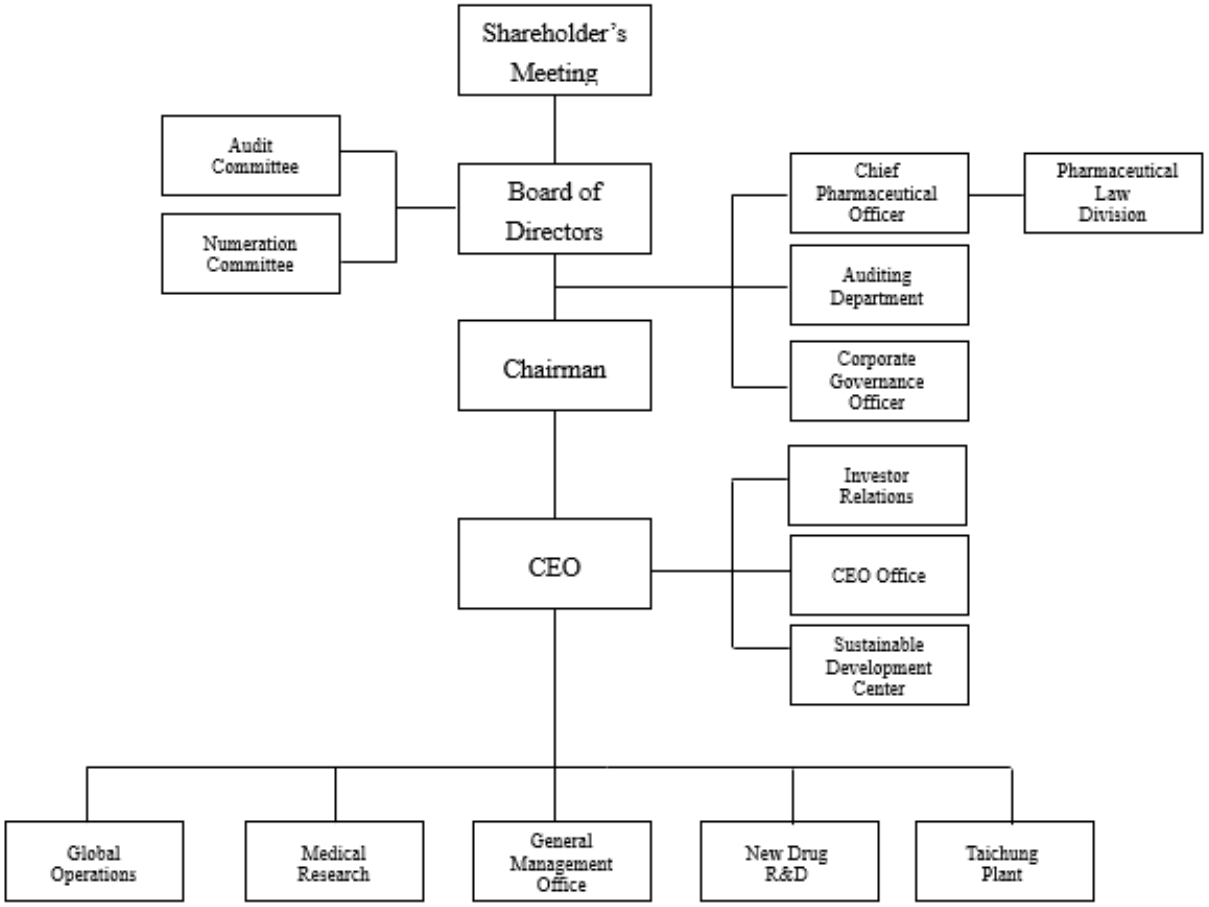
Year	Important Milestones
	P1101 for chronic hepatitis C GT2 in China. • Received NT$5,750,000 from subscription of employee stock options and cancelled NT$(2,109,000) in restricted employee stocks, raising paid-in capital to NT$2,190,849,000.
2019	• The EMA granted marketing authorization application (MAA) for AOP's P1101 (Besremi®) on February 19. • Received TFDA approval to conduct a registration trial of the Company's P1101 (injection 500 μg/mL). • Received meeting minutes of face-to-face discussion with the US FDA on PV treatment. • Received approval from the MOHW to conduct a registrational trial of Oraxol for prostate cancer treatment. • EMA website announced AOP's withdrawal of orphan designation for Besremi® for PV treatment.
2020	• The Corporation submitted a New Drug Application for PV to the U.S. FDA. • The new pharmaceutical manufacturing branch of the Corporation's Taichung Plant passed the certification for GMP and GDP issued by Taiwan's Ministry of Health and Welfare. • The Corporation's New Drug Application for Ropeginterferon alfa-2b was approved by Taiwan's Ministry of Health and Welfare; the indication is adult PV in the absence of symptomatic splenomegaly. • PharmaEssentia Corporation acquired 100% ownership of Panco Healthcare Co. Ltd., which is responsible for the marketing, sale, and distribution of PharmaEssentia's pharmaceutical products. • The Corporation's phase Ib clinical trial proposal for P1101, which is used to treat chronic hepatitis B or chronic hepatitis B with hepatitis D, was approved for implementation by Taiwan's Ministry of Health and Welfare. • The Corporation submitted a New Drug Application for Ropeginterferon alfa-2b to South Korea's Ministry of Food and Drug Safety; the indication is PV.
2021	• The Corporation's Taichung Plant was certified by the South Korea's Ministry of Food and Drug Safety for GMP. • Pyramid, a US syringe-filling service provider contracted by the Corporation, completed the U.S. FDA's preapproval inspection, which revealed no serious or major nonconformity. • The Corporation signed an additional agreement of authorization for KX01 with Athenex to authorize the drug for use in additional countries and to include more indications in the agreement.

Year	Important Milestones
	• The Company' single-arm phase II bridging clinical trial report for P1101 license application was approved by China's National Medical Products Administration (NMPA). • The phase III clinical trial for the use of P1101 to treat COVID-19 was approved for use by the Taiwan Food and Drug Administration (TFDA). • TFDA agreed and reviewed drug license for KX01 using a simplified review mechanism. • P1101 received marketing authorization from the Ministry of Food and Drug Safety (MFDS). • The phase III clinical trial report of the use of KX01 in Japan was approved by Pharmaceuticals and Medical Devices Agency (PMDA). • The Corporation received formal FDA approval for the use of P1101 to treat PV and was granted 7 years of orphan drug exclusivity (from November 12, 2021, onward) in the U.S. • The Corporation has submitted its drug license application for the use of KX01 to treat AK. • The Corporation received a positive response om the clinical trial data P1101 from Data and Safety Monitoring Board (DSMB) and verified its safety. The DSMB recommended the Corporation to proceed with its initial clinical plan. • The Corporation conduct two private placement of common shares in with total amount of NT 27.26 billion. • The Corporation's 2021 ESG report received the Golden Award in Healthcare Industry in 14th Taiwan Corporation Sustainability Awards

III. Corporate Governance

1. Organization System

(1) Organization Chart



(2) Major Department Functions

Department	Functions
Pharmaceutical Law Division	• Formulate and organize relevant strategies or plans regarding applications for domestic drug licenses and regarding drug development life cycles • Assist and supervise subsidiaries' formulation of strategies or plans related to applications for drug licenses and drug development life cycles • Collaborate with approved foreign business partners or contractors to plan and promote implementation of strategies for applications for drug licenses • Facilitate communication between various departments and the relevant authorities for concerns related to pharmaceutical regulations • Assist in developing principles and strategies in response to new information or interpretations of pharmaceutical regulations; assist various departments in resolving problems related to pharmaceutical regulations • File pharmaceutical vendor permit applications and change registrations
Auditing Department	• Develop and implement a company audit system and formulate an annual audit plan based on risk assessment • Perform an annual audit, supervise departmental audits and self-assessments, and track improvement • Handle work related to the convening and deliberation of the Board of Directors
Investor Relations	• Handle work related to IR, PR, fundraising affairs, industry information compilation, and research
Sustainable Development Center	• Define and establish environmental, social, and governance (ESG) and sustainability concerns that significantly affect the operations and reputation of the corporate group and its relevant stakeholders • Review and discuss critical international trends related to the sustainable development of the corporate group • Lead, manage, and supervise the promotion of sustainable development organizations and policies, commitments, strategic goals, resource input, performance evaluation mechanisms, and plans of the corporate group • Lead, manage, and supervise the corporate group's sustainable development blueprint and annual plan, budget spending, efficacy review, strategic objectives, and revision of relevant regulations • Lead the implementation and integration of the evaluation criteria reported by international sustainable development organizations, peer benchmark companies, and third-party ESG research units as the Company standard for disclosure of ESG information

Department	Functions
	• Complete the Company headquarters annual sustainable development report in both Chinese and English and publish it on the Company headquarters website, on the Market Observation Post System for listed and OTC companies, and in the annual report • Regularly report to the board of directors and report on the performance of annual sustainable development plans approved by the board of directors at shareholder meetings • Supervise the sustainable development education and training of all functional groups and employees at the headquarter offices to introduce sustainable development into the Company's operations • Lead and supervise the operations of the Sustainable Development Center at the headquarter office and its various functional groups, review the effectiveness of the center and its strategic objectives, and revise relevant regulations • Regularly convene and manage the Headquarters Sustainable Development Executive Committee, which comprises functional group representatives
Global Operations	• Collate and stipulate short-/mid-/long-term strategies for global business operations to develop new drug markets in different countries. • Conduct market trend assessment and development planning. • Establish group cooperation and partnership and promote research and development plans • Formulate preassessment and development plans for new businesses and provide an appropriate operating model and market operating mechanism • Establish new business development goals and a market introduction mechanism • Plan and develop new products or new client bases and manage product commercialization • Plan technology transfer and product authorization. • Vie for international strategic partners.
Medical Research	• Plan product medical strategies, create clinical development plans for new drugs, interact and communicate with external academic experts, and launch academic events for the medical community • Plan clinical trials, select study centers and investigators, assess and select a contact research organization (CRO) and supplier, execute or assist in domestic and international investigational new drug (IND) applications • Supervise and manage the clinical trial center, clinical trial investigators, CROs, and affiliated researchers during the implementation of clinical

Department	Functions
	trials to ensure compliance with clinical trial protocols, GCP, and relevant legal requirements • Track the progress of clinical trials, submit reports on the adverse reactions of the studied drug, report on the statistical analyses of the study results and study reports, and communicate with the relevant regulatory units in Taiwan and overseas • Write clinical trial protocols, investigator's brochures, and other medical technical documentation and publish test results • Handle tasks related to drug safety monitoring
General Management Office	• Business Planning: Plan and conduct business analysis and propose planning recommendations. • Finance and Accounting: Plan budgeting system, supervise budgeting progress, and conduct various financial and accounting operations. • Intellectual Property and Legal Affairs: Plan and implement intellectual property management and handle legal affairs • Human Resources: Plan, develop, and implement a system for human resources and training and increase the efficacy of compensation and welfare management, talent recruitment, talent cultivation, and employee relations • Information: Formulate global information systems and procedural strategies and promote and implement the Company's data security regulations and control mechanisms • Administrative affairs • Industry specialist • New Research Plan: Introduce new research plans, conduct feasibility assessments, and assist with designing business development and commercial implementation plans • Academic research and cooperation
New Drug R&D	• Screen for and assess candidate drugs, research and develop dosage/formulas, and develop drug products. • Evaluate in-vitro screening methods and build animal assessment models (primarily outsourced). • Conduct small mass production of candidate drugs for early toxicological or animal testing requirements. • Transfer technology to GMP (good manufacturing practice) production department (or outsourced GMP manufacturer) for mass production. • Ensure that product does not infringe upon patent and apply for patent. • Develop, verify, and validate drug molecular analysis methods. • Characterize and identify product purity and impurity structure.

Department	Functions
	• Assess and introduce new technologies, improve analytical methods, and transfer analytical techniques. • Manufacture, identify, and analyze the activities of new antibody drugs.
Taichung Plant	• Conduct process development and feasibility study. • Conduct process amplification, improvement, and technology transfer. • Synthesize drugs and conduct small mass production for early toxicological or animal testing requirements. • Apply for patents and assist with completing drug development and market introduction. • Plan and conduct GMP biopharmaceutical product production and manufacturing operations. • Plan and conduct production and logistics management operations. • Plan and conduct improvements to construction works and maintenance and servicing of various support systems. • Ensure that production procedures are compliant with GMP regulations. • Plan and conduct procurement operations for the Taichung Plant to achieve the purpose of cost-effective procurements. • Plan and conduct operations related to plant safety and health, including environmental protection, fire prevention management, and building safety inspections. • Conduct matters related to the management of general affairs, company cars, and dormitories. • Conduct matters concerning liaison and business dealings with the Central Taiwan Science Park. • Plan and conduct GMP quality control (QC) operations at QC laboratories, including quality analysis and quality control techniques. • Ensure that the operations of the Taichung Plant comply with all requirements and undertake GMP-related tasks, with respect to the quality system, production quality, quality engineering, and quality compliance

2. Information on the Company's Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Heads of all the Company's Divisions and Branch Units

(1) Directors

As of March 29, 2022; Shares; %

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Contract	Date First Elected	Shareholding When elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Selected Current Positions at PharmaEssentia and Other Companies	Spouse of or Related Within the Second Degree of Kinship to Any Head of Department, Director, or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	R.O.C.	ChingLeou Teng	Female	110.8.5	3 years	101.9.24	2,783,046	1.06	2,853,046	1.03	200,000	0.07	-	-	• Ph.D. in Pharmaceutics, University of Michigan • Post-Doctoral Fellowship, University of Michigan • Reviewer, US Food and Drug Administration (FDA) • Assistant Director, ISIS Pharmaceutical, Inc.	• Chief Pharmaceutical Officer and Chariman of PharmaEssentia Corp. • Director, PharmaEssentia Asia (Hong Kong) Limited. • Director, PharmaEssentia (Hong Kong) Limited. • Director, PharmaEssentia Japan KK • Director, PharmaEssentia USA Corporation • Director, PharmaEssentia Korea Corporation • Director of Apeximmune	-	-	-
Director	R.O.C.	KoChung Lin	Male	110.8.5	3 years	110.8.5	3,533,964	1.35	3,623,964	1.31	1,300,000	0.47	-	-	• Ph.D., Chemistry, University of Missouri • Post-doctoral Fellowship, Anti-Cancer Drug Innovation Research, University of Missouri • Former Head of Adentri™ Program & Pegylated-Avonex™ Program, Biogen Inc. • Lead inventor of PEG-IFN b (Plegridy), Biogen Inc., Monsanto – Searle	• Director and CEO of PharmaEssentia Corporation • Director and CEO of PharmaEssentia USA Corporation • Director of PharmaEssentia Japan KK • Executive Director of PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Chairperson of PharmaEssentia Korea Corporation • Director of PharmaEssentia Singapore Pte Ltd	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Contract	Date First Elected	Shareholding When elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Selected Current Positions at PharmaEssentia and Other Companies	Spouse of or Related Within the Second Degree of Kinship to Any Head of Department, Director, or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	R.O.C.	Rep: ShenYou Gong	Male	110.8.5	3 years	110.8.5	-	-	-	-	10,000	0.00	-	-	• Tamkang University • Master's degree in National Chengchi University	• Representative of EON Capital Group Limited	-	-	-
		EON Capital Group Limited					6,663,152	2.53	6,663,152	2.40	-	-	-	-			-	-	-
Director	R.O.C.	BenYuan Chen	Male	110.8.5	3 years	95.6.30	1,855,415	0.70	2,025,415	0.73	217,752	0.08	-	-	• Department of Electronic Engineering, National Taipei University of Science and Technology • Chairman, Association of Taiwan Private School Culture and Education R.O.C. • Teacher, Department of Electronics, the Affiliated Industrial Vocational High School of National Changhua University of Education, Taichung Municipal Taichung Industrial High School • President, Alumni Association of Taichung Municipal Taichung Industrial High School • President, Alumni Association of National Taipei University of Science and Technology	• Chairman, Chuan Hwa Book Co., Ltd. • Chairman, Yui-Da Culture Business Co., Ltd. • Chairman, Chuen-Yi Information Co., Ltd. • Chairman, Chuan-Hsun Computers Co., Ltd. • Chairman, Taichung Chih-Yung Senior High School • Chairman, Nantou Jerry Foundation • Chairman, Da-Kao Communications Co., Ltd.	-	-	-
Director	R.O.C.	Rep: YenChing Hwang	Female	110.8.5	3 years	95.6.30	-	-	-	-	-	-	-	-	• Master, Business Administration, University of Birmingham • Taiwan Central Bank officer • In-charge of Central Deposit Insurance Corporation • Officer, Executive Officer, Auditor, and Assistant Director at Council for Economic Planning and	• Special Committee Member of Department of Industrial Development of National Development Council	-	-	-
	R.O.C.	National Development Fund, Executive Yuan					22,066,296	8.37	22,066,296	7.95	-	-	-	-			-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Contract	Date First Elected	Shareholding When elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Selected Current Positions at PharmaEssentia and Other Companies	Spouse of or Related Within the Second Degree of Kinship to Any Head of Department, Director, or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
															Development, Executive Yuan				
Director	R.O.C.	ChanKou Hwang	Male	110.8.5	3 years	104.5.29	1,330,073	0.50	1,395,073	0.50	674,006	0.24	-	-	• Ph.D., Organic Chemistry, University of Pennsylvania, USA • Researcher, Amgen Inc., USA • Team Leader, Array BioPharma Inc., USA • Director, Optimer Pharmaceuticals, Inc., USA	• General Manager of PharmaEssentia Corp. • Supervisor, PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Diretor of Panco Healthcare Co., Ltd.	-	-	-
Director	R.O.C.	Rep: Chao-Chung Kuo	Male	110.8.5	3 years	95.6.30	-	-	-	-	-	-	-	-	• Accounting Degree in Tamkang University • Ph.D., Chemical Engineering, National Taiwan University • Cornell University / School of Chemical and Biomolecular Engineering/Visiting Fellow • Stanford University/ Freeman Spogli Institute/Visiting Scholar • Member of the Minister's Office of the Ministry of Economic Affairs • Deputy Chief, Senior Technical Specialist, Section Chief, Technical Specialist, ,and Associate Technical Specialist of Consumer Goods and Chemical Industries Division of Industrial Development Bureau • Adjunct Assistant Professor at Department of Molecular Science and Engineering of National Taipei University of Technology • Member of Biotechnology and Pharmaceutical Industries Promotion Office,	• Director of CPC Corporation, Taiwan	-	-	-
	R.O.C.	YaoHwa Co., Ltd. Management Commission					9,666,000	3.67	9,666,000	3.48	-	-	-	-			-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Contract	Date First Elected	Shareholding When elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Selected Current Positions at PharmaEssentia and Other Companies	Spouse of or Related Within the Second Degree of Kinship to Any Head of Department, Director, or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
															Ministry of Economic Affairs • Member of Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs				
Director	R.O.C.	ShenYi Li	Male	110.8.5	3 years	110.8.5	698,485	0.27	790,485	0.28	5,000	0.00	-	-	• Ph.D at Department of Law Chinese Culture University • Bachelor's degree in Department of Law, National Taiwan University • Lawyer • Chairman of Consumers' Foundation, Chinese Taipei • Member of Political Party Registration Review Committee, Executive Yuan • Member of Fair-Trade Commission, Executive Yuan • Member of the 2nd and 3rd Control Yuan • Adjunct Associate Professor at National Chengchi University • Adjunct Associate Professor at Chinese Culture University	• Chairman of Singapore Hengyi Fund Co., Ltd. • Supervisor of Chinese Culture University • National Policy Advisor • Independent Director of WIN Semiconductors Corporation • Independent Director of Capital Securities Corporation • Director of Nan Ya Plastics Corporation • Supervisor of Dharma Drum Humanities and Social Improvement Foundation • Director of East Tender Optoelectronics Corporation • Vice Chairman of Taiwan New Economy Foundation	-	-	-
Independent Director	R.O.C.	JienHeh Tien	Male	110.8.5	3 years	107.6.25	2,000	0.00	2,000	0.00	-	-	-	-	• Ph.D., Organic Chemistry, University of Massachusetts, USA • Section Manager, Abbott Laboratories • Associate Director, Theravance Inc. • Senior Director, ARYx Therapeutics Inc., USA	• Senior Deputy General Manager of XW Pharma • Consultant of SCI Pharmtech. Inc	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Contract	Date First Elected	Shareholding When elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Selected Current Positions at PharmaEssentia and Other Companies	Spouse of or Related Within the Second Degree of Kinship to Any Head of Department, Director, or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
															• Chairman, Sanli Pharmaceutical Technology Co., Ltd. • Chief Scientific Officer of Sunny Pharmtech Inc.				
Independent Director	R.O.C.	JinnDer Chang	Male	110.8.5	3 years	103.3.27	91,511	0.03	91,511	0.03	-	-	-	-	• Ph.D., Accounting, Federal State International University, USA • Ph.D., Law, National Chung Cheng University • Auditor, Taipei National Tax Bureau Audit Department, Ministry of Finance • First Chairman, R.O.C. Association of Accountants • Member, Taiwan Provincial Government Appeals Review Committee • Member of Financial Supervisory Commission Appeal Review Committee • Associate Professor, Graduate Institute of Business Administration, Taipei University • Dean, School of Management, Chaoyang University of Science and Technology/Chair Professor, Department of Accounting • Associate Professor Feng Chia University • Associate Professor, Department of Financial and Economic Law, Asia University • Associate Professor at Department of Law at National Chung Hsing University • Chairman of Taiwan Corporate Law Institute	• Director, CROWN& CO., CPAs • Chair Professor, Dept. of Financial and Economic Law & Dept. of Accounting and Information Systems, Asia University • Adjunct Professor, Department of Law, National Chung Hsing University • Independent Director, Taiwan Concord Capital Securities Limited • Independent Director, Hua Eng Wire & Cable • Chairman, Jude Enterprise Management Consulting Co., Ltd. • Chairman, Guanbao International Consulting Co., Ltd. • Director, CROWN& CO. Tairi Consulting • Director, CROWN& CO. Consulting • Director of Crown & Co., CPAs • Adjunct Professor of Department of Law, National Chung Hsing University • Arbitrator of Republic of Chinese Arbitration Association, Taiwan and Taiwan Construction Arbitration Association	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Contract	Date First Elected	Shareholding When elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Selected Current Positions at PharmaEssentia and Other Companies	Spouse of or Related Within the Second Degree of Kinship to Any Head of Department, Director, or Supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
																• Chairman of Corporate University Cultural and Educational Foundation • Chairman of Chung Cheng University Academic Foundation • Independent Director of Hug Eng Wire & Cable • Chairnan of Jukao Engineering Corporation • Chairman of Guanbao International Consulting Co., Ltd.			
Independent Director	U.S.	Patrick Y. Yang	Male	110.8.5	3 years	103.3.27	-	-	-	-	-	-	-	-	• Ph.D., Electrical Engineering, Ohio State University, USA • Laureate at Industrial Technology Research Institute • Executive Vice President, Operations Department, Genentech Biotech, USA • President, Global Technology Operations, Roche Pharmaceuticals, Switzerland • Vice President, Merck, USA • Member, Bio Taiwan Committee, Executive Yuan • Executive Vice president, Juno Therapeutics	• Director of Polaris Pharmaceuticals • Chairman of National Resilience, Inc. • Chairman of AlttruBio, Inc • Chairman of Acepodia, Inc. • CEO of Patrick Y. Yang, LLC • Director of Sana Biotechnology, Inc. • Director of Antheia, Inc. • Director of Codexis, Inc.	-	-	-

(2) Major Shareholders of Institutional Shareholders

As of March 29, 2022

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
National Development Fund, Executive Yuan	In accordance with Article 29 of the Statute for Industrial Innovation, the Executive Yuan establishes the National Development Fund and a Management Commission that organizes matters related to fund collection and payment, safekeeping, and use. The Management Commission shall comprise 11 to 13 members, all of whom shall be appointed (hired) by the Executive Yuan.
YaoHwa Co., Ltd. Management Commission	The Yao-Hwa Co., Ltd. Management Commission is a management commission managed by the Ministry of Economic Affairs. Currently, the Management Commission comprises 2–6 citizen representatives and 8 government representatives.
EON Capital Group Limited	Millegrove Enterprise Group Limited (100%)

(3) Major Shareholders of Institutions that serve as Institutional Shareholders

Name of Institution	Major Shareholder of Institution
Millegrove Enterprise Group Limited	YEOH KHAI SUN (100%)

(4) Professional Qualifications and Independence Analysis of Directors

A. Diversification policy

To reinforce company management and promote sound development in the composition and structure of the board, the "board member diversification" policy in the second item of Act 20 of "Company Management Practice Regulations" states the following: The development scale of company operations and the shareholdings of major shareholders should be considered in board composition. Actual practice should be considered in setting the adequate board member number. In addition, various aspects of diversity should be addressed, such as basic conditions and values (gender, age, nationality, cultural background, etc.) and professional experience and skills (law, accounting, industry, finance, marketing, technology, etc.).

B. Specific management goals

The board formulates company strategies and supervises management. They are responsible to the company and to shareholders. The operations and arrangements of the company management system ensure that the board exercises its powers according to legislations, company regulations, and shareholder meeting resolutions. For the company's business development needs, the board of this company should be composed of experts and scholars in industry, finance, accounting, and management. The board must have at least one member in each professional field of operation judgement, operation management, finance and accounting, international market perspective, and biotechnology industry. In addition, gender equality in board composition is important for the company, where at least one of the board members is to be a female.

C. The current diversification implementation state of board members is as follows:

The incumbent 11 board members comprise 8 board members and 3 independent board members. The members have abundant experience in and professional knowledge of biology, electronics, food, education, and marketing. Among the 11 board members, 3 are members are employees; the tenure of the two of the three independent board members are over 8 years, and of them is over 4 years. The Company's independent directors have diverse and abundant experiences in Industry, Official and University, and in the production and manufacturing aspects of Biotechnology Industry. Therefore, the Company continue to rely on their experiences to supervise the Company and provide professional advice. Most of the board members are aged 41–70 years. In addition, gender equality in board composition is important. Two of the board members are female.

The implementation state of the diversification policy of the board members of this company is shown in the following table:

Core Items of Diversification	Basic conditions and values					Professional knowledge and skills	Abilities							
	Nationality	Gender	Concurrent Employee	Age	Independent board member tenure		Operation judgement	Accounting and finance analysis	Operation management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision making
ChingLeou Teng	R.O.C	Female	✓	61~70		Biotechnology	✓		✓	✓	✓	✓	✓	✓
KoChung Lin	R.O.C	Male	✓	71~80		Biotechnology	✓		✓	✓	✓	✓	✓	✓
ShenYou Gong	R.O.C	Male		61~70		Financing	✓	✓	✓	✓		✓	✓	✓
BenYuan Chen	R.O.C	Male		71~80		Education	✓		✓				✓	✓
YenChing Hwang	R.O.C	Female		51~60		Financing	✓	✓				✓		✓
ChaoChung Kuo	R.O.C	Male		41~50		Biotechnology	✓				✓	✓		✓
ChanKou Hwang	R.O.C	Male	✓	61~70		Biotechnology	✓		✓	✓	✓	✓	✓	✓

Core Items of Diversification	Basic conditions and values					Professional knowledge and skills	Abilities							
	Nationality	Gender	Concurrent Employee	Age	Independent board member tenure		Operation judgement	Accounting and finance analysis	Operation management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision making
ShenYi Li	R.O.C	Male		71~79	—	Law	✓				✓	✓		✓
JinnDer Chang	R.O.C	Male		71~80	8	Accounting and law	✓	✓	✓	✓		✓	✓	✓
Patrick Y. Yang	United States of America	Male		71~80	8	Biotechnology	✓		✓	✓	✓	✓	✓	✓
JienHeh Tien	R.O.C	Male		61~70	4	Biotechnology	✓		✓	✓	✓	✓	✓	✓

D. The standards for the scope, complementarity, and implementation of board member diversification have been specified in Article 20 of the Corporate Governance Practice Principles; in the future, the diversity policy will be revised in a timely manner according to the operations of the board of directors, operational patterns, and the development needs of the Company, which include but are not limited to two major standards: (1) basic conditions and values and (2) professional knowledge and skills. The standards were set to ensure that board members have the knowledge, skills, and literacy required to fulfil their duties.

(5) The General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of all the Company's Divisions and Branch Units

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Positions at Other Companies	Managers Who Are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
CEO	R.O.C.	KoChung Lin	Male	106.1.1	3,623,964	1.31	1,300,000	0.47	-	-	• Ph.D., Chemistry, University of Missouri • Post-doctoral Fellowship, Anti-Cancer Drug Innovation Research, University of Missouri • Former Head of Adentri™ Program & Pegylated-Avonex™ Program, Biogen Inc. • Lead inventor of PEG-IFN b (Plegridy), Biogen Inc., Monsanto – Searle	• Director and CEO of PharmaEssentia Corporation • Director and CEO of PharmaEssentia USA Corporation • Director of PharmaEssentia Japan KK • Executive Director of PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Chairperson of PharmaEssentia Korea Corporation • Director of PharmaEssentia Singapore Pte Ltd	-	-	-
General Manager	R.O.C.	ChanKou Hwang	Male	104.6.25	1,395,073	0.50	674,006	0.24	-	-	• Ph.D., Organic Chemistry, University of Pennsylvania, USA • Director, Optimer Pharmaceuticals, Inc., USA • Team Leader, Array BioPharma Inc., USA • Researcher, Amgen Inc., USA	• General Manager of PharmaEssentia Corp. • Supervisor, PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Diretor of Panco Healthcare Co., Ltd.	-	-	-
Chief Pharmaceutical Officer	R.O.C.	ChingLeou Teng	Female	104.6.25	2,853,046	1.03	200,000	0.07	-	-	• Ph.D. in Pharmaceutics, University of Michigan • Post-Doctoral Research, University of Michigan • Reviewer, US FDA • Assistant Director, ISIS Pharmaceutical, Inc.	• Chief Pharmaceutical Officer and Chariman of PharmaEssentia Corp. • Director, PharmaEssentia Asia (Hong Kong) Limited. • Director, PharmaEssentia (Hong Kong) Limited. • Director, PharmaEssentia Japan KK • Director, PharmaEssentia USA Corporation • Director, PharmaEssentia Korea Corporation • Director of Apeximmun	-	-	-
Medical Officer	USA	Albert Qin	Male	106.1.13	50,000	0.02	-	-	-	-	• Ph.D., Biochemistry and Molecular Pharmacology, Harvard University (1994) • Various positions at international advanced pharmaceutical companies,	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Positions at Other Companies	Managers Who Are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
											including senior scientists, clinical assistant directors, clinical general directors, chief scientific officers, and executive directors • Chief Scientific Officer, SymBio in Japan • Medical Director, ImmunoGen, USA • Associate Director, Pfizer • Pharmacologist, Bayer Pharmaceuticals, USA • Biologist, Biogen USA				
Senior Manager of Finance	R.O.C.	Snow Chang	Female	104.10.14	35,943	0.01	-	-	-	-	• Master, Accounting, Soochow University • Senior Manager, KGI Securities • Manager, First Taiwan Securities Inc. • Senior Manager at Settlement Department, Grand Cathay Securities Corporation • Manager, First Taiwan Securities Inc.	• Director, PharmaEssentia Japan KK • Supervisor, PharmaEssentia Korea Corporation	-	-	-

3. Remuneration Paid to Directors, Supervisors, General Managers, Assistant General Managers

(1) Remuneration Paid to Directors (Including Independent Directors)

Unit: NT$1,000; 1,000 shares

Title	Name	Directors' Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income After Tax (%)		Compensation Paid to Directors From Invested Companies, Other Than Subsidiaries
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Director (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Bonus (G)						
		From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From Pharma Essentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia		From All Consolidated Entities		From PharmaEssentia	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	ChingLeou Teng	-	-	-	-	-	-	120	120	-	-	8,372	8,372	-	-	-	-	-	-	-0.30%	-0.30%	None
Director	KoChung Lin	-	-	-	-	-	-	95	95	-	-	9,031	9,031	263	263	-	-	-	-	-0.33%	-0.33%	None
Director	EON Capital Group Limited Rep.:ShenYou Gong	-	-	-	-	-	-	95	95	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	BenYuan Chen	-	-	-	-	-	-	120	120	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	National Development Fund, Executive Yuan Rep: YenChing Hwang	-	-	-	-	-	-	95	95	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	YaoHwa Co., Ltd. Management Commission Rep: ChaoChung Kuo	-	-	-	-	-	-	95	95	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	ChanKou Hwang	-	-	-	-	-	-	120	120	-	-	8,372	8,372	-	-	-	-	-	-	-0.30%	-0.30%	None

Director	ShenYi Li	-	-	-	-	-	-	95	95	-	-	-	-	-	-	-	-	-	-	-	-	None
Independent Director	Patrick Y. Yang	-	-	-	-	-	-	75	75	-	-	-	-	-	-	-	-	-	-	-	-	None
Independent Director	JinnDer Chang	-	-	-	-	-	-	120	120	-	-	-	-	-	-	-	-	-	-	-	-	None
Independent Director	JienHeh Tien	-	-	-	-	-	-	120	120	-	-	-	-	-	-	-	-	-	-	-	-	None
1. Please describe the payment policy, system, standard and structure of remuneration of independent directors, and describe the factors considered when determining directors' fees such as the borne responsibility, risk and time commitment etc. According to the regulations of Articles of Incorporation of the Company, Remuneration Committee will determine remuneration of the directors according to their engagement in the operations of the Company by considering the normal industry payment standard and make proposal to Board of Directors for resolution. Currently the Company pays NT$15,000 as traffic allowance for each attending Board of Directors Meeting. 2.Apart from those disclosed in the above table, the remuneration received by company directors for providing service to all companies in financial report in recent years (such as taking a post as an adviser other than an employee etc.): N.A.																					

Director Remuneration Bracket

Remuneration the Company Paid to Each Director by Range	Name of Director			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	From PharmaEssentia	From All Consolidated Entities I	From PharmaEssentia	From All Consolidated Entities J
< NT$1,000,000	ChingLeou Teng, KoChung Lin, ShenYou Gong, BenYuan Chen, YenChing Hwang, ChaoChung Kuo, ChanKou Hwang, ShenYi Li, JinnDer Chang, Patrick Y. Yang, JienHeh Tien	ChingLeou Teng, KoChung Lin, ShenYou Gong, BenYuan Chen, YenChing Hwang, ChaoChung Kuo, ChanKou Hwang, ShenYi Li, JinnDer Chang, Patrick Y. Yang, JienHeh Tien	ShenYou Gong, Ben-Yuan Chen, YenChing Hwang, ChaoChung Kuo, ShenYi Li, JinnDer Chang, Patrick Y. Yang, Jien-Heh Tien	ShenYou Gong, BenYuan Chen, YenChing Hwang, ChaoChung Kuo, ShenYi Li, JinnDer Chang, Patrick Y. Yang, JienHeh Tien
NT$1,000,000–NT$2,000,000	None	None	None	None
NT$2,000,000–NT$3,500,000	None	None	None	None
NT$3,500,000–NT$5,000,000	None	None	None	None
NT$5,000,000– NT$10,000,000	None	None	ChingLeou Teng, KoChung Lin, ChanKou Hwang	ChingLeou Teng, KoChung Lin, ChanKou Hwang
NT$10,000,000–NT$15,000,000	None	None	None	None
NT$15,000,000–NT$30,000,000	None	None	None	None
NT$30,000,000–NT$50,000,000	None	None	None	None
NT$50,000,000–NT$100,000,000	None	None	None	None
> NT$100,000,000	None	None	None	None
Total	11	11	11	11

(2) Remuneration Paid to General Managers and Assistant General Managers

Unit: NT$1,000

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Amount of Employee Remuneration (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income After Tax (%)		Compensation Paid to Directors from Invested Companies Other Than Subsidiaries
		From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia		From All Consolidated Entities		From PharmaEssentia	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	KoChung Lin	9,031	9,031	263	263	-	-	-	-	-	-	-0.33	-0.33	None
General Manager	ChanKou Hwang	8,372	8,372	-	-	-	-	-	-	-	-	-0.30	-0.30	None

General Managers and Assistant General Managers Remuneration Bracket

Remuneration Paid by the Company to Each General Manager and Assistant General Manager by Range	Name of General Manager and Assistant General Manager	
	From PharmaEssentia	From All Consolidated Entities (E)
< NT$1,000,000	None	None
NT$1,000,000–NT$2,000,000	None	None
NT$2,000,000–NT$3,500,000	None	None
NT$3,500,000–NT$5,000,000	None	None
NT$5,000,000– NT$10,000,000	KoChung Lin, ChanKou Hwang	KoChung Lin, ChanKou Hwang
NT$10,000,000– NT$15,000,000	None	None
NT$15,000,000– NT$30,000,000	None	None
NT$30,000,000– NT$50,000,000	None	None
NT$50,000,000– NT$100,000,000	None	None
> NT$100,000,000	None	None
Total	2	2

(3) Name of Managers Receiving Employee Compensation and the Distribution Status

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Amount of Employee Remuneration (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income After Tax (%)		Compensation Paid to Directors from Invested Companies Other Than Subsidiaries
		From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia		From All Consolidated Entities		From PharmaEssentia	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	KoChung Lin	9,031	9,031	263	263	-	-	-	-	-	-	-0.33	-0.33	None
General Manager	ChanKou Hwang	8,372	8,372	-	-	-	-	-	-	-	-	-0.30	-0.30	None
Chief Pharmaceutical Officer	ChingLeou Teng	8,372	8,372	-	-	-	-	-	-	-	-	-0.33	-0.33	None
Medical Officer	Albert Qin	6,332	6,332	-	-	-	-	-	-	-	-	-0.22	-0.22	None
Chief Operating Officer, Taichung Plant	YenTung Luan	5,812	5,812	108	108	-	-	-	-	-	-	-0.21	-0.21	None

(4) Employee remuneration distributed to managers and distribution situation: None

(5) This section presents a comparison of the ratio of the total amount of remuneration paid to directors, supervisors, general managers, and assistant general managers of the Company and all companies covered in the consolidated financial statements in the past 2 years to after-tax net income shown through the individual or respective financial statements; in addition to explanations of the policies, standards, and composition for remuneration payment, procedures to fix remuneration, and the interrelationship between the business performance and future risks.

A. Analysis of the ratio of the total amount of remuneration paid to directors, supervisors, general managers, and assistant general managers of the Company and all companies covered in the consolidated financial statements in the past 2 years to after-tax net income:

Unit: NT$1,000

Item	2020				2021			
	Total Remuneration		As a Percentage of Net Income After Tax (%)		Total Remuneration		As a Percentage of Net Income After Tax (%)	
	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities	From PharmaEssentia	From All Consolidated Entities
Directors	8,055	8,055	-0.41	-0.41	8,372	8,372	-0.30	-0.30
CEO and General Manager	16,965	16,965	-0.86	-0.86	17,666	17,666	-0.63	-0.63

B. Policies, standards, and composition for remuneration payment, procedures to fix remuneration, and the interrelationship between business performance and future risk.

i. Remuneration paid to directors and supervisors is handled in accordance with the Company's Articles of Incorporation and determined by considering the position of the director/supervisor in the Company and the value of their participation and contribution to Company operations. The remuneration is internally proposed by the company to the Remuneration Committee for approval and presented to the Board of Directors for review.

(A) "Director Remuneration" is the travel expenditure spent to attend Board meetings.

(B) "Relevant Remuneration Received by Directors Who are Also Employees" refers to the salary paid to Chairman ChingLeou Teng, who is also the Chief Pharmaceutical Officer.

ii. Remuneration paid to the CEO and general manager is handled in accordance with the Company's internal personnel rules and determined by considering the position of the CEO and general manager in the Company, the responsibility they assume, and their contribution to the Company, as well as industry benchmarks. The remuneration is proposed by the Company to the Remuneration Committee for approval and presented to the Board of Directors for review.

In sum, the policies and procedures to fix remuneration paid by the Company to directors, the CEO, and general manager are positively related to the Company's business performance.

4. Corporate Governance

(1) Operation of the Board of Directors

As of the time of publication, the Board of Directors have been convened for 17 times for 2021 and 2022. The attendance of the directors is as follows:

Title	Name	Attendance in Person (B)	Attendance By Proxy	Attendance Rate in Person (B/A)	Notes
Chairman	ChingLeou Teng	17	0	100%	
Director	ChaoHo Chen	5	0	100%	Discharged on August 5, 2021
Director	Tien Chang	3	2	60%	Discharged on August 5, 2021
Director	BenYuan Chen	17	0	100%	
Director	Representative of National Development Fund, Executive Yuan: Lung-Chih Yu	5	0	100%	Discharged on August 5, 2021
Director	Management Committee Representative of Yao Hwa Glass Co. Ltd: Hui-Ping Wang	5	0	100%	Discharged on August 5, 2021
Director	ChanKou Hwang	17	0	100%	
Director	ShihYing Hsu	3	0	60%	Discharged on August 5, 2021
Director	KoChung Lin	12	0	100%	Elected on August 5, 2021
Director	Representative of National Development Fund, Executive Yuan: YenChing Hwang	12	0	100%	Elected on August 5, 2021
Director	Management Committee Representative of Yao Hwa Glass Co. Ltd: Chao-Chung Kuo	12	0	100%	Elected on August 5, 2021
Director	ShenYi Li	12	0	100%	Elected on August 5, 2021
Independent Director	Patrick Y. Yang	13	4	76.47%	
Independent Director	JinnDer Chang	17	0	100%	
Independent Director	JienHeh Tien	17	0	100%	

Other matters of note:

1. In the event of any of the following in the operations of the Board of Directors, the date, term, and motion content, opinions of all independent directors, and the Company's response shall be recorded:
   (1) Items listed in Article 14-3 of the Securities and Exchange Act:
   The Securities and Exchange Act §14-3 is not applicable because the Company has established the Audit Committee. For relevant information, please refer to the "Audit Committee Meeting Status" in this Annual Report.
   (2) Other recorded or written board meeting resolutions expressing dissenting opinions or reservations from independent directors apart from the above matters: none
2. In the event of a conflict of interests with any director when reviewing a motion, the director's name, motion content, reason behind conflict of interest, and participation status in passing resolution shall be recorded:

Date of Meeting	Content	Director name, reason behind conflict of interest, and participation status in passing resolution
February 26, 2021	Review of the 2020 manager performance appraisal	Directors Teng ChingLeou and Hwang ChanKou did not participate in the resolution due to conflicts of interest. All other attending directors agreed on the remuneration adjustment plan.
March 26, 2021	Determination of the price and number of shares for the first private placement in 2021, the placees, the period wherein the price of the shares shall be paid up, and the record date for capital increase.	The subscribers were individually reviewed. Independent director Chien-Ho Tien served as the Acting Chairman and approved the review for ChingLeou Teng, an insider with conflicts of interests, as a subscriber. Approval for the remaining insiders with conflicts of interests was passed following their avoidance and Chair ChingLeou Teng's consultation with the participating directors.
August 16, 2021	Appointment of the members of the Company's 4th Remuneration Committee.	The Company's three Independent Directors did not participate in the resolution due to conflicts of interest. All other attending directors agreed on the proposal.
December 23, 2021	The change and appointment of director in the Company's subsidiaries in Hong Kong	Directors ChanKou Hwang did not participate in the resolution due to conflicts of interest. All other attending directors agreed on the proposal.
March 1, 2022	Review of the 2021 manager performance appraisal Review of the 2021 manager remuneration adjustment plan	Directors ChingLeou Tang, KoChung Lin and ChanKou Hwang did not participate in the resolution due to conflicts of interest. All other attending directors agreed on the proposal

3. Exchange-Listed and OTC-Listed Companies shall disclose information such as evaluation cycle and period, scope and method of evaluation, and evaluation content in the self (or peer) evaluation of the Board of Directors.

Evaluation cycle	Once every year
Evaluation period	Based on the performance of the Board of Directors for the period from January 1, 2021, to December 31, 2021
Evaluation scope	Performance assessment of the Board of Directors, individual board members, Audit Committee, and Remuneration Committee
Evaluation method	Performance assessment based on the internal self-evaluation of the Board of Directors, and the self-assessment of the board members
Evaluation content	(1) Board performance assessment: including level of participation in company operations, quality of board decisions, composition and structure of the board, appointment of the directors and their continuing education, and internal control. (2) Performance assessment of individual board members: including understanding and control of the company goals and tasks, knowledge of director responsibilities, level

	of participation in company operations, management of internal relationships and communication, director professionalism and continuing education, and internal control. (3) Performance assessment of functional committees: including level of participation in company operations, knowledge of functional committee responsibilities, quality of functional committee decisions, composition of the functional committees and the appointment of its members, and internal control.

4. Evaluation on the objectives for reinforcing the functions of the Board of Directors in the current and recent years (e.g., establishing an audit committee, improving information transparency) and its implementation:
   (1) The Company has appointed a spokesperson and a deputy spokesperson to ensure that all material information is disclosed in a timely and fair manner to shareholders and stakeholders as references on the Company's financial and business-related information.
   (2) The operation of the current Board of Directors is governed by relevant rules and regulations such as the "Rules and Procedures of Board of Directors Meetings."
   (3) All members of the current Board of Directors have participated in advanced courses on corporate governance topics.
   (4) The Company has appointed dedicated personnel responsible for reviewing and updating the Company website to enhance the transparency of financial and business information.

(2) Operation of the Audit Committee

The focus of the Audit Committee's work is to assist the Board of Directors in supervising and fulfilling the quality and integrity requirements on the Company's accounting, auditing, financial reporting process, and financial controls. Matters deliberated by the Audit Committee include financial statements, auditing and accounting policies and procedures, internal control systems, major asset or derivative transactions, major capital loans and endorsements or guarantees, placement or issuance of securities, regulatory compliance, and appointment, termination, and service fees of the CPA.

As of the time of publication, the Audit Committee has been convened for 16 times (A) for 2020 and 2021. The attendance of the committee members is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate % (B/A)	Notes
Independent director	JinnDer Chang	16	-	100%	-
Independent director	Patrick Y. Yang	12	4	75%	
Independent director	JienHeh Tien	16	-	100%	
Other matters of note: 1. In the event of any of the following in the operations of the Audit Committee, the date and term of the Board of Directors meeting, motion content, resolutions of the Audit Committee, and the Company's response to the opinions of the Audit Committee shall be recorded and expounded:					

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Board Meeting	Proposal content and follow up	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions passed by two-thirds majority of the board of directors but not approved by the audit committee
2021 1st Meeting	1. Resolved to repurchase treasury shares	V	None
	Resolution of the Audit Committee (February 6, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 2nd Meeting	1. Approved the Company's Development Support Service Agreement with its subsidiaries PharmaEssentia USA Corporation 2. Approved 2020 Business Report and Financial Statements 3. Resolved on 2020 Deficit Compensation Statement 4. Approved the appointment of Ernst & Young Global Limited for the preparation of financial and tax of 2021, and the annual evaluation of its independence 5. Approved 2021 audit fees 6. Approved to amend the Company's "Procedures for Acquisition or Disposal of Assets", "Rules Governing Financial and Business Matters Between with Related Parties", "Regulations Governing I Securities Investment" and "Rules of Procedure for Shareholders Meetings" 7. Approved the Company's Statement of Internal Control of 2020 8. Approved the change of all Board members 9. Approved the election of all Board members 10. Approved the relevant matters of 2021 Regular Shareholder's Meeting	V	None
	Resolution of the Audit Committee (February 26, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		

2021 3rd Meeting	1. Nomination of director candidates 2. Approved the proposal for releasing the prohibition on Directors from participation in competitive business 3. Report on the status of new common shares by cash capital increase for sponsoring GDR issuance/ cash capital increase by private placement/ issue overseas or domestic convertible bonds in private placement following resolution of 2020 annual stockholder's meeting 4. Resolved to issue new common shares by cash capital increase for sponsoring GDR issuance/ cash capital increase by private placement/ issue overseas or domestic convertible bonds in private placement 5. Approved to amend agendas of regular shareholders' meetings for the year 2021 6. Approved to amend the Company's "Accounting Principles"	V	None
	Resolution of the Audit Committee (March 26, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 4th Meeting	1. Approved 2021 Q1 Consolidated Financial Statements 2. Approved the Company's capital increase in the US subsidiary PharmaEssentia USA Corporation 3. Approved establishing a wholly owned subsidiary in Singapore 4. Appointed the Company's Corporate Governance Officer	V	None
	Resolution of the Audit Committee (May 14, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 5th Meeting	1. Approved changes of date and location for 2021 Annual Shareholders' Meeting 2. Approved the Company's capital increase in the US subsidiary PharmaEssentia USA Corporation 3. Approved to amend the Company's 2021 Employee Stock Option Plan	V	None

	4. Approved the Company's first issuance of employee stock option based on the 2021 Employee Stock Option Plan		
	Resolution of the Audit Committee (June 21, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 6th Meeting	1. Elected the 2nd chair of audit committee 2. Approved the accounts receivable that were overdue for more than 3 months as the end of the second quarter are considerations of normal sales, not loaning funds to others 3. Approved 2021 Q2 Consolidated Financial Statements 4. Approved the Company's capital increase in the US subsidiary PharmaEssentia USA Corporation	V	None
	Resolution of the Audit Committee (August 6, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 7th Meeting	Approved the Company's Internal Control Improvement Plan and to amend the "Rules Governing Lawsuits and Material Disputes" and "Rules Governing Material Information and Prevention of Insider Trading"	V	None
	Resolution of the Audit Committee (October 15, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 8th Meeting	1. Approved the accounts receivable that were overdue for more than 3 months as the end of the third quarter are considerations of normal sales, not loaning funds to others 2. Approved 2021 Q3 Consolidated Financial Statements 3. Approved change of Chief Internal Auditor 4. Approved the Company's plan to make new loans to its subsidiaries	V	None
	Resolution of the Audit Committee (November 15, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		

2021 9th Meeting	1. Approved the price, the number of shares, the subscribers, the period of payment and the capital increase record date of the first private placement of ordinary shares in 2021 2. Approved the record date, the number of shares and the period of payment of the sale of treasury stock to employees 3. Approved to amend the Company's Internal Controls governing the sale of treasury stock to employees in the Finance Cycle 4. Approved the change of Corporate Governance Officer changed 5. Approved the transfer of Mr. Luan Yen Tung from Chief Operation Officer to Senior Scientific Fellow. The Representative of PharmaEssentia Corporation Taichung Office to be assumed by the General Manager of PharmaEssentia Corp. Mr. Hwang Chan Kou. 6. Approved the Statement of Internal Control System	V	None
	Resolution of the Audit Committee (December 3, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 10th Meeting	1. Recognized the Company's Internal Control Special Audit Report by CPA 2. Approved the Company's Purchase Agreement with its subsidiaries PharmaEssentia USA Corporation	V	None
	Resolution of the Audit Committee (December 7, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2021 11th Meeting	1. Approved the Company's 2022 business plan and budget 2. Approved the Company's Development Support Service Agreement with its subsidiaries PharmaEssentia USA Corporation 3. Approved the Company's modifications to the Purchase Agreement with its subsidiaries PharmaEssentia USA Corporation 4. Approved the amend the Company's "Corporate Social Responsibility Best Practice Principles" and "Chart of Authorization"	V	None

	5. Approved the Company's annual audit plan for 2022 6. Approved the change of director in the Company's subsidiaries in Hong Kong 7. Approved the price, the number of shares, the subscribers, the period of payment and the capital increase record date of the second private placement of ordinary shares in 2021		
	Resolution of the Audit Committee (December 23, 2021): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2022 1st Meeting	1. Approved the accounts receivable that were overdue for more than 3 months as the end of the second quarter are considerations of normal sales, not loaning funds to others 2. Approved 2021 Business Report and Financial Statements 3. Resolved on 2021 Deficit Compensation Statement 4. Approved the appointment of Ernst & Young Global Limited for the preparation of financial and tax of 2022, and the annual evaluation of its independence 5. Approved 2022 audit fees 6. Approved the Company's plan to make new loans to its subsidiaries PharmaEssentia USA Corporation 7. Approved the additions to the Company's Internal Control Improvement Plan 8. Approved the Company's Statement of Internal Control of 2021 9. Approved the amend the Company's "Article of Incorporation","Rules and Procedures of Shareholders' Meeting", and "Procedure for Acquisition or Disposal of Assets" 10. Approved the Company's plan to establish a representative office in Vietnam 11. Approved the relevant matters of 2022 Regular Shareholder's Meeting	V	None
	Resolution of the Audit Committee (March 1, 2022): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		

2022 2nd Meeting	Approved the Company's Statement of Internal Control for the Special Audit	V	None
	Resolution of the Audit Committee (April 6, 2022): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2022 3rd Meeting	1. Approved to sign a Distribution and Supply Agreement with Company's subsidiary PharmaEssentia Korea to grant exclusive right in marketing, services, and research on P1101 in South Korea, and to authorize the Chairman to handle the contract signing. 2. Approved to sign a Distribution and Supply Agreement with Company's subsidiary PharmaEssentia Singapore Pte. Ltd. to grant exclusive right in marketing, services, and research on P1101 in Singapore and Malaysia, and to authorize the Chairman to handle the contract signing. 3. Approved the revisions to the Company's Purchase Agreement with its subsidiaries PharmaEssentia USA Corporation 4. Resolved the Company's progress on the issuance of common shares through cash capital increase for participation in issuance of overseas depositary receipts and/or conduct private placement of common shares through cash capital increase and/or conduct private placement of overseas or domestic convertible corporate bonds 5. Approved the proposal to issue common shares through cash capital increase for participation in issuance of overseas depositary receipts and/or conduct private placement of common shares through cash capital increase and/or conduct private placement of overseas or domestic convertible corporate bonds. 6. Appointment of Board of Directors in PharmaEssentia Japan KK 7. Approved the Company's capital increase in the subsidiary PharmaEssentia Asia (Hong Kong) Limited.	V	None

	8. Approved the Company's capital increase in the subsidiary PharmaEssentia Biotechnology (Beijing) Co., Ltd. 9. Approved to issue Employee Restricted Shares Awards 10. Approved to amend agendas of regular shareholders' meetings for the year 2021		
	Resolution of the Audit Committee (April 12, 2022): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2022 4th Meeting	Approved the revisions to the Company's Statement of Internal Control for the Special Audit	V	None
	Resolution of the Audit Committee (April 15, 2022): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		
2022 5th Meeting	1. Recognized the Company's Internal Control Special Audit Report by CPA 2. Approved the price, the number of shares, the subscribers, the period of payment and the capital increase record date of the third private placement of ordinary shares in 2021	V	None
	Resolution of the Audit Committee (April 19, 2022): Passed by all Audit Committee members.		
	Company's response to the Audit Committee opinion: passed by all participating directors		

(2) Resolutions passed by two-thirds or more of the board of directors but not approved by the audit committee, apart from the above matters: none

2. In the event of a conflict of interests with any independent director when reviewing a motion, the independent director's name, motion content, reason behind conflicts of interest, and participation status in passing resolution shall be recorded: none
3. Communication between independent directors with internal control managerial personnel and the CPA:

(1) Communication between independent directors and the CPA

Date	Focal points of communication
2021.2.26	Communication matters between EY with the Audit Committee, independent directors, and Company management
2021.5.14	Communication matters between EY with the Audit Committee, independent directors, and Company management

2021.8.16	Communication matters between EY with the Audit Committee, independent directors, and Company management
2021.11.15	Communication matters between EY with the Audit Committee, independent directors, and Company management
2022.3.1	Communication matters between EY with the Audit Committee, independent directors, and Company management

(2) Communication between independent directors and internal control managerial personnel

Date	Meeting	Focal points of communication	Results
2021.2.26	Audit Committee meeting	The internal audit report of 4th quarter of 2020	No additional recommendations
2021.5.14		The internal audit report of 1st quarter of 2021	No additional recommendations
2021.8.16		The internal audit report of 2nd quarter of 2021	No additional recommendations
2021.11.15		The internal audit report of 3rd quarter of 2021	No additional recommendations
2022.3.1		The internal audit report of 4th quarter of 2021	No additional recommendations

(3) Corporate governance practices, its dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and reasons

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
1. Has the Company formulated and disclosed corporate governance practices based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies	✓		The Company has formulated corporate governance practices, which have been approved by the Board of Directors.	None

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
2. Company ownership structure and shareholder interests				
(1) Has the Company formulated internal operating procedures to handle shareholder suggestions, concerns, disputes, and litigation matters, and implemented them in accordance with the procedures?	✓		(1) The Company has formulated Internal Material Information Processing Operation Procedures and has appointed a spokesperson and deputy spokesperson to handle shareholder enquiries.	None
(2) Does the Company have a list of major shareholders who control the Company and the ultimate controlling party of the major shareholders?	✓		(2) The company has dedicated shareholder service management personnel who manages relevant information and has appointed a dedicated shareholder service agent to assist in handling shareholder service-related matters. The Company is informed of the major shareholders who actually control the Company and their ultimate controlling party.	
(3) Has the Company established and implemented control risk management and firewall mechanisms between affiliate companies?	✓		(3) The Company has formulated control mechanisms such as the Transaction Operation Procedures for Corporate Group Member, Specified Companies, and Related	

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
(4) Has the Company formulated internal regulations prohibiting insiders of the company from using undisclosed information to buy or sell securities?	✓		Parties and the Operational Procedures for Supervising Subsidiary Companies. (4) The Company has formulated the Operation Procedures for Processing Internal Material Information and Preventing Insider Trading, which regulate all employees, managers and directors of the Company, as well as anyone who has knowledge of the company's information based on professional or control relationships, to prohibits any behavior that may involve insider trading.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors formulated and implemented a diversification policy regarding its composition?	✓		(1) During the 2021 Shareholders' Meeting, the Company appointed 11 directors (including 3 independent directors) based on the Articles of Incorporation. The composition of the Board is diversified; it has 2 female directors, and the Board	None

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
			members have business, legal, financial, and industry-related experience.	
(2) In addition to setting up a Remuneration Committee and an Audit Committee in accordance with the law, has the Company voluntarily established other functional committees?	✓		(2) The Company has set up a Remuneration Committee and established an Audit Committee. In the future, other functional committees can be set up as per need.	
(3) Has the Company formulated board performance evaluation regulations and method, conducted regular performance evaluation every year, and reported the performance evaluation results to the Board of Directors, and used it as a reference for individual directors' remuneration and nomination for reappointment?	✓		(3) The Company has formulated the regulations for the self or peer evaluation of the Board of Directors, individual Board members, and the audit committee. The internal performance evaluation of the board is conducted annually by questionnaire and the results of the evaluation will be reported to the Board for further review.	
(4) Does the Company regularly evaluate CPA independence?	✓		(4) The Company evaluates CPA independence from various aspects such as financial benefits, financing and guarantees, business relationships, family and personal relationships,	

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
			employment relationships, gift and special offers, auditor rotation, and non-audit matters. On March 1, 2022, the Board of Directors has reviewed the CPA's Statement of Independence.	
4. Has the Exchange-Listed and OTC-Listed Company appointed qualified and appropriate numbers of personnel as corporate governance personnel, and appointed a corporate governance manager dedicated toward corporate governance matters (including but not limited to providing information required by the directors and supervisors to carry out their duties, assisting directors and supervisors in complying with the law, handle matters related to board and shareholders meetings in accordance with regulations, and compiling minutes of board and shareholders meeting)?	✓		The Board of Directors has appointed the the Company's deputy director of Finance and Accounting Department, as the Corporate Governance Officer to perform duties related to corporate governance.	None

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
5. Has the Company established communication channels for stakeholders (including but not limited to shareholders, employees, clients and customers, and suppliers), a stakeholder section in the Company website, and respond appropriately to corporate social responsibilities topics deemed crucial to the stakeholders?	✓		The Company has appointed a spokesperson and deputy spokesperson to serve as the communication channel for stakeholders. The Company has set up a stakeholder interaction section to respond to relevant enquiries.	None
6. Has the Company appointed a professional shareholder service agent to handle shareholder services?	✓		The Company has appointed CTBC Bank to handle shareholder services	None
7. Information disclosure (1) Has the Company set up a website to disclose its financial, business, and corporate governance information?	✓		(1) The Company website serves to provide information of various types such as introduction of the Company, its clinical research and development, products, news, finance and businesses, corporate social responsibility, and corporate governance. The Company also discloses the information on the Market Observation Post System in accordance with the law.	None

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
(2) Has the Company adopted other methods of information disclosure (such as setting up an English website, designating a person to be responsible for the collection and disclosure of Company information, implementing a spokesperson system, placing information on institutional investor conferences on the Company website)?	✓		(2) The Company has appointed dedicated personnel for collecting and disclosing information and has appointed a spokesperson and deputy spokesperson.	
(3) Does the company announce and file the annual report within two months after the end of the fiscal year, and announce and file the Q1–Q3 financial statements and monthly operations within the prescribed deadline?	✓		(3) The Company announced its annual and quarterly financial reports within three months after the close of each fiscal year and within 45 days after the end of the first, second, and third quarters, respectively, pursuant to laws and regulations with the Competent Authority. The Company announced its consolidated and individual financial statements on March 1, 2022.	
8. Does the Company have other material information that is conducive to understanding the company's corporate governance	✓		(1) Employee interests: established an employee welfare committee, implemented pension plans,	None

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
practices (including but not limited to employee interests, employee care, investor relationships, supplier relationships, stakeholder interests, status of continuing education of directors and supervisors, implementation status of risk management policies and risk measurement standards, implementation status of client/customer policies, purchase of indemnity insurance for directors and supervisors)?			purchased employee group insurance plans, and other measures (2) Employee care: regularly convenes labor–management meetings in accordance with the Labor Standards Act and other relevant regulations safeguarding the legal interests of employees (3) Investor relationships: discloses finance and business information, and material information on the Market Observation Post System for investors knowledge in accordance with relevant regulations, and appropriately handles investor enquiries and maintains satisfactory investor relationships (4) Supplier relationships: fulfill obligations corresponding to the rights of suppliers according to contracts, ensuring that the delivery date, price, quality, and other details meet the requirements and	

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
			enabling a satisfactory communication and partnership with each other. (5) Stakeholder interests: disclose finance, business, and material information on the Market Observation Post System for stakeholder knowledge (6) Continuing education of directors: all our directors have professional backgrounds and have continually engaged in continuing their education in related courses. (7) Implementation status of risk management policies and risk measurement standards: the Company has established appropriate policies, procedures, and internal controls for risk management in accordance with relevant regulations. Major financial activities are subject to review by the Board of Directors in accordance with relevant regulations and internal control measures.	

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
			(8) Implementation status of client/customer policies: good communication with customers; the Company has dedicated sales personnel who respond to customer needs in a timely manner. (9) Purchase of Directors and Officers Liability Insurance for directors and supervisors: stipulated in the Articles of Incorporation and has purchased indemnity insurance for directors and supervisors.	

9. Please state improvements to the corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and state priorities and measures for those who have not improved.

The Company was in the top 6%–20% of companies included in the 2020 Corporate Governance Evaluation conducted by the Securities and Futures Institute of the Republic of China. In 2021, the Company was requested by law to conduct a self-evaluation by the end of January and the results were announced on April 28, 2021. The Company was excluded from evaluation this year due to its altered trading method. However, as the TPEx has announced the reinstatement of normal settlement trading for the Company's securities starting from May 4, 2022, the Company will be included in the evaluation next year. The areas that have been improved and that require prioritization for improvement according to the Corporate Governance Evaluation are listed as follows:

(1) A corporate governance supervisor has been appointed to assist with board of director and shareholder meetings, thereby strengthening the function of the board of directors.

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
(2) A third-party external organization has been entrusted to conduct an evaluation of the effectiveness of the board of directors, and the results of the evaluation have been disclosed on the Company's official website. (3) The Company established a Sustainable Development Center and five major functional groups under the CEO for planning and promoting ESG sustainable development policy, implementation plans, and other related affairs. The center submits a quarterly progress report to the board of directors. (4) In the future, a Nominating Committee will be established according to the Company's actual operational and developmental needs to fortify the director election process. In addition, senior executives and the human resources department will jointly formulate a program for training key management-level talent according to the Company's actual operational and developmental needs. (5) The Company's whistleblower mechanism on its official website will be enhanced, and a set of effective communication channels and comprehensive processing procedures will be established to assist internal and external stakeholders in directly reporting illegal and unethical behavior to higher-level members of the board of directors or independent directors. This will strengthen the Company's corporate risk control and preserve the Company's corporate reputation. (6) The corporate governance information on the Company's official website will be re-optimized to enable internal and external stakeholders to obtain information more quickly and conveniently and will thereby establish positive interactive communication.				

(4) If the Company has a salary and compensation committee, it should disclose its composition, responsibilities, and operations:

The Company has established a Remuneration Committee. The current members are Independent directors JinnDer Chang, Patrick Y. Yang, JienHeh Tien and Professor MingChuan Hsieh, whose main responsibilities are to formulate and review the policies, systems, standards, and structure concerning the performance evaluation and remuneration of directors and managers.

A. Composition details of the Remuneration Committee

Identity type (Note)	Criteria / Name	Has >5 years of work experience and the following professional qualifications			Whether satisfying independence standards (Note 2)										Member of the salary and compensation committee of how many other companies?	Notes
		Lecturer or higher positions in a public or private colleges or university in business, law, finance, accounting, or company operations-related departments	Judge, prosecutor, lawyer, accountant, or other professional and technical personnel passing national examinations in fields required in company operations	Work experience in business, legal affairs, finance, accounting, or other fields required in company operations	1	2	3	4	5	6	7	8	9	10		
Independent director	JinnDer Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent director	Patrick Y. Yang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	JienHeh Tien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	MingChuan Hsieh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: For members satisfying the following conditions during the two years before and during their tenure of office, please mark "✓" in the space below each condition code.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, Paragraph 1 or 2 of the Company Act (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(6) Not a director, supervisor, or employee of another company in which a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(7) Not a director (or governor), supervisor, or employee of another company or institution in which the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses (excluding independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (excluding specified companies or institutions holding 20% or more but less than 50% of the total number of issued shares of the company and is an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) None of the circumstances listed in Article 30 of the Company Act.

B. Information on the practices of the Remuneration Committee

i. The Company's Remuneration Committee has 4 committee members.

ii. The yearly focus of the Remuneration Committee is to reinforce corporate governance and strengthen the functions of the Board of Directors, and to improve the remuneration system for directors and managers of the company. Hence, in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange promulgated by the Financial Supervisory Commission on March 18, 2011 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1000009747), the Board of Directors approved to establish a Remuneration Committee, formulate the Company's Remuneration Committee Organizational Rules, and approved the appointment of the first Remuneration Committee members.

iii. Term of office of the present Committee: August 5, 2021–August 4, 2024. As of the time of publication, the Remuneration Committee has convened for 6 times (A) for 2021 and 2022. The qualifications and attendance of the committee members is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Notes
Chair	JinnDer Chang	6	0	100%	
Member	Patrick Y. Yang	5	1	83.33%	
Member	JienHeh Tien	6	0	100%	
Member	MingChuan Hsieh	6	0	100%	

Other matters of note:

1. In the event the Board of Directors does not adopt or modify the suggestions of the Remuneration Committee, the date and term of the Board of Directors meeting, motion content, resolutions of the Board, and the Board's resolution and Company's response to the opinions of the Remuneration Committee shall be recorded: none.
2. In the event a motion of the Remuneration Committee encounters dissenting opinions or reservations from committee members and is accompanied with records or written statements, the Remuneration Committee Meeting date and term, motion content, opinions of all members and response to the opinions shall be recorded: none.
3. Motions and resolutions of the 2021 and 2022 Remuneration Committee Meeting

Time	Motion	Resolution
2021 1st Remuneration Committee Meeting	1. Reviewed the management team's performance evaluation of 2020	Passed without objection by all participating committee members.

		2. Reviewed the management team's 2021 salary increase 3. Reviewed the procedures governing the Company's 2021 Employee Stock Option Plan	The proposals of remuneration committee meeting were submitted to the Board of Directors for resolutions. Passed without objection by all participating committee members.	
	2021 2nd Remuneration Committee Meeting	Review the salary and compensation plan of the new appointed Corporate Governance Director	Passed without objection by all participating committee members and authorized the Chairman to determine the additional numeration of the Corporate Governance Director	
	2021 3rd Remuneration Committee	1. Reviewed the amendment to the procedures governing the Company's 2021 Employee Stock Option Plan 2. Reviewed the first issuance of 2021 Employee Stock Option Plan	Passed without objection by all participating committee members and submitted to the Board of Directors for resolutions.	
	2021 4th Remuneration Committee	Approved to amend the traveling expenses of the Company's Remuneration Committee, Audit Committee, and the Board.	Passed without objection by all participating committee members.	
	2021 5th Remuneration Committee	1. Reviewed the transfer of treasury shares to the management team 2. Proposal of the new Corporate Governance Officer's compensation	Passed without objection by all participating committee members and submitted to the Board of Directors for resolutions.	
	2022 1st Remuneration Committee	1. Reviewed the management team's performance evaluation of 2021	Passed without objection by all participating	

		2. Reviewed the management team's 2022 salary increase	committee members. The proposals of remuneration committee meeting were submitted to the Board of Directors for resolutions.	

(5) Status of sustainable development implementation and reasons for dissimilarity with the Corporate Social Responsibility Best Practice Principles:

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
1. Has the company set up a full-time (part-time) unit that promotes corporate social responsibility, which is authorized by the Board of Directors to senior management to deal with and reports to the Board of Directors?	✓		To make its sustainable development management more comprehensive, the Company established a Sustainability Development Center under the management of the CEO. The Business Planning unit of the General Management Office works with five functional groups (environmental friendliness, employee care, corporate governance, product ethics and safety, and drug accessibility) to jointly establish sustainable development policies, goals, strategies, and implementation plans as well as to handle relevant affairs. A quarterly progress report is submitted to the Board of Directors. The 2021 report on the results of the implementation was submitted to the Board of Directors on March 1,	None

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
			2022.	
2. Has the Company conducted risk assessments on environmental, social, and corporate governance issues related to company operations and formulated related risk management policies or strategies based on the concept of materiality?	✓		(1) The Company formulated the Sustainable Development Best Practice Principles to ensure its continued practice of corporate sustainable responsibility. With a focus on United Nations' Sustainable Development Goal 3 (Good Health and Well-being), the Company introduced the ESG aspect of sustainable development, the Sustainability Accounting Standards Board for the biotechnology and pharmaceutical industries, the GRI standards, the United Nations Global Compact standards, and the Access to Medicine Index standards into its business operations and strategy. (2) Environmental issues The Company has conducted a comprehensive review of its management practices regarding its environmental impact. In the corporate sustainability report, the Company disclosed its climate governance management guidelines, water resource management, waste management, and control of	None

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
			toxic and concerned chemical substance strategies. Because of concerns regarding the global climate emergency, the Company has provided additional explanations of its climate change mitigation strategies to ensure that it can achieve the goal of environmentally friendly operations. (3) Risk management policy The Company's board of directors is the highest-ranking supervisor and decision-making risk management unit. The board of directors also approves and implements the Company's overall risk management goals and policies, monitors the effectiveness of the risk management process, and has ultimate responsibility for risk management. An audit committee and a corporate governance supervisor have been assigned to assist the board of directors with controlling the Company's existing and potential risk concerns to strengthen its internal control. Major financial activities are subject to review by the board of	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
			directors in accordance with relevant regulations and internal control measures. The Audit Office conducts regular and random audits and reports to the board of directors. (4) Social contribution The Company has long sponsored the International Symposium on Myeloproliferative Neoplasms (MPN Asia), where experts, scholars, and clinicians from numerous countries gather to engage in interactions and academic exchanges regarding the research and treatment of blood diseases. The Company also sponsored the 2022 Taiwan New Year Concert, hosted industry–academia cooperative education and exchange events with local communities, and organized investor matchmaking events and talent expositions with Academia Sinica and Biotechnology Incubation Center tenants. In doing so, the Company has contributed to biotech industrial operations and expanded its social support.	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
3. Environmental issues (1) Has the Company established an appropriate environmental management system according to the characteristics of its industry?	✓		(1) The Company has established an environmental safety unit that is responsible for publicizing and regulating environmental protection–related matters. The Company plans to introduce the ISO 14001:2015 Environmental Management System in 2023 to enable identification of potential environmental problems and improve them throughout product life cycles. In doing so, the Company can reduce its environmental impact as it improves its productive efficiency and increases its operating revenue.	None
(2) Has the company committed to improving the utilization efficiency of various resources and used recycled materials with low impact on the environment?	✓		(2) The Company disposes of and recycles waste in accordance with an industrial waste disposal plan. All related public affairs are handled in accordance with the environmental protection regulations promulgated by the competent authorities. The Company's waste output reduced by 21.3% from 2020 to 2021.	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
(3) Has the company assessed the current and future potential risks and opportunities of climate change for the Company, and taken measures to address climate-related issues?	✓		(3) In response to the United Nations' Sustainable Development Goal 13 (Climate Action), the Task Force on Climate-Related Financial Disclosures was established. Through this task force, the Company can implement climate governance; strategy planning; identification, assessment, and management of climate risks; and establishment of corresponding goals. A greenhouse gas panel was established at the Company's Taichung plant, making it the pilot plant for climate governance. In addition, the Greenhouse Gas Management Procedure has been formulated. In October 2021, the Company completed its 2019 annual greenhouse gas inventory and obtained ISO 14064-1 external third-party certification. The 2020 and 2021 greenhouse gas inventory of the Taichung plant is expected to be completed by 2022.	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
(4) Has the company compiled statistics on greenhouse gas emissions, water consumption and total amount of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	✓		(4) The Company is actively concerned about energy conservation, carbon reduction, and greenhouse gas reduction. The Company controls the temperatures of its air conditioners in summer to achieve energy efficiency, energy conservation, and carbon reduction. The 2021 Corporate Sustainability Report includes information on the Company's greenhouse gas emissions, water consumption, and total waste from the preceding 2 years.	
4. Safeguarding social welfare (1) Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		(1) The Company complies with relevant labor regulations and has formulated relevant labor operation procedures and human rights policies to protect against and prevent situations that may endanger the basic rights of its staff. In December 2021, external professional lawyers were hired for education and training on the risks of human rights violations in the workplace.	None

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
(2) Has the company formulated and implemented reasonable employee welfare measures (including remuneration, leaves, and other benefits), and appropriately reflected operating performance or results in employee remuneration?	✓		(2) In compliance with the Sustainable Development Best Practice Principles, the Company provides equal treatment and fair payment to its employees, regardless of their sex, religion, race, nationality, and political opinions. In addition, the Company formulated a work code as well as regulations regarding personnel rewards and punishments. Promotions and salary adjustments are provided annually according to the degree to which the annual business goal is achieved, individuals' annual performance reviews, and outsourced salaries and welfare surveys to provide compensation that is above the industry standard.	
(3) Does the Company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees?	✓		(3) Following the Occupational Safety and Health Act, the Company supports employee health management and implements health promotion measures. The Company conducts annual employee health checks as well as	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
			employee training on internal and external occupational safety and health. In October 2021, clinical specialists were invited to deliver a health lecture on cardiovascular disease awareness and prevention in Taipei. No occupational accidents occurred in 2021.	
(4) Has the Company established an effective career development training program for employees?	✓		(4) To meet organizational goals, achieve employee development, improve employee quality, and enhance professional competencies and work efficiency, in-service employees can participate in various professional and technical training sessions and training courses upon approval, which is based on their competency level and job requirements. Employees are encouraged to enhance their specialized academic skills through knowledge sharing and exchange, both of which facilitate task completion. With a focus on cultivating professional and technical talent, the Company provides employees with accessible and	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
			diverse learning channels and opportunities as well as provides professional training on the skills required for work. For example, each department has an on-the-job mentor system to enable passing on of experience, reduce turnover rates, and train senior employees to train new talent. In addition, the Company collaborates on projects with academic institutions and Academia Sinica, thereby refining its on-the-job training for R&D talent to improve employees' ability to incorporate their areas of expertise into projects.	
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the Company follow relevant regulations and international standards, and formulate relevant protection policies and appeal procedures for safeguarding consumer rights?	✓		(5) All business activities and operations at all stages of the Company's product life-cycle value chain must comply with the regulations of the country in which the operations take place. The Company has established legal compliance policies and management systems, promoted relevant education and training for employees, and ensured that every operating activity with	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
			respect to a product before and after its launch complies with the relevant laws and company policies. Moreover, the Company ensures that clients' health and safety, privacy, marketing and branding, and privacy interests are not put at risk. The head office has established a global drug safety monitoring system and reporting procedure as well as standard operating procedures to protect the rights and safety of patients using the Company's products.	
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and implemented them?	✓		(6) The Company has formulated three major supplier management priorities and communicated its corporate sustainability philosophy and practices to develop stable supply partnerships and protect patients' rights to use drugs. In addition, the Company has maintained a smooth communication channel with its suppliers. On the basis of mutual trust and mutual benefits, the Company safeguards the reasonable	

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
			rights and interests of both parties to achieve mutual prosperity. In 2021, the Company promoted PEC's Corporate Sustainability Report among 177 vendors, 11 have shouldered their ESG sustainability responsibility.	
5. Does the Company reference international report preparation standards or guidelines to prepare corporate social responsibility reports and other reports for disclosing the Company's non-financial information? Are the aforementioned reports supported by the trust or guaranteed opinions of third-party verification units?	✓		The 2021 Corporate Sustainability Report that was voluntarily released by the Company used the GRI core options to disclose the Company's nonfinancial information and performance. The Company entrusted the Taiwanese Branch of BSI to conduct a third-party verification in accordance with AA1000 Assurance Standards (Type 1, Moderate Level). The third-party assurance statement was obtained at the end of April 2021, and the 2021 Corporate Sustainability Report was uploaded and released at the end of June 2021.	None
6. If the company has formulated corporate social responsibility practice principles in accordance with the Corporate Social Responsibility Best Practice Principles, please state the differences between the two in their operations, if any: The Corporate Social Responsibility Practice Principles formulated by the Company are consistent in its spirit and practical implementation and have no significant dissimilarities.				

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
7. Other material information that may aid in understanding the operations on corporate social responsibility: (1) The Company's 2021 Corporate Sustainability Report won the gold award for the health care industry at the 14th annual Taiwan Corporate Sustainability Awards. The Company was in the top 6%–20% of the companies in the 7th Corporate Governance Evaluation. (2) Tangible plans and outcomes for annual corporate sustainable development A. The Company has been a sponsor for MPN Asia since it was first held, that is, for five consecutive years (2016 to 2021). At the event, experts, scholars, and clinicians from numerous countries gather to engage in interactions and academic exchanges regarding the research and treatment of blood diseases. B. The Company cooperated with Chiayi Chang Gung Memorial Hospital to establish Taiwan's MPN Rare Disease Center to improve Taiwan's medical research on MPN to meet international standards. In addition, the Company coorganized the 2021 Taiwan MPN workshop—an annual event of The Hematology Society of Taiwan—with PharmaEssentia Corporation and Panco Healthcare. The event attracted 167 attendees. C. The Company launched PharmaEssentia Can Help to contribute to Taiwan's fight against the coronavirus-19 pandemic. The Company offered the use of Besremi® to five medical institutions for clinical trials among patients diagnosed with mild to moderate coronavirus-19. D. PharmaEssentia USA Corporation, an American subsidiary of the Company, launched the SOURCE Program to educate patients on health-care. The program enables medical personnel to use their expertise to serve American patients. E. In 2021, the Company sponsored two health education activities for patients with hemophilia—the 2021 Viewing Party for Children with Hemophilia and Healthy Restart —to assist patients in Tungs' Taichung MetroHarbor Hospital and Sin-Lau Hospital in understanding contemporary health and medical information. F. In 2021, Panco Healthcare, a subsidiary of the Company, organized the MPN Nurse Seminar. A total of 30 staff members from 14 hospitals participated. G. In 2021, the Company sponsored the Taiwan New Year Concert (a charity event organized by the One Song Orchestra), which was the third of 3 consecutive years of doing so. Through this concert, the Company supports culture and art as a means of revitalizing society and the economy, improving employees' physical and mental health, maintaining a work–leisure balance, maintaining a work–life balance, and promoting an atmosphere of harmony and mutual benefit. The 2021 concert had 52 attendees.				

Assessment item	Actual Practice			Dissimilarity with Corporate Social Responsibility Best Practice Principles and reasons
	Y	N	Summary description	
H. In 2021, the Company hosted three industry–academia cooperative education events to enable exchange with the local community. The events were a lecture on Myeloproliferative Neoplasms and R&D Practice for New Drugs at National Central University in May, a presentation sharing successful biopharmaceutical listings (CMC & Clinical) at NanKang Biotech Incubation Center in October at the invitation of the Biomedical Committee of the Taiwanese Pharmaceutical Manufacturer's Association, and a Bio-Asia lecture on A Fully Integrated Operating Global Biopharmaceutical Company in Taiwan in November. Moreover, the Company coorganized investor matchmaking events and talent expositions with Academia Sinica and Biotechnology Incubation Center tenants. In doing so, the Company contributed to biotech industrial operations and expanded its social support through deep social commitment. I. The Company applied Ropeginterferon Alfa-2b (P1101) to compassionate treatment to benefit patients. By the end of 2021, 39 patients had received the treatment in Taiwan, and application of P1101 was approved in Korea, leading to a total of 40 patients receiving the treatment. (3) Those interested in learning more can refer to the Company's Corporate Sustainability Report or visit its ESG website (at http://www.pharmaessentia-esg.com/) to review the plans and outcomes of implementing sustainable development among affiliate enterprises.				

(6) Ethical Corporate Management Practices and Adopted Measures

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Summary description	
1. Formulation of ethical corporate management policies and plans (1) Has the Company formulated the ethical corporate management policies approved by the Board of Directors, and expressed its commitment to the policies and practices of ethical corporate management in the regulations and external documents, as well as the Board and management's commitment to actively implement the operating policy?	✓		(1)The company has formulated "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Code of Ethics Conduct, "Procedures for Ethical Management and Guidelines for Conduct", "Sustainable Development Best Practice Principles" and "Operation Procedures for Processing Internal Material Information and Preventing Insider Trading" to established satisfactory corporate governance and risk control mechanisms in order to achieve the sustainable development of the Company.	None

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Summary description	
(2) Has the Company established an assessment mechanism for the risks of unethical behavior, regularly analyzed and evaluated business activities with a high risk of unethical behavior, and formulated plans to prevent such behaviors that encompass the prevention measures stipulated in Article 7, Subparagraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies?	✓		(2)The Company's directors, managers, employees, or persons with substantial control are strictly prohibited from directly or indirectly providing, promising, requesting or accepting any improper favors, or other acts of unethical behavior that violate integrity, lawfulness, or fiduciary duty.	
(3) Has the company adopted preventive measures and regularly reviewed plans concerning items listed in Article 7, Subparagraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies or other business activities with a high risk of unethical behavior?	✓		(3) The Company has established a Code of Conduct for employees, based on the principles of self-discipline, integrity, honesty towards customers, investors, colleagues, suppliers and everyone we come into contact with. Employees are also strictly prohibited from accepting any inappropriate favors and hospitality.	

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Summary description	
2. Implementing ethical corporate management				
(1) Does the Company evaluate the integrity records of the counterparties and clearly stipulate terms of ethical behavior in the contract signed with counterparties?	✓		(1) The Company's business activities do not involve illegal matters or purposes. For those who have a record of unethical behavior, the person may be demoted, suspended, or removed from the list of qualified suppliers.	None
(2) Has the Company set up a special unit for promoting ethical corporate management under the Board of Directors, which regularly reports to the Board (at least once a year) on its ethical corporate management policies and plans aimed at preventing unethical behavior and supervises the implementation?	✓		(2) The Company established an organizational hierarchy to achieve division of labor and mutual supervision. At present, the internal audit office conducts regular and random audits and reports regularly to the Board of Directors.	
(3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate reporting channels, and implemented them?	✓		(3) The directors of the Company maintain a high degree of self-discipline and disclose vital details of their conflicts of interests in motions listed	

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Summary description	
			by the Board when the motions present a conflict of interest with the director or their proxy. Such directors abstain from discussion and passing resolutions and do not exercise the proxy voting right authorized by another director when their conflicts of interests are against the interests of the Company.	
(4) Has the Company established an effective accounting system and internal control for the implementation of ethical corporate management, and drafted internal audit units based on the assessment results for risks of unethical behavior, and complied with the plan to prevent such behavior, or entrust an accounting firm to perform the audit?	✓		(4) The Company established an effective accounting and internal control system. The Company has been promoting the digitization of operations, which connects various management functions from one computer to another other, laying interconnecting checks at each layer to execute the management of anomalies.	

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Summary description	
(5) Does the Company regularly hold internal and external ethical corporate management training?	✓		(5) The Company will continue to hold internal and external ethical corporate management training. Two training sessions on ethical corporate management policies were held by Department of Human Resources in 2021.	
3. Offence-reporting practices (1) Has the Company formulated a clear reporting and reward system, established convenient reporting channels, and assigned appropriate personnel to handle subjects being reported? (2) Has the company established standard operating procedures for accepting offence-reporting investigations, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms? (3) Has the company taken measures to protect whistleblowers from improper treatment due to their reporting of others' offences?	✓ ✓ ✓		The Company accepts all notifications of unlawful or unethical matters, and has an independent special unit responsible for related investigation. Confidentiality of the identity of the informants and the content of the report are ensured. The results of the investigation are regularly announced to all employees and reported to the members of the Board of Directors.	None

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Summary description	
4. Reinforcing information disclosure (1) Does the Company disclose the content of its ethical corporate management principles and promote its effectiveness on the Company website and the Market Observation Post System?	✓		The Company website discloses the status of the Company and complies with relevant laws concerning posting timely information on the Market Observation Post System.	None
5. If the company has formulated ethical corporate management practice principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please state the differences between the two in their operations, if any: none				
6. Other material information conducive to understanding the ethical corporate management practices of the Company (e.g., amendments to existent practice principles following reviews): none				

(7) If the company has formulated corporate governance practice principles and related regulations, the company should state where the information can be found:
The Company has formulated Corporate Governance Practice Principles and relevant information can be found under the corporate governance section of the Company website.

(8) Other material information that may assist in understanding the operations of corporate governance must be disclosed:
The Board of Directors convene at least once every quarter. Managers and accounting supervisors attend the meeting to face enquiries from directors, and audit managers attend the meeting to report audit findings to the Board of Directors and Audit Committee.

(9) Implementation of an Internal Control System

A. Statement of the Internal Control System

Statement of Internal Control System

Date: March 1, 2022

The internal control system from January 1 to December 31, 2021, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.

2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function, and the Company will take corrective action once any defect is identified.

3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".

4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.

5. Pursuant to the TPEx letter Zheng-Gui-Jian No. 11002015814 dated August 27, 2022, and TPEx letter Zheng-Gui-Jian No. 11002025341 dated December 24, 2021, the fines of NT$500,000 and a fine of NT$1,000,000 were imposed on the Company regarding the violations of Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities and Taipei Exchange Rules

Governing Securities Trading on the TPEx when handling of material information disclosure and the control of risks related to legal cases,

6. Based on the above-mentioned result of evaluation, the Company suggests that, in addition to the major matters referred to in the preceding paragraph, the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.

7. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.

8. This statement has been approved by the meeting of Board of Directors on March 1, 2022, and those 11 directors in presence all agree at the contents of this statement.

PharmaEssentia Corp.

Chairman: ChingLeou Teng

Chief Executive Office: KoChung Lin

General Manager：ChanKou Hwang

Appendix

Items	Corrective actions	Estimated time of completion
1. The material information about the arbitration case announced by the Company in August 2010 was incomplete and did not specifically explain the possible impact on the Company's drug license application and future sales and its countermeasures.	(1) Revised the Company's "Management Procedures for Internal Material Information Processing and Prevention of Insider Transactions", and established a dedicated unit for handling internal material information, which is responsible for accepting consultation, reviewing and providing advice on internal material information. At the same time, the Company would also strengthen its internal and external education and training, and strives to fully express any information. (2) The Company has reviewed and strengthened the control over the release of material information, and has formulated the Company's "Internal Control System Improvement Plan" and implemented it accordingly.	Completed
2. The internal control system failed to monitor the progress of major legal disputes, such as the enforcement on the Company’s patents, and related legal risks in a timely manner.	(1) The Company has established a "Litigation Cases/Major Disputes Management Procedures" to strengthen the its internal control mechanism for legal case control in terms of the procedures for filing and accepting cases, the timeliness of case management, and legal risk assessment. (2) For its patent monitoring, the Company has appointed Cesari and McKenna, LLP in Boston, the United States as the general agent, and the national patent firms that the firm cooperates with as the sub-agent. After receiving the legal documents about the Company’s patents, the external lawyers will scan the documents and notify the company by email immediately. In addition, during	Completed

Items	Corrective actions	Estimated time of completion
	the appeal hearing of the dismissal case, the company also appointed a group patent lawyers at CMS to regularly monitor the Company's patents in various countries in addition to the main patent attorney in the United States. The Company has made every effort to manage and monitor the patents in various countries by means of double monitoring, so as to record the real-time changes of the Company's intangible property as much as possible and minimize the risk of "not grasping in time".	
3. The material information announced by the Company in December 2021 about the Company's acquisition of internal control special audit report is not the reason for the release of the material information. The material information about AOP's application to the Austrian Court for enforcement based on the arbitration award has not been released in a timely manner. These are cases that do not conform to the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities	(1) The Company has made supplementary announcements in December 110 and January 111 respectively. (2) When the company learns about the relevant enforcement events and the development of legal events, it should release major information in accordance with regulations. (3) The Company will revise the "internal control system improvement plan". If there is any doubt about the release of material information, the dedicated unit and other relevant units will consult external lawyers, accountants, or competent authorities.	The Company has amended its Internal Control Improvement Plan and submitted the revised version for Board of Directors' approval on Mach 1, 2022.

B. If a CPA was engaged to conduct a special audit of the internal control system, provide its audit report:

PharmaEssentia Corporation

Special Audit Report of Internal Control System

We have audited the Statement, provided by PharmaEssentia Corporation on April 15, 2022, which concerns the internal control system related to the Company's management of material information release, lawsuits and material disputes, and the operation of the Board of Directors to maintain the effectiveness of design and implementation after an evaluation on April 4, 2022, as the attachment. Maintaining the effectiveness of the internal control system and evaluating its effectiveness is the responsibility of the management hierarchy. Our responsibility is to provide opinions toward the effectiveness of the internal control system and the Company's internal control system statement according to the audit result.

We conduct audits in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the auditing standards generally accepted in the Republic of China to obtain reasonable assurance whether the aforementioned internal control system of the Company maintains validity in all material respects. The auditing work includes gaining an understanding of the internal control, testing and assessing the effectiveness of the internal control design, and other audit processes which are considered necessary. We believe the auditing work provides a reasonable basis on which to express opinions.

Any internal control system has its inherent limitations; therefore, the above internal control systems of PharmaEssentia Corporation may not be able to prevent or detect errors or fraud that have taken place. Furthermore, future environmental changes may result in reduced efficacy of the internal control system. Hence, while the internal control system is deemed effective for this period, this does not mean that it will be effective in the future.

In accordance with the opinion of the CPAs, and in light of the provisions of the Regulations Governing Establishment of Internal Control Systems by Public Companies as to the items reviewed for internal control efficacy determinations, PharmaEssentia Corporation and its design and implementation of internal control systems governing its management of material information release, lawsuits and material disputes, and the operation of the Board of Directors are deemed to continue to be effective in all material respects as of April 4, 2022. Also, as of April 15, 2022, the Attestation of PharmaEssentia Corporation regarding effective design and implementation of internal control systems for aforementioned areas is found reasonable in all material respects

This audit report is issued as for Taipei Exchange to understand and assess PharmaEssentia Corporation's internal control System only.

Deloitte & Touche

Yu, Robert, CPA

Chen, Joe, CPA

April 19, 2022

(10) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements:

A. The Company's securities have been traded in advance receipts since August 31, 2021, and a penalty of NT$500,000 was imposed upon violations of the regulations governing material information of companies with TPEx listed securities:

The Company had internal discussions about the design and operating effectiveness of the relevant internal control system and made modifications accordingly. The Company has also consult professional legal advisors and CPAs to jointly develop improvement measures for the purpose of optimizing the internal control system. Apart from establishing relevant internal control policies and imposing standard control processes, the Company has also drawn up an Internal Control Improvement Plan. The aforementioned violations have all been improved and the Company has obtained an unqualified opinion for its Special Audit of Internal Control.

B. A penalty of NT$1,000,000 was imposed upon violations of the regulations governing information disclosure and material information of companies with TPEx listed securities:

The Company's has made a complementary material information disclosure pursuant to the official letters from the competent authorities and revised the Internal Control Improvement Plan to strengthen the compliance with relevant regulations. The aforementioned violations have all been improved and the Company has obtained an unqualified opinion for its Special Audit of Internal Control.

(11) Material resolutions of a shareholder meeting or board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

A. Review of the Implementation of Shareholders Meeting Resolutions

The 2021 Annual Shareholders Meeting of the Company was held on August 5, 202 at the Company's Office at 2F-5, No. 3, Park St., Nangang Dist., Taipei City 115603, Taiwan (R.O.C.). The following resolutions were passed, and a review of their implementation statuses are as follows:

Report Items

1. 2020 Business Report
   All attending shareholders have been informed
2. 2020 Audit Committee's Audit Report
   All attending shareholders have been informed
3. Business Operation Plan Progress Report
   All attending shareholders have been informed

4. Progress Report of the Private Placement Implementation
   All attending shareholders have been informed
5. Report of Amendments to the “Ethical Corporate Management Best Practice Principles”, “Sustainable Development Best Practice Principles”, “Codes of Ethical Conduct”, and “Procedure for Board of Directors Meetings”
   All attending shareholders have been informed

Proposed Resolutions

1. Adoption of the 2020 Business Report and Financial Statements
   Resolution: Acknowledgment item was voted based on its original description. Among 191,643,745 of the voting share/unit (including those in the electronic voting system), 185,092,183 approved; 122,391 rejected; 6,429,171 abstained/voided. The approving votes concluded at 96.58%, which passed the statutory laws and regulations. The case is approved as proposed.
2. Adoption of the 2020 Deficit Compensation Statement
   Resolution: Acknowledgment item was voted based on its original description. Among 191,643,745 of the voting share/unit (including those in the electronic voting system), 188,029,109 approved; 531,085 rejected; 3,083,551 abstained/voided. The approving votes concluded at 98.11%, which passed the statutory laws and regulations. The case is approved as proposed.

Discussions

1. Amendment of the Company’s Rules of Procedure for Shareholders’ Meetings
   Resolution: Acknowledgment item was voted based on its original description. Among 191,643,745 of the voting share/unit (including those in the electronic voting system), 185,404,964 approved; 632,401 rejected; 5,606,380 abstained/ voided. The approving votes concluded at 96.74%, which passed the statutory laws and regulations. The case is approved as proposed.
2. Amendment of the Company’s Guidelines for the Election of Board Directors
   Resolution: Acknowledgment item was voted based on its original description. Among 191,643,745 of the voting share/unit (including those in the electronic voting system), 185,402,966 approved; 556,193 rejected; 5,684,586 abstained/ voided. The approving votes concluded at 96.74%, which passed the statutory laws and regulations. The case is approved as proposed.
3. Amendment of the Company’s Amendment of the Company’s Procedures for Acquisition or Disposal of Assets

Resolution: Acknowledgment item was voted based on its original description. Among 191,643,745 of the voting share/unit (including those in the electronic voting system), 185,402,966 approved; 556,193 rejected; 5,684,586 abstained/ voided. The approving votes concluded at 96.74%, which passed the statutory laws and regulations. The case is approved as proposed.

4. Implementation of the cash capital increase for the issuance of ordinary shares to participate in global depositary receipts (GDR) issuance and/or cash capital increase for the issuance of privately placed ordinary shares and/or private placement for overseas or domestic corporate bond conversion. for 2021

   Resolution: Acknowledgment item was voted based on its original description. Among 173,803,209 of the voting share/unit (including those in the electronic voting system), 185,402,966 approved; 15,318,877 rejected; 2,521,659 abstained/ voided. The approving votes concluded at 90.69%, which passed the statutory laws and regulations. The case is approved as proposed.

B. Major resolutions of Board of Directors' Meetings

Date	Major resolutions	Resolution
January 6, 2021	1. Resolved to repurchase treasury shares	Passed without objection by all participating directors
	2. Resolved the modifications of CRO contracts with Medpace Inc. and EPS International Holdings Co., Ltd. regarding the phase III clinical study of ET P1101.	The resolution was approved by all attending directors without objection. The Company's Chairman ChingLeou Teng will represent the Company to negotiate with Medpace Inc. to include Eastern Europe in the P1101 ET Phase 3 Clinical Trial. When there is a consensus between the two parties, all directors shall be informed first. The Chiarman was authorized and has full discretion to complete the contract within USD 5 million limit and shall report to the next Board of directors meeting.
February 26, 2021	1. Approved the Company's Development Support Service Agreement with its subsidiaries PharmaEssentia USA Corporation	Passed without objection by all participating directors
	2. Approved 2020 Business Report and Financial Statements	Passed without objection by all participating directors
	3. Resolved on 2020 Loss Make-up Proposal	Passed without objection by all participating directors
	4. Approved the appointment of Ernst & Young Global Limited for the preparation of financial and tax of	Passed without objection by all participating directors

Date	Major resolutions	Resolution
	2021, and the annual evaluation of its independence	
	5. Approved 2021 audit fees	Passed without objection by all participating directors
	6. Approved the Company's capital increase in the Korea subsidiary PharmaEssentia Korea Corporation	Passed without objection by all participating directors
	7. Approved the extension of bank credit	Passed without objection by all participating directors
	8. Approved the Company's plan to sign a marketing service agreement with RevHealth where the contract price is 6,700 thousand US dollars.	Passed without objection by all participating directors
	9. Approved to amend the Company's "Procedures for Acquisition or Disposal of Assets", "Rules Governing Financial and Business Matters Between with Related Parties", "Regulations Governing I Securities Investment" and "Rules of Procedure for Shareholders Meetings"	Passed without objection by all participating directors
	10. Approved the Company's Statement of Internal Control of 2020	Passed without objection by all participating directors
	11. Approved the change of all Board members	Passed without objection by all participating directors
	12. Approved the election of all Board members	Passed without objection by all participating directors
	13. Approved the relevant matters of 2021 Regular Shareholder's Meeting.	Passed without objection by all participating directors
	14. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the fourth quarter of 2020	Passed without objection by all participating directors
	15. Approved to amend the Company's "Regulations for Performance Evaluation"	Passed without objection by all participating directors
	16. Reviewed the Company's manager performance assessment of 2020	Director Chien-Ho Tien served as the Acting Chairman and the proposal was approved by the remaining participating directors.
	17. Reviewed the proposal of FY2020 executive officer remuneration	Director Chien-Ho Tien served as the Acting Chairman and the proposal was approved by the remaining participating directors.

Date	Major resolutions	Resolution
March 26, 2021	1. Nomination of director candidates 2. Approved the proposal for releasing the prohibition on Directors from participation in competitive business	The director candidates were individually reviewed. Those director candidates state the important aspects of the relationship of interest at the given board meeting and refrain from votings. Independent director Chien-Ho Tien served as the Acting Chairman and approved the review for ChingLeou Teng, an insider with conflicts of interests, as a director candidate. The nomination of other director candidates was passed following their avoidance and Chair ChingLeou Teng's consultation with the participating directors.
	3. Report on the status of new common shares by cash capital increase for sponsoring GDR issuance/ cash capital increase by private placement/ issue overseas or domestic convertible bonds in private placement following resolution of 2020 annual stockholder's meeting	Passed without objection by all participating directors
	4. Resolved to issue new common shares by cash capital increase for sponsoring GDR issuance/ cash capital increase by private placement/ issue overseas or domestic convertible bonds in private placement	The subscribers were individually reviewed. Independent director Chien-Ho Tien served as the Acting Chairman and approved the review for ChingLeou Teng, an insider with conflicts of interests, as a subscriber. Approval for the remaining insiders with conflicts of interests was passed following their avoidance and Chair ChingLeou Teng's consultation with the participating directors.
	5. Approved to amend agendas of regular shareholders' meetings for the year 2021	Passed without objection by all participating directors
	6. Approved the regulations relating the issuance of Employee Stock Options in 2021	Passed without objection by all participating directors
	7. Approve the Company's Business plan	Passed without objection by all participating directors
	8. Approved the change of director in the Company's subsidiaries in USA and Japan	Passed without objection by all participating directors
	9. Approved to amend the Company's "Accounting Principles"	Passed without objection by all participating directors

Date	Major resolutions	Resolution
May 14, 2021	1. Approved 2021 Q1 Consolidated Financial Statements	Passed without objection by all participating directors
	2. Approved the Company's capital increase in the US subsidiary PharmaEssentia USA Corporation	All participating directors passed without objection to invest USD 5,000,000 in the US subsidiary PharmaEssentia USA Corporation. The remaining USD 25,000,000 capital investment shall be postponed for further discussion of the Company's 8th Board of Directors.
	3. Approved establishing a wholly owned subsidiary in Singapore	Passed without objection by all participating directors
	4. Appointed the Company's Corporate Governance Officer	Passed without objection by all participating directors
	5. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the first quarter of 2021	Passed without objection by all participating directors
June 21, 2021	1. Approved changes of date and location for 2021 Annual Shareholders' Meeting	Passed without objection by all participating directors
	2. Approved the Company's capital increase in the US subsidiary PharmaEssentia USA Corporation	Passed without objection by all participating directors
	3. Approved to amend the Company's 2021 Employee Stock Option Plan'	Passed without objection by all participating directors
	4. Approved the Company's first issuance of employee stock option based on the 2021 Employee Stock Option Plan	Passed without objection by all participating directors
August 5, 2021	Approved the 8th election of President based on "Rules of Procedure for Board of Directors Meetings" and the "Article of Incorporation"	All participating directors unanimously passed the proposal to appoint ChingLeou Teng as the President of the 8th Board of Directors.
August 16, 2021	1. Approved the accounts receivable that were overdue for more than 3 months as the end of the second quarter are considerations of normal sales, not loaning funds to others	Passed without objection by all participating directors
	2. Approved 2021 Q2 Consolidated Financial Statements	Passed without objection by all participating directors
	3. Approved the members of Remuneration Committee.	Apart from three independent directors, who were abstained from the resolution due to conflict of interests, all other participating directors agreed

Date	Major resolutions	Resolution
		the proposal without objection
	4. Approved the Company's capital increase in the US subsidiary PharmaEssentia USA Corporation	Passed without objection by all participating directors
	5. Approved the designation of one additional Board member of PharmaEssentia Singapore Pte Ltd.	Passed without objection by all participating directors
	6. Approved to amend the traveling expenses of the Company's Remuneration Committee, Audit Committee, and the Board.	Passed without objection by all participating directors
October 5, 2021	Approved the Company's Internal Control Improvement Plan and to amend the "Rules Governing Lawsuits and Material Disputes" and "Rules Governing Material Information and Prevention of Insider Trading"	Passed without objection by all participating directors
November 15, 2021	1. Approved the accounts receivable that were overdue for more than 3 months as the end of the third quarter are considerations of normal sales, not loaning funds to others	Passed without objection by all participating directors
	2. Approved 2021 Q3 Consolidated Financial Statements	Passed without objection by all participating directors
	3. Approved change of Chief Internal Auditor	Passed without objection by all participating directors
	4. Approved the Company's plan to make new loans to its subsidiaries	Passed without objection by all participating directors
	5. Approved to amend the Company's plan for the first capital increase in 2020	Passed without objection by all participating directors
	6. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the third quarter of 2021	Passed without objection by all participating directors
December 3, 2021	1. Approved the price, the number of shares, the subscribers, the period of payment and the capital increase record date of the first private placement of ordinary shares in 2021	Passed without objection by all participating directors
	2. Approved the record date, the number of shares and the period of payment of the sale of treasury stock to employees	Passed without objection by all participating directors

Date	Major resolutions	Resolution
	3. Approved to amend the Company's Internal Controls governing the sale of treasury stock to employees in the Finance Cycle	Passed without objection by all participating directors
	4. Approved the change of Corporate Governance Officer changed	Passed without objection by all participating directors
	5. Approved the transfer of Mr. Luan Yen Tung from Chief Operation Officer to Senior Scientific Fellow.	Passed without objection by all participating directors
	6. The Representative of PharmaEssentia Corporation Taichung Office to be assumed by the General Manager of PharmaEssentia Corp. Mr. Hwang Chan Kou.	Passed without objection by all participating directors
	7. Approved the Statement of Internal Control System	Passed without objection by all participating directors
December 7, 2021	1. Recognized the Company's Internal Control Special Audit Report by CPA	Passed without objection by all participating directors
	2. Approved the Company's Purchase Agreement with its subsidiaries PharmaEssentia USA Corporation	Passed without objection by all participating directors
December 23, 2021	1. Approved the Company's 2022 business plan and budget	Passed without objection by all participating directors
	2. Approved the Company's Development Support Service Agreement with its subsidiaries PharmaEssentia USA Corporation	Passed without objection by all participating directors
	3. Approved the Company's modifications to the Purchase Agreement with its subsidiaries PharmaEssentia USA Corporation	Passed without objection by all participating directors
	4. Approved the amend the Company's "Corporate Social Responsibility Best Practice Principles" and "Chart of Authorization"	Passed without objection by all participating directors
	5. Approved the Company's annual audit plan for 2022	Passed without objection by all participating directors
	6. Approved the change of director in the Company's subsidiaries in Hong Kong	Apart from Director ChanKou Hwang, who were abstained from the resolution due to conflict of interests, all other participating agree the proposal without objection

Date	Major resolutions	Resolution
	7. Approved the price, the number of shares, the subscribers, the period of payment and the capital increase record date of the second private placement of ordinary shares in 2021	Passed without objection by all participating directors
March 1, 2022	1. Approved the accounts receivable that were overdue for more than 3 months as the end of the second quarter are considerations of normal sales, not loaning funds to others	Passed without objection by all participating directors
	2. Approved 2021 Business Report and Financial Statements	Passed without objection by all participating directors
	3. Resolved on 2021 Deficit Compensation Statement	Passed without objection by all participating directors
	4. Approved the appointment of Ernst & Young Global Limited for the preparation of financial and tax of 2022, and the annual evaluation of its independence	Passed without objection by all participating directors
	5. Approved 2022 audit fees	Passed without objection by all participating directors
	6. Approved the Company's plan to make new loans to its subsidiaries PharmaEssentia USA Corporation	Passed without objection by all participating directors
	7. Approved the relevant matters of 2022 Regular Shareholder's Meeting	Passed without objection by all participating directors
	8. Approved the additions to the Company's Internal Control Improvement Plan	Passed without objection by all participating directors
	9. Approved the Company's Statement of Internal Control of 2021	Passed without objection by all participating directors
	10. Approved the amend the Company's "Article of Incorporation","Rules and Procedures of Shareholders' Meeting", and "Procedure for Acquisition or Disposal of Assets"	Passed without objection by all participating directors
	11. Approved the Company's plan to establish a representative office in Vietnam	Passed without objection by all participating directors
	12. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the fourth quarter of 2021	Passed without objection by all participating directors

Date	Major resolutions	Resolution
	13. Approved the Company's amendment to the Internal Control Improvement Plan.	Passed without objection by all participating directors
	14. Reviewed the Company's manager performance assessment of 2021	Passed without objection by all participating directors
	15. Reviewed the proposal of 2021 executive officer remuneration	Passed without objection by all participating directors
April 6, 2022	Approved the Company's Statement of Internal Control for the Special Audit	Passed without objection by all participating directors
April 12, 2022	1. Approved to sign a Distribution and Supply Agreement with Company's subsidiary PharmaEssentia Korea to grant exclusive right in marketing, services, and research on P1101 in South Korea, and to authorize the Chairman to handle the contract signing.	Passed without objection by all participating directors
	2. Approved to sign a Distribution and Supply Agreement with Company's subsidiary PharmaEssentia Singapore Pte. Ltd. to grant exclusive right in marketing, services, and research on P1101 in Singapore and Malaysia, and to authorize the Chairman to handle the contract signing.	Passed without objection by all participating directors
	3. Approved the revisions to the Company's Purchase Agreement with its subsidiaries PharmaEssentia USA Corporation	Passed without objection by all participating directors
	4. Resolved the Company's progress on the issuance of common shares through cash capital increase for participation in issuance of overseas depositary receipts and/or conduct private placement of common shares through cash capital increase and/or conduct private placement of overseas or domestic convertible corporate bonds	Passed without objection by all participating directors
	5. Approved the proposal to issue common shares through cash capital	Passed without objection by all participating directors

Date	Major resolutions	Resolution
	increase for participation in issuance of overseas depositary receipts and/or conduct private placement of common shares through cash capital increase and/or conduct private placement of overseas or domestic convertible corporate bonds.	
	6. Appointment of Board of Directors in PharmaEssentia Japan KK	Passed without objection by all participating directors
	7. Approved the Company's capital increase in the subsidiary PharmaEssentia Asia (Hong Kong) Limited.	Passed without objection by all participating directors
	8. Approved the Company's capital increase in the subsidiary PharmaEssentia Biotechnology (Beijing) Co., Ltd.	Passed without objection by all participating directors
	9. Approved to issue Employee Restricted Shares Awards	Passed without objection by all participating directors
	10. Approved to amend agendas of regular shareholders' meetings for the year 2021	Passed without objection by all participating directors
April 15, 2022	Approved the revisions to the Company's Statement of Internal Control for the Special Audit	Passed without objection by all participating directors
April 19, 2022	1. Recognized the Company's Internal Control Special Audit Report by CPA	Passed without objection by all participating directors
	2. Approved the price, the number of shares, the subscribers, the period of payment and the capital increase record date of the third private placement of ordinary shares in 2021	Passed without objection by all participating directors

(12) Content in which a major motion of the Board of Directors encountered dissenting opinions from a director or supervisor and is accompanied with records or written statements in the most recent year and up till the time of publication of the Annual Report: None.

(13) Summary of the resignation of the company's chairman of the board, general manager, accounting supervisor, finance supervisor, internal audit supervisor, and R&D supervisor during the most recent fiscal year up to the printing of the annual report:

Job title	Name	Employment date	Resignation date	Reason for Resignation
Internal Audit Supervisor	Mingshan Lu	102.2.25	110.10.8	Job Rotation Resigned on October 10th, 2021
Corporate Governance Officer	Xiujuan Zhuang	110.5.14	110.11.30	Resignation

5. Information on CPA Professional Fees

Accounting Firm	Name of CPA		CPA's Audit Period	Remark
Ernst & Young	Chien-Ju Yu	Li-Feng Lin	2021.1.1–2021.12.31	

Unit: NT$1,000

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	< NT$2,000,000			
2	NT$2,000,000–NT$4,000,000	V		
3	NT$4,000,000–NT$6,000,000		V	
4	NT$6,000,000–NT$8,000,000			V
5	NT$8,000,000–NT$10,000,000			
6	>NT$10,000,000			

(1) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed.

Unit: NT$1,000

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA's Audit Period	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young	Chien-Ju Yu Li-Feng Lin	2,510	-	-	-	5,262	7,772	2021.1.1~ 12.31	The non-audit fees include fees for tax advisory services, tax compliance audit, the filing of Employee Stock Options, the issuance of opinions on the Company's private placement and the internal control improvement plan, as well as the substantive reviews of the Company's financial statements for the half-year of 2021.

(2) When the company changes its accounting firm and the audit fees paid for the fiscal year of such change are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A

(3) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: N/A

6. Information on Replacement of the CPA

(1) Regarding the Former CPA: N/A

(2) Regarding the Successor CPA: N/A

(3) The company shall mail to the former CPA a copy of disclosures it is making pursuant to item A and B of the here preceding item, and advise the accountant of the need to respond by mail within 10 days should he/she disagree. The company shall disclose the content of the response letter from the former CPA:N/A

7. Where the Company's Chairperson, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of its CPA or at an Affiliated Enterprise of Such Accounting Firm, the Name and Position of the Person, and the Period During Which the Position was Held, Shall be Disclosed

None.

8. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, and Shareholder With a Stake of More than 10% During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report. Where the Counterparty in any Such Transfer or Pledge of Equity Interests is a Related Party, Disclose the Counterparty's Name, its Relationship Between That Party and the Company as Well as the Company's Directors, Supervisors, and 10% Shareholders, and the Number of Shares Transferred or Pledged

(1) Changes in Shareholding of Directors, Supervisors, Managers, and Major Shareholders

As of March 29, 2022; shares

Title	Name	2021		2022 (as of March 29)	
		Shares Holding +(−)	Shares Pledged +(−)	Shares Holding +(−)	Shares Pledged +(−)
Chairman and Chief Pharmaceutical Officer	ChingLeou Teng	70,000	-	-	-
Director	BenYuan Chen	170,000	-	-	-
Director and CEO	KoChung Lin	70,000	-	-	-
Director	Eon Capital investment account, entrusted to Yuanta Commercial Bank Rep. Shen-You Gong (Elected on August 5, 2021)	-	-	-	-
Director	National Development Fund Executive Yuan Rep: YenChing Hwang (Elected on August 5, 2021)	-	-	-	-
Director	Yao-Hwa Co., Ltd. Management Commission	-	-	-	-
Director	ShenYi Li (Elected on August 5, 2021)	100,000 (13,000)	- (300,000)	-	-
Director and Chief Operating Officer, Taichung Plant	ChanKou Hwang	65,000	-	-	-
Independent Director	Patrick Y. Yang	-	-	-	-
Independent Director	JinnDer Chang	-	-	-	-
Independent Director	JienHeh Tien	-	-	-	-
Chief Medical Officer	Albert Qin	60,000	-	-	-

Title	Name	2021		2022 (as of March 29)	
		Shares Holding +(−)	Shares Pledged +(−)	Shares Holding +(−)	Shares Pledged +(−)
		(20,000)			
Senior Manager of Finance and Corporate Governance Officer	Snow Chang (Elected as Corporate Governance Officer on November 30, 2021)	40,000 (35,000)	-	- (31,000)	-
Director	Tien Chang (Discharged on August 5, 2021)	-	-	-	-
Director	ChaoHe Chen (Discharged on August 5, 2021)	-	-	-	-
Director	ShihYing Hsu (Discharged on August 5, 2021)	-	-	-	-
Chief Operating Officer, Taichung Plant	YenTung Luan (Discharged on December 5, 2021)	50,000	-	-	-
Corporate Governance Officer	Xiujuan Zhuang (Elected on May 14, 2021 and resigned on November 30, 2021)	-	-	-	-

(2) Relationship information, if the counterparty in any such transfer of equity interests by directors, supervisors, managers, and major shareholders is a related party: None.

(3) Relationship information, if the counterparty in any such pledge of equity interests is a related party: None

9. Relationship Information, If Among the Company's 10 Largest Shareholders Any One is a Related Party or a Spouse and Relative Within the Second Degree of Kinship of Another

As of March 29, 2022; Shares; %

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Top 10 Shareholders Who are Spouses or Within Two Degrees of Kinship, Title or Name and Relationship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
National Development Fund Executive Yuan Rep: YenChing Hwang	22,066,296	7.95	-	-	-	-	-	-	-
Hong Tai Investment Co., Ltd.	10,311,569	3.71	-	-	-	-	Chao-Ho Chen	Chairman of the company	-
Rep: ChaoHo Chen	3,898,401	1.40	1,703,421	0.61	-	-	Han-Cheng Chen Yu-Ching Chen Hong Tai Investment	Relative within two degrees of kinship Relative within two degrees of kinship Chairman of the company	-
Yao-Hwa Co., Ltd. Management Commission Rep: ChaoChung Kuo	9,666,000	3.48	-	-	-	-	-	-	-
Han-Cheng Chen	9,325,790	3.36	-	-	-	-	Yu-Ching Chen Chao-Ho Chen	Relative within two degrees of kinship Relative within two degrees of kinship	-
JuiYu Yu	7,107,722	2.56	-	-	-	-	-	-	-
Eon Capital investment account, entrusted to Yuanta Commercial Bank	6,663,152	2.40	-	-	-	-	-	-	-
ChaoHo Chen	3,898,401	1.40	1,703,421	0.61	-	-	Han-Cheng Chen Yu-Ching Chen	Relative within two degrees of kinship Relative within two degrees of kinship	

As of March 29, 2022; Shares; %

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Top 10 Shareholders Who are Spouses or Within Two Degrees of Kinship, Title or Name and Relationship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
							Hong Tai Investment	Chairman of the company	
KoChung Lin	3,623,964	1.31	1,300,000	0.47	-	-	-	-	-
YuLiang Xue	3,196,000	1.15	-	-	-	-	-	-	-
ChingLeou Teng	2,853,046	1.03	-	-	-	-	-	-	-

10. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

As of December 31, 2021; Unit: 1,000 shares; %

Investment	Investment of the Company		Investments From Directors, Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company		Total Investment	
	Shares	%	Shares	%	Shares	%
PharmEssentia Asia (Hong Kong) Co., Ltd.	6,200	100%	-	-	6,200	100%
PharmEssentia (Hong Kong) Co., Ltd. (Note 1)	-	-	-	-	-	-
PharmaEssentia Japan KK	33,630	100%	-	-	33,630	100%
PharmaEssentia USA corpotation	5,600	100%	-	-	5,600	100%
PharmaEssentia Korea Corporation	451	100%	-	-	451	100%
Panco Healthcare co.,Ltd.	10,000	100%	-	-	10,000	100%
PharmaEssentia Singapore Pte. Ltd. (Note2)	68	100%			68	100%

Note 1: To expand the mainland Chinese market, the Company established the wholly owned PharmaEssentia (Hong Kong) Co., Ltd. in October 2013 to manage the Company's patents. As of December 31, 2021, PharmaEssentia (Hong Kong) had only completed the registration process. The Company has not yet issued shares

Note 2: The Company established the wholly owned subsidiary PharmaEssentia Singapore Pte. Ltd. in September 2021 for the operation need.

IV. Information on Capital Raising Activities

1. Capital and Shares

(1) Source of Share Capital

As of March 29, 2020; Unit: NT$1,000; 1,000 shares

Year/Month	Issue Price (NT$)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other Than Cash	Other
2016/3	150	200,100	2,001,000	195,283	1,952,832	NT$50,000,000 cash	-	Shou-Shang-Tzu No. 10501062410 dated 2016.3.31.
2016/4	10	200,100	2,001,000	195,458	1,954,583	-	NT$1,751,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10501073000 dated 2016.4.25.
2016/4	10	200,100	2,001,000	195,662	1,956,621	-	NT$2,038,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10501084170 dated 2016.4.28.
2016/6	10	200,100	2,001,000	198,130	1,981,301	-	NT$24,680,000 from restricted stock awards.	Shou-Shang-Tzu No. 10501122570 dated 2016.6.15.
2016/8	159	400,000	4,000,000	218,130	2,181,301	NT$200,000,000 cash	-	Shou-Shang-Tzu No. 105011860600 dated 2016.8.12.
2016/8	10	400,000	4,000,000	218,348	2,183,486	-	NT$2,185,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10501206390 dated 2016.8.23.
2016/12	10	400,000	4,000,000	218,460	2,184,601	-	NT$2,086,000 from conversion of stock warrants; (NT$972,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10501272390 dated 2016.12.1.
2017/1	10	400,000	4,000,000	218,538	2,185,389	-	NT$876,000 from conversion of stock warrants; (NT$88,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10601009870 dated 2017.1.26.
2017/5	10	400,000	4,000,000	218,812	2,188,128	-	NT$2,827,000 from conversion of stock warrants; (NT$88,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10601064650 dated 2017.5.19.
2017/8	10	400,000	4,000,000	218,885	2,188,850	-	NT$723,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10601121590 dated 2017.8.25.
2017/11	10	400,000	4,000,000	218,721	2,187,208	-	NT$1,223,000 from conversion of stock warrants; (NT$2,866,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10601161720 dated 2017.11.29.

2018/4	10	400,000	4,000,000	218,969	2,189,686	-	NT$2,478,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10701038950 dated 2018.4.12.
2018/5	10	400,000	4,000,000	219,008	2,190,088	-	NT$402,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10701058900 dated 2018.5.30.
2018/9	10	400,000	4,000,000	219,126	2,191,260	-	NT$1,206,000 from conversion of stock warrants; (NT$34,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10701106890 dated 2018.9.5.
2018/11	10	400,000	4,000,000	219,085	2,190,849	-	NT$1,664,000 from conversion of stock warrants; (NT$2,075,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10701146730 dated 2018.11.27.
2019/4	10	400,000	4,000,000	219,230	2,192,297	-	NT$1,478,000 from conversion of stock warrants; (NT$30,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10801041280 dated 2019.4.23.
2019/6	10	400,000	4,000,000	219,105	2,191,048	-	NT$726,000 from conversion of stock warrants; (NT$1,975,000) restricted stock awards recovered.	Shou-Shang-Tzu No. 10801041280 dated 2019.6.3.
2019/9	10	400,000	4,000,000	219,276	2 ,192,766	-	NT$1,718,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10801118240 dated 2019.9.3.
2019/12	10	400,000	4,000,000	219,375	2 ,193,756	-	NT$990,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10801173720 dated 2019.12.3.
2020/1	10	400,000	4,000,000	225,043	2 ,250,438	-	NT$56,682,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10801041280 dated 2020.1.13.
2020/3	10	400,000	4,000,000	225,053	2,250,538	-	NT$100,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10901032270 dated 2020.3.3.
2020/5	10	400,000	4,000,000	225,161	2,251,619	-	NT$1,080,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10901032270 dated 2020.5.29.
2020/7	10	400,000	4,000,000	241,887	2,418,869	-	NT$167,249,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10901032270 dated 2020.7.8.
2020/8	10	400,000	4,000,000	263,887	2,638,869	NT$220,000,000 cash		Shou-Shang-Tzu No. 10901032270 dated 2020.8.25.
2020/9	10	400,000	4,000,000	263,203	2,632,031		NT$570,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10901032270 dated 2020.11.25.
2020/11	10	400,000	4,000,000	263,418	2,634,183		NT$2,152,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10901032270 dated 2020.9.24.

2021/3	10	400,000	4,000,000	263,447	2,634,478		NT$295,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 10901032270 dated 2021.3.9.
2021/5	10	400,000	4,000,000	263,539	2,635,393		NT$915,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 11001091050 dated 2021.5.31.
2021/11	10	400,000	4,000,000	263,671	2,636,706		NT$1,312,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 11001216120 dated 2021.11.30.
2021/12	10	400,000	4,000,000	270,273	2,702,726		NT$66,020 from private placement of common shares	Shou-Shang-Tzu No. 11001233670 dated 2021.12.22
2022/1	10	400,000	4,000,000	276,904	2,769,036		$66,310 from private placement of common share	Shou-Shang-Tzu No. 11101003970 dated 2022.1.11
2021/3	10	400,000	4,000,000	277,434	2,774,348		NT$5,312,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 11101038660 dated 2022.3.10

As of March 29, 2022; Shares

Type of Stock	Authorized Share Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	277,622,591	122,377,409	400,000,000	Listed

Note: This includes 187,750 employee stock options that were converted into common stocks but not yet registered.

(2) Composition of Shareholders

As of March 29, 2022

Shareholder Composition / No. of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Individuals	Individuals	Treasury Stock	Total
Number of Shareholders	1	3	116	61	17,940	1	18,122
Shareholding	22,066,296	811,575	31,680,957	17,010,161	205,149,602	904,000	277,622,591
Holding Percentage (%)	7.95%	0.29%	11.41%	6.13%	73.89%	0.33%	100.00%

(3) Distribution Profile of Share Ownership

A. Common share – NT$10/share

As of March 29, 2022

Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage (%)
1 – 999	6,211	555,375	0.20
1,000 – 5,000	8,163	16,163,642	5.82
5,001 – 10,000	1,413	10,718,303	3.86
10,001 – 15,000	587	7,388,176	2.66
15,001 – 20,000	398	7,119,851	2.56
20,001 – 30,000	372	9,302,465	3.35
30,001 – 40,000	212	7,408,414	2.67
40,001 – 50,000	130	5,868,988	2.11
50,001 – 100,000	309	21,718,988	7.82
100,001 – 200,000	169	23,038,847	8.30
200,001 – 400,000	74	20,912,976	7.53
400,001 – 600,000	26	12,566,270	4.53
600,001 – 800,000	19	13,104,928	4.72
800,001 – 1,000,000	10	8,799,878	3.17
1,000,001 or over	29	112,955,490	40.70
Total	18,122	277,622,591	100.00

B. Preferred share: None

(4) Major Shareholders

As of March 29, 2022

Share / Name of Major Shareholder	Shareholding	Holding Percentage (%)
National Development Fund Executive Yuan	22,066,296	7.95%
Hong Tai Investment Co., Ltd.	10,311,569	3.71%
Yao-Hwa Co., Ltd. Management Commission	9,666,000	3.48%
Han-Cheng Chen	9,325,790	3.36%
Jui-Yu Yu	7,107,722	2.56%
Eon Capital investment account, entrusted to Yuanta Commercial Bank	6,663,152	2.40%
Chao-Ho Chen	3,898,401	1.40%
KoChung Lin	3,623,964	1.31%
YuLiang Xue	3,196,000	1.15%
ChingLeou Teng	2,853,046	1.03%

(5) The Company's Net Worth Per Share, Earnings Per Share, Dividends Per Share, and Related Information

Unit: 1,000 shares; NT$

Item \ Year			2020	2021	As of March 31, 2022
Market Price Per Share	Highest Market Price		145.5	422	330
	Lowest Market Price		53.6	69	240
	Average Market Price		107.40	116.4	286.01
Net Worth Per Share	Before Distribution (Note 1)		14.88	15.40	-
	After Distribution (Note 1)		14.88	15.40	-
Earnings Per Share	Weighted Average Shares (Note 1)		242,254	260,166	-
	Earnings Per Share (Note 1)		(8.04)	(10.80)	-
Dividends Per Share	Cash Dividends (Note 1)		-	-	-
	Stock Dividends	Dividends from Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment	Price/Earnings Ratio		-	-	-
	Price/Dividend Ratio		-	-	-
	Cash Dividend Yield		-	-	-

*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: Calculated using NT$10 par value per share.

(6) The Company's Dividend Policy and Implementation

A. Dividend Policy in the Articles of Incorporation

Article 20: If the Company sustains profit for the year (i.e., the profit before employee and director remunerations are deducted from profit before tax and after cumulative losses are reimbursed), not less than 1% of the profit shall be set aside as employee remuneration and not more than 5% of the profit shall be set aside as director remunerations.

The distribution ratio of employee and director remuneration and the distribution method of employee remuneration in the form of shares or cash shall be resolved by a majority vote at a meeting attended by more than two-thirds of the directors and shall be reported at the shareholder meeting.

Employees receiving remuneration in the form of shares or cash must include employees of subordinate companies meeting certain criteria.

Matters related to stock ownership plans for the Company's employees shall be handled in accordance with the Company's regulations on dividend distribution for employees.

Article 20-1: The Company's earnings at the end of the accounting year shall be first subject to taxation and reimbursement of previous losses, followed by a 10% provision for statutory earnings reserve. A special capital reserve shall be set aside or reversed in accordance with relevant laws or as requested by the authorities in charge. The remainder plus undistributed earnings carried over from previous years shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

Considering the current environment and growth phase of the company, the Company will facilitate future business development and expansion by distributing earnings according to its capital expenditure and fund requirement. At least 10% of earnings may be distributed to shareholders by way of cash dividends or stock dividends, provided, however, that the ratio for cash dividends does not exceed 10% of the total distribution.

B. Proposal to Distribute Dividend for the Year

The Board of Directors of the Company approved the resolution on March 1, 2022 to not distribute dividends for the year 2021.

(7) Effect of Stock Dividend on the Company's Business Performance and Earnings Per Share:

None.

(8) Compensations to Employees, Directors, and Supervisors

A. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

If the Company sustains profit for the year (i.e., the profit before employee and director remunerations are deducted from the profit before tax and after cumulative losses are reimbursed), not less than 1% of the profit shall be set aside as employee remuneration and not more than 5% as director remuneration.

The distribution ratio of employee and director remuneration and the method of distribution of employee remuneration in the form of shares or cash shall be resolved by a majority vote at a meeting attended by more than two-thirds of the directors and shall be reported at the shareholder meeting.

Employees receiving remuneration in the form of shares or cash must include employees of subordinate companies meeting certain criteria.

Matters related to stock ownership plans for the Company's employees shall be handled in accordance with the Company's regulations on dividend distribution for employees.

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

Not applicable given the Company's state of deficit in 2021.

C. Information on any approval by the board of directors for distribution of compensation:

i. The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors; if any discrepancy exists between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: None

ii. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company's financial reports or individual financial reports for the current period and total employee compensation: None

D. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

Not applicable given the Company's state of deficit in 2021.

(9) Repurchase of the Company's Shares:

Phase of repurchase	First repurchase in 2020	First repurchase in 2021
Date of resolution of the board of directors	109/10/28	110/1/6
Purpose of repurchase	Transfer to employees	Transfer to employees
Scheduled buyback period	109/10/29~109/12/27	110/1/7~110/3/5
Type and quantity of shares scheduled for repurchase	3,200,000 common shares	1,500,000 common shares
Scheduled buyback interval price	NT$57 – NT$126	NT$64 – NT$112
Actual repurchase period	109/10/29~109/12/25	110/1/8~110/3/5
Type and number of repurchased shares	2,935,000 common shares	904,000 common shares
Amount	NT$257,384,659	NT$87,501,582
Average repurchase price per share	NT$87.69	NT$96.79
Number of shares transferred to employees	2,935,000 shares	0 shares
Cumulative number of shares held by the Company	0 shares	904,000 shares
Proportion of cumulative number of shares held by the Company to the total outstanding shares (%)	0%	0.33%

2. Issuance of Corporate Bonds

None.

3. Issuance of Preferred Shares

None.

4. Issuance of Global Depository Receipts

None.

5. Status of Employee Stock Option Plan

(1) Issuance of Employee Stock Option Plan

A. Compensation Plans for Unexpired Employee Stock Options Issued by the Company

As of March 28, 2021

Type of Employee Stock Option	2017 1st Issuance of Employee Stock Options	2021 1st Issuance of Employee Stock Options
Date of Effective Registration	2017.9.18	2021.6.24
Issue Date	2017, 1st issuance, 1st period 2017, 1st issuance, 2nd period	2021, 1st issuance, 1st period
Number of Units Issued	2,166,000 units (2017, 1st issuance, 1st period). 2,234,000 units (2017, 1st issuance, 2nd period)	3,000,000 units (2021, 1st issuance, 1st period)
Ratio of Shares That Can be Subscribed to Total Issued Shares	1.67%	1.08%
Subscription Period	7 years	7 years
Contract Execution Method	Issuance of new common stocks	Issuance of new common stocks
Period and Ratio in Which Subscription is Restricted (%)	The cumulative proportion of shares that can be subscribed 2 years after the expiration of the subscription period: 50% The cumulative proportion of shares that can be subscribed 3 years after the expiration of the subscription period: 75% The cumulative proportion of shares that can be subscribed 4 years after the expiration of the subscription period: 100%	The cumulative proportion of shares that can be subscribed 2 years after the expiration of the subscription period: 50% The cumulative proportion of shares that can be subscribed 3 years after the expiration of the subscription period: 75% The cumulative proportion of shares that can be subscribed 4 years after the expiration of the subscription period: 100%
Number of Shares Obtained	1,270,000 shares	0 shares
NT$ Amount of the Shares Subscribed	NT$101,030,000	NT$0
Number of Unsubscribed Shares	2,202,000 shares	2,970,000 shares
Subscription Price Per Share of the Unsubscribed Shares	NT$74 NT$88	NT$45
Ratio of the Number of Unsubscribed Shares to the Number of Issued and Outstanding Shares	0.79%	1.07%
Effect on Shareholders' Equity	The current employee stock options were aimed at retaining talent and encouraging employees to increase their solidarity with the hope of creating benefits for the company and shareholders. The ratio of the number of unsubscribed shares to the number of issued and outstanding shares was 0.79%, posing no significant effect on the degree of dilution of shareholder equity.	The current employee stock options were aimed at retaining talent and encouraging employees to increase their solidarity with the hope of creating benefits for the company and shareholders. The ratio of the number of unsubscribed shares to the number of issued and outstanding shares was 1.07%, posing no significant effect on the degree of dilution of shareholder equity.

B. Names and subscription status of managerial officers who have obtained employee stock options and of employees who rank among the top 10 in terms of the number of shares to which they have subscription rights through employee stock options acquired

As of March 29, 2022; Unit: Shares; NT$

	Title	Name	Number of Shares Obtained	Ratio of Number of Shares Obtained to Total Issued Shares (Note 9)	Exercised				Not Exercised			
					Number of Shares Subscribed	Subscription Price (NT$)	NT$ Amount of the Shares Subscribed	Ratio of Number of Shares Subscribed to Total Issued Shares	Number of Shares Subscribed	Subscription Price (NT$)	NT$ Amount of the Shares Subscribed	Ratio of Number of Shares Subscribed to Total Issued Shares
Management	CEO	KoChung Lin	2,468,000	0.89%	70,000	74、88	5,180,000	0.03%	2,398,000	74、88、45	149,586,000	0.86%
	Chief Pharmaceutical Officer	ChingLeou Teng										
	General Manager	ChanKou Hwang										
	Chief Operating Officer, Taichung Branch	Yen-Tung Luan										
	Chief Medical Officer	Albert Qin										
	Senior Manager of Finance	Snow Chang										
Employee	General Manger of PharmaEssentia USA Corp.	Meredith Manning	2,773,000	1.00%	413,450	74、88	1,9495,300	0.15%	2,359,550	74、88、45	124,934,700	0.85%
	Vice President of Commercial	Marija Sebastian										
	Senior Vice President of PharmaEssentia USA Corp	Ray Urbanski										
	General Manger of PharmaEssentia Japan KK	Katsuya Yonezu										
	Head of Medical Affairs of PharmaEssentia Japan KK	Narihisa Miyachi										
	Vice President of PharmaEssentia USA Corp.	Samuel Lin										
	General Manger of PE Biotech Beijing	Shen Weihong										
	Chief Medical Director of PharmaEssentia Japan KK	Toshiaki Sato										
	Director of Clinical Development	Chungwei Lee										
	Director of PEC PharmaEssentia USA Corp	Zimmerman Craig Neil										

Note1: The Chief Operating Officer of Taichung Branch, Yen-Tung Luan has been discharged on December 5, 2021.
Note2: Marija Sebastian has resigned on April 2, 2020.
Note 3: Chungwei Lee resigned on April 17, 2020.

(2) Status of Any Private Placement of Employee Stock Options During the 3 Most Recent Fiscal Years: None

6. Status of Employee Restricted Stock

As of the date of publication of the annual report, all of the employee restricted stock awards have been vested.

(1) Names and acquisition status of managerial officers who have acquired new restricted employee shares and of employees who rank among the top 10 in the number of new restricted employee shares acquired

	Title	Name	Number of Shares Obtained	Ratio of Number of Shares Obtained to Total Issued Shares (Note 7)	Without Restricted Rights				Without Restricted Rights			
					Number of Shares Without Restricted Rights	Issue Price (NT$)	NT$ Amount of Issue	Ratio Of Total Issued Shares (%)	Number of Shares With Restricted Rights	Issue Price (NT$)	NT$ Amount of Issue	Ratio Of Total Issued Shares (%)
Management	Chief Pharmaceutical Officer	ChingLeou Teng	629,000	0.23%	629,000	10	6,290,000	0.23%	-	-	-	-
	Chief Executive Officer	KoChung Lin										
	General Manager	ChanKou Hwang										
	Chief Operating Officer, Taichung Branch	YenTung Luan										
	Senior Manager of Finance	Snow Chang										
Employee	Assistant General Manager, Quality System, Taichung Branch	ChienChao Chu	452,000	0.16%	452,000	10	4,520,000	0.1%	-	-	-	-
	Director, Production and Manufacturing, Taichung Branch	ChaoSheng Cheng										
	Deputy Director, New Business Development	HaoLun Yuan										
	Director, Drug Science	ZheHsu										
	Senior Director	Shufen Li										
	Assistant Manager, Audit Office	MingShan Lu										
	Director, Marketing Planning	Craig N Zimmerman										
	Director, Marketing Planning	Samuel S Lin										
	Manager, Marketing Planning	Ting-Fang Wang										
	Special Assistant, General Manager Office	ChiaYen Su										

Note 1: HaoLun Yuan has resigned in August 2016. Note 2: ChienChao Chu has resigned in December 2018. Note3: MingShan Lu has resigned in October 2021

Note4: The Chief Operating Officer of Taichung Branch, YenTung Luan has been discharged in December 2021.

7. Issuance of New Shares in Connection with Mergers or Acquisitions or With Acquisitions of Shares of Other Companies

None.

8. Financial Plans and Implementation

As of the fourth quarter of 2021, the progress and utilization of funds of the Company's previous public offerings, issuances, and private placements of securities are as follow.

2019 Private Placement of Common Shares

1. Content of the plan:
   (1) Total amount of capital required for the plan: NT$501,000,000.
   (2) Source of funds: Private placement of 5,668,198 common shares at NT$10 par value per share and an issue price of NT$86 to raise a total of NT$487,465,000. The remaining amount of NT$13,535,000 will be handled using the Company's own funds.
   (3) Date when the price of private placement was paid up: December 30, 2019.
   (4) Plan items, status of capital use, and expected benefits:
      a. Plan items and status of capital use
         On October 1, 2019, the Company's extraordinary general meeting approved the issuance of new stocks by private placement. The plan items comprised the replenishment of working capital, strengthening of financial structure, execution of new drug R&D, reinvestment, and the support of other funding needs to satisfy the Company's long-term development. On December 24, 2019, the Company's provisional meeting of the Board of Directors passed a resolution of an actual 5,668,198 private placement stock shares with paid-in capital totaling NT$487,465,028. This was used for a capital increase in the Japan subsidiary, PharmaEssentia Japan KK, and for indirect investment in sub-subsidiary PharmaEssentia Biotechnology (Beijing) Ltd. (hereinafter referred to as "PharmaEssentia Beijing") by means of a capital increase in the Hong Kong subsidiary, PharmaEssentia Asia (Hong Kong) Ltd. (hereinafter referred to as "PharmaEssentia Hong Kong").

Unit: NT$1,000

Item		Expected Completion Date	Total Capital Required	Status of Planned Capital Use							
				2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Reinvestment	PharmaEssentia Japan	2021 Q4	321,000	30,000	0	30,000	21,000	30,000	60,000	60,000	90,000
	PharmaEssentia Biotechnology (Beijing)	2021 Q4	180,000	15,000	0	15,000	0	30,000	30,000	30,000	60,000
Total			501,000	45,000	0	45,000	21,000	60,000	90,000	90,000	150,000

b. Expected benefits

The total amount of the Company's private placement cash capital increase is NT$487,465,000; the primary purpose is to increase the capital of PharmaEssentia Japan to manage operations such as clinical trials of P1101 in the Japan region, communication with the Japan PMDA and drug licensing applications, and subsequent new drug marketing. Furthermore, capital of PharmaEssentia Hong Kong is increased to indirectly invest in PharmaEssentia Beijing, and thereby manage operations such as clinical trials of P1101 in the Mainland China region, communication with the China NMPA and drug licensing applications, and subsequent new drug marketing.

To treat PV, in October 2019 the Company applied for a phase II clinical trial from the PMDA through the Japan subsidiary. The Company anticipates receiving a Japanese drug license in 2022, beginning sales by the end of 2022, and beginning profits from 2023 onwards. Additionally, to treat PV, in October 2018 the Company applied for a phase I clinical trial from the Mainland China CFDA (now renamed NMPA). The Company anticipates receiving a Mainland China drug license in 2023, beginning sales in 2023, and beginning profits from 2023 onwards.

(5) Changes to plan content, reasons for changes, and benefits preceding and following changes:

The Company's plan for the private placement of common shares has not changed

2. Implementation Status

Unit: NT$1,000

Item		Expected Completion Date	Total Capital Required	Amount	Status of Planned Capital Use								Cumulative amount
					2020				2021				
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Reinvestment	PharmaEssentia Japan KK	2021 Q4	321,000	Planned	30,000	-	30,000	21,000	30,000	60,000	60,000	90,000	321,000
				Actual	30,157	-	29,235	14,263	85,560	83,085	-	55,585	297,885
	PharmaEssentia Biotechnology (Beijing)	2021 Q4	180,000	Planned	15,000	-	15,000	-	30,000	30,000	30,000	60,000	180,000
				Actual	-	-	-	14,248	-	14,008	-	-	28,255
合計			501,000	Planned	45,000	-	45,000	21,000	60,000	90,000	90,000	150,000	501,000
				Actual	30,157	-	29,235	28,511	85,560	97,093	-	55,585	326,140

3. Benefits Analysis

The Company's execution of the 2019 private placement of common shares plan is primarily for reinvestment in the Japan subsidiary, PharmaEssentia Japan, and in the Mainland China sub-subsidiary, PharmaEssentia Beijing. PharmaEssentia Japan is expected to begin generating revenue in 2022, with a payback period of approximately 4.75 years. PharmaEssentia Beijing is expected to begin generating revenue in 2022, with a payback period of approximately 4.04 years.

Private placement of common stock in 2020

1. Content of the plan:
   (1) Total amount of capital required for the plan: NT$1,568,800,000.
   (2) Source of capital: Private placement of 16,724,947 shares of common stock, with a par value of NT$10 per share and an offering price of NT$93.8 per share; a total of NT$1,568,800,000 was raised.
   (3) Date when the price of private placement was paid up: June 24, 2020
   (4) Plan items, status of capital use, and expected benefits
      a. Plan items and status of capital use

      In the Corporation's regular shareholder meeting on May 27, 2020, a resolution was made in support of a plan to issue new stock through private placement for cash capital increase. Items involved in the plan were an increase of working capital, enhancement of the financial structure, R&D of new drugs, investment in other companies, purchase of fixed assets, and meeting of other capital needs concerning the Corporation's long-term development. In an extraordinary board meeting on June 11, 2020, a resolution was made to put NT$1,568,800,029, the amount of money raised through the private placement of 16,724,947 shares, into working capital and the purchase of R&D and manufacturing equipment.

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Status of Planned Capital Use					
			2020		2021			
			Q3	Q4	Q1	Q2	Q3	Q4
Increase of working capital	2021Q4	1,403,300	180,000	210,000	260,000	230,000	230,000	293,300
Purchase of R&D and manufacturing equipment	2021Q4	165,500	16,500	39,000	20,000	25,000	30,000	35,000
total		1,568,800	196,500	249,000	280,000	255,000	260,000	328,300

b. Expected benefits:

Of the total amount raised through the private placement in 2020, NT$1,403,300 was put into working capital, which is expected to enhance the financial structure, increase the proportion of equity capital, and improve the Corporation's debt-paying ability. The remaining NT$165,500,000 was used to purchase R&D equipment as well as active pharmaceutical ingredient manufacturing equipment at the Taichung Plant and the preproduction laboratory in Taipei for manufacturing active pharmaceutical ingredients required for P1101, and to construct a biopharmaceutical manufacturing plant that satisfies Good Manufacturing Practice.

(5) Changes to the plan, reasons for the changes, and benefits before and after the changes
No change was made to the Corporation's plan for the private placement of common stock.

2. Implementation Status:

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Amount	Status of Planned Capital Use						Cumulative amount
				2020		2021				
				Q3	Q4	Q1	Q2	Q3	Q4	
Increase of working capital	2021Q4	1,403,300	Planned	180,000	210,000	260,000	230,000	230,000	293,300	1,403,300
			Actual	346,653	459,729	470,458	54,395	72,065	-	1,403,300
Increase of working capital	2021Q4	165,500	Planned	16,500	39,000	20,000	25,000	30,000	35,000	165,500
			Actual	699	13,602	32,973	18,655	11,333	14,204	91,468
合計		1,568,800	Planned	196,500	249,000	280,000	255,000	260,000	328,300	1,568,800
			Actual	347,352	473,331	503,431	73,050	83,398	14,204	1,494,768

3. Benefits Analysis

Items \ Year		(Before) 2020 Q1	(After) 2020 Q2
Basic Financial Information	Current assets	1,590,705	3,329,212
	Total Assets	2,659,747	4,439,156
	Current liabilities	317,520	727,730
	Total liabilities	671,014	1,085,657
	EPS	8.84	13.86
Capital structure	Debt ratio	25	24
	Long term funds to fixed assets	551	903
Liquidity	Current ratio	500	457
	Quick ration	366	404

2020 cash capital increase through the issuance of new stock

1. Content of the plan:
   (1) Total amount of capital required for the plan: NT$2,013,000,000
   (2) Source of capital:
      a. For the cash capital increase, the Corporation issued 22,000,000 shares of common stock; the par value was NT$10 per share, and the shares were issued at a premium, with an offering price of NT$102. A total of NT$2,244,000,000 was raised.
      b. The actual amount of capital raised, NT$2,244,000,000, was higher than the required amount required for the plan, namely NT$2,013,000,000. The excess attributable to the change of offering price, NT$231,000,000, will be put into working capital.
   (3) Plan items and status of capital use

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Status of Planned Capital Use					
			2020		2021			
			Q3	Q4	Q1	Q2	Q3	Q4
P1101-ET	2021 Q4	593,000	96,708	113,458	103,365	95,709	95,709	88,051
Reinvestment-PharmaEssentia USA	2021 Q4	1,420,000	270,000	250,000	180,000	180,000	270,000	270,000
合計		2,013,000	366,708	363,458	283,365	275,709	365,709	358,051

   (4) Expected benefits

The raised capital, NT$2,013,000,000, was mainly used to increase the Corporation's investment in its subsidiary, PharmaEssentia USA, particularly in expanding the local staff, operational activities, and marketing of future products, and for supporting financial needs for the conduct of multinational and multicenter phase III clinicals for P1101-ET in countries including the United States, Taiwan, Japan, China, and South Korea. The Corporation's P1101 for PV (hereinafter "P1101-PV") was authorized by the European Medicines Agency in February 2019 for marketing (name of product: Besremi) with the help of its Austrian partner AOP. After discussions with the U.S. FDA, China's National Medical Products Administration, and Taiwan's Food and Drug Administration, the Corporation submitted a direct application to the aforementioned competent authorities for a phase III clinical trial for P1101-ET on the basis of data derived from the European phase III clinical trial for P1101-PV. The data collection is expected to be completed by the end of 2020, and the phase III clinical trial for P1101-ET by the end of 2022. Starting from 2023, the Corporation will start to work on gaining

approval of new drug applications for P1101-ET in different countries; overall, the conduct of the phase III clinical trial for P1101-ET will be of great benefit to the future operations and development of the Corporation.

(5) Changes to the plan, reasons for the changes, and benefits before and after the change

a. Changes to the content of the plan:

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Status of Planned Capital Use									
			2020		2021				2022			
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
P1101-ET	2021Q4	593,000	13,005	80,035	26,381	30,282	67,191	88,051	70,000	70,000	70,000	78,055
Reinvestment-PharmaEssentia USA	2021Q4	1,047,288	144,755	141,593	199,220	311,100	139,450	111,170	-	-	-	-
Increase of working capital	2022Q1	603,712	-	-	-	231,000	0	250,000	122,712	-	-	-
合計		2,240,000	157,760	221,628	225,601	572,382	206,641	449,221	192,712	70,000	70,000	78,055

b. Reasons for the change

The total amount of funds raised by the cash capital increase in 2020 was T$2,244,000,000. The funds raised are reserved for reinvestment in the Company's US subsidiary for expanding its staff, sufficing its future cash flows for operating and marketing activities, supporting the worldwide phase III clinical trials of P1101 in treating Essential thrombocythemia (ET) in the United States, Taiwan, Japan, China and Korea, and increasing working capital. The reinvestment was expected to be completed by 2021.

However, due to the impact from the COVID-19 outbreak, the recruitment of the worldwide phase III clinical trials for ET indication was delayed and has not yet met expectations. Therefore, the clinical trials will be postponed to the end of the fourth quarter of 2022.

And as the US subsidiary has started to generate revenues from sales of P1101, the Company decided to appropriate the amount of funds originally reserved for reinvestment in it, NT$372,712,000 to increase the working capital for the purpose of supporting the research expenses of new drugs and daily operations of the Group.

c. Expected benefic after plan change

The funds from 2020 cash capital increase through the issuance of new stock was used to reinvest in US subsidiary, support clinical trials of ET indication and to

increase working capital. As the Company has obtained approval for P1101 in treating PV, the US subsidiary is expected to generate revenue from the sales of P1101 by 2021. After the completion of the Phase III clinical trial of P1101 in ET, the Company will apply for the drug licenses in participating and this is expected to have positive impact on the operations and future development of the Company. Those funds reserved for increasing working capital are expected to improve and strengthen the Company's financial structure the liquidity.

2. Implementation Status:

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Amount	Status of Planned Capital Use							Cumulative amount
				2020		2021				2022	
				Q3	Q4	Q1	Q2	Q3	Q4		
P1101-ET	2021Q1	593,000	Planned	13,005	80,035	26,381	30,282	67,191	88,051	288,055	593,000
			Actual	13,005	80,035	26,381	30,282	67,191	107,217	33,122	324,111
Reinvestment-PharmaEssentia USA	2021Q1	1,047,288	Planned	144,755	141,593	199,220	311,100	139,450	111,170	-	1,047,288
			Actual	144,755	141,593	199,220	311,100	139,450	111,170	-	1,047,288
Increase of working capital	2022Q1	603,712	Planned	-	-	-	231,000	-	250,000	122,712	603,712
			Actual	-	-	-	231,000	-	337,952	34,760	603,712
合計		2,240,000	Planned	157,760	221,628	225,601	572,382	206,641	449,221	410,767	2,240,000
			Actual	157,760	221,628	225,601	572,382	206,641	556,339	67,882	2,008,233

After reviewing the Company's original fundraising plan, the Company is scheduled to complete the Phase III clinical trial of P1101 in ET in 2022, and to obtain the drug licenses in the participating countries; and PharmaEssentia USA Corporation is expected to start generating revenue from 2022. Except for the slight delay in the research plans due to the impact of the Covid-19 pandemic, the plan implementation progress follows the original plan. Therefore, it's suggested that Company's current implementation progress is still in line with the original expectations.

The 1st Private placement of common stock in 2020

1. Content of the plan:
   (1) Total amount of capital required for the plan: NT$1,168,554,000.
   (2) Source of capital: Private placement of 6,602,000 shares of common stock, with a par value of NT$10 per share and an offering price of NT$177 per share; a total of NT$1,168,554,000 was raised.
   (3) Date when the price of private placement was paid up: December 10, 2021
   (4) Plan items, status of capital use, and expected benefits
      a. Plan items and status of capital use

         In the Corporation's regular shareholder meeting on August 5, 2021, a resolution was made in support of a plan to issue new stock through private placement for cash capital increase. Items involved in the plan were an increase of working capital, enhancement of the financial structure, R&D of new drugs, investment in other companies, purchase of fixed assets, and meeting of other capital needs concerning the Corporation's long-term development. In an extraordinary board meeting on December 3, 2021, a resolution was made to put NT$1,168,554,000, the amount of money raised through the private placement of 6,602,00 shares, into increasing the working capital.

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Status of Planned Capital Use			
			2022			
			Q1	Q2	Q3	Q4
Increase of working capital	2022Q4	1,168,554	300,000	400,000	400,000	68,554
Total		1,168,554	300,000	400,000	400,000	68,554

      b. Expected benefit

         The funds raised hereby is reserved for increasing working capital and is expected to improving and strengthening the Company's financial structure, increasing the equity ratio and improving the liquidity.

   (5) Changes to the plan, reasons for the changes, and benefits before and after the changes
      No change was made to the Corporation's plan for the private placement of common stock.

2. Implementation Status:

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Amount	Status of Planned Capital Use			
				2022			
				Q1	Q2	Q3	Q4
Increase of working capital	2022Q4	1,168,554	Planned	300,000	400,000	400,000	68,554
			Actual	437,328	-	-	-
Total		1,168,554	Planned	280,000	255,000	260,000	328,300
			Actual	437,328	-	-	-

3. Benefit analysis

The funds raised hereby is reserved for increasing working capital and for the long-term development of the Company. The private placement is expected to lower the business risk, improve, and strengthen the Company's financial structure and improve the operating performance.

The 2nd Private placement of common stock in 2020

1. Content of the plan:
   (1) Total amount of capital required for the plan: NT$1,558,285,000.
   (2) Source of capital: Private placement of 6,631,000 shares of common stock, with a par value of NT$10 per share and an offering price of NT$235 per share; a total of NT$1,558,285,000 was raised.
   (3) Date when the price of private placement was paid up: December 29, 2021
   (4) Plan items, status of capital use, and expected benefits
      a. Plan items and status of capital use

         In the Corporation's regular shareholder meeting on August 5, 2021, a resolution was made in support of a plan to issue new stock through private placement for cash capital increase. Items involved in the plan were an increase of working capital, enhancement of the financial structure, R&D of new drugs, investment in other companies, purchase of fixed assets, and meeting of other capital needs concerning the Corporation's long-term development. In an extraordinary board meeting on December 23, 2021, a resolution was made to put NT$1,558,285,000, the amount of money raised through the private placement of 6,631,00 shares, into increasing the working capital.

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Status of Planned Capital Use			
			2022			
			Q1	Q2	Q3	Q4
Reinvestment	2022Q4	1,558,285	154,183	659,500	645,000	99,575
Total		1,558,285	154,183	659,500	645,000	99,575

      b. Expected benefit

         The funds raised from the 2021 private placement plan are for reinvestment in the subsidiaries to maintain the necessary personnel, suppor clinical trials and their daily operations.

   (5) Changes to the plan, reasons for the changes, and benefits before and after the changes
      No change was made to the Corporation's plan for the private placement of common stock.

2. Implementation Status:

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Amount	Status of Planned Capital Use			
				2022			
				Q1	Q2	Q3	Q4
Reinvestment	2022Q4	1,558,285	Planned	154,183	659,500	645,000	99,575
			Actual	154,183	-	-	-
Total		1,558,285	Planned	154,183	659,500	645,000	99,575
			Actual	154,183	-	-	-

3. Benefit analysis

The funds raised from the 2021 private placement plan are for reinvestment in the subsidiaries. The Company's US subsidiary PharmaEssentia USA Corporation is expected to make a profit by 2022.

V. Overview of Business Operations

1. Descriptions of Business

(1) Business Scope

A. Main Business Activities

The Company's major lines of business are as follows:

i. Wholesale of Chemistry Raw Materials
ii. Wholesale of Drugs and Medicines
iii. Wholesale of Drugs, Medical Goods
iv. Wholesale of Cosmetics
v. Retail sale of Chemistry Raw Materials
vi. Retail sale of Drugs and Medicines
vii. Retail sale of Drugs and Medical Goods
viii. Retail sale of Cosmetics
ix. Retail Sale of Second-Type Patent Medicine
x. International Trade
xi. Intellectual Property
xii. Pharmaceuticals Examining Services
xiii. Biotechnology Services
xiv. Research Development Service
xv. Beverage Manufacturing
xvi. Other Food Manufacturing Not Elsewhere Classified
xvii. Basic Industrial Chemical Manufacturing
xviii. Drugs and Medicines Manufacturing
xix. Cosmetics Manufacturing
xx. Other Chemical Products Manufacturing
xxi. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

B. Relative Weight of Primary Products

The Company mainly engages in the research, development, production, and sales of new drugs. Its operating revenues are primarily generated from licensing income, royalty payments after a drug are introduced to the market, and sales of goods. The revenue and weight for 2021 are as follows:

Unit: NT$1,000; %

Revenue Item	2021	
	Revenue	Weight (%)
Sale of goods	633,149	96.44
Provision of labor services	23,357	3.56
Total	656,506	100.00

C. Current Products (Services)

Product	Category	Indication
P1101 (Ropeginterferon alfa-2b)	Developed by the Company	Polycythemia vera (PV)
		Essential thrombocythemia (ET)
		Hepatitis B
		Hepatitis C
Anti-PD-1 antibody (immune checkpoint inhibitor)	Developed by the Company	Cancer
Oraxol (Oral paclitaxel)	Licensed to Develop	Breast cancer, advanced gastric cancer, and esophageal cancer
KX01 (Kinase inhibitor)	Licensed to Develop	Psoriasis, actinic keratosis (AK)

D. New Products (Services) Planned for Development

The Company will use the established R&D platform for new drugs and continue to develop other profitable long-acting biopharmaceutical drugs, such as pegylated erythropoietin (PEG-EPO, long-acting EPO), long-acting pegylated granulocyte colony stimulating factor (PEG-GCSF), and long-acting β-interferon (PEG-INFβ)

(2) Overview of Industry

A. Status and Development of the Industry

Biotechnology (biotech) and pharmaceutical industries are added-value industries characterized by both innovative R&D and value creation. Biotech and pharmaceutical industries are thriving globally under the influence of factors such as medical advancements, reduced mortality rates, biotech breakthroughs, population aging, and increased demand for health care. Because biotech and pharmaceutical industries are closely related to the safety and health of people, rigorous control over quality, safety, efficacy, and laws are required throughout drug development from new discoveries, feasibility studies, preclinical trials, and clinical trials to new drug approval for sale and marketing. Nevertheless, biotech and pharmaceutical industries are technology intensive and necessitate large amounts of investments, R&D technologies, time resources, and high-risk exposure.

Taiwan's has been striving hard for many years to improve the industrial ecosystem and the development of key technologies and has gradually achieved important milestone. Not only has new drugs developed by itself obtained marketing approvals in the United States, the European Union, Japan, etc., but also a number of new drugs authorized by international manufacturers. The number of innovative medical devices that have obtained marketing approvals in the United States has steadily increased, and food biotechnology and agricultural biotechnology are gradually developing towards internationalization, integrating into the international biotechnology community, striving for international cooperation and developing market opportunities, which not only demonstrates the research and development of Taiwan's biotechnology industry and is conducive to the growth of the scale of the biotechnology industry.

Taiwan has experienced how its pharmaceutical industries have transformed their drug development processes for the past 30 years. The enforcement of the Act For The Development Of Biotech And New Pharmaceuticals Industry in 2008 has provided manufacturers with technological, capital, and labor support in the form of tax incentives to promote the industrial development of new drugs. In recent years, Taiwan’s government has responded to the emerging development of biotech and pharmaceutical industries, breakthroughs in technological innovation, and future health care demands by increasing the production value and competitiveness of biotech and pharmaceutical industries. In 2016, the government included biotech and pharmaceutical industries in its 5+2 innovative industries plan, which focuses on development of key projects as a driving force for the growth of Taiwan's next-generation industries.

As to the industrial policies in 2021, on the basis that the "5+2 Innovative Industries Plan " and "Six Core Strategic Industries" continuously promoted by the government include biotechnology and pharmaceutical industries, Taiwan's Ministry of Economic Affairs has put forward a draft of “Act for the Development of Biotech and Pharmaceutical Industry and Precision Health Industry ” to replace the original “Act for the Development of Biotech and Pharmaceutical Industry”, which will expire by the end of 2021. After the third reading of the Legislative Yuan in the fourth quarter of 2021, the new “Act for the Development of Biotech and Pharmaceutical Industry and Precision Health Industry ” will be effective from 2022 to 2031. The scope of the Act includes new dosage forms, regenerative medicine(including cell and gene therapy), precision medicine and telehealth, and relevant regulations are also applicable to CDMO companies. The government

continues to establish the "Biobank" to collect the big data, so as to adapt to the COVID-19 epidemic to promote the digital transformation of the medical industry, and focus on the development of smart medical care, epidemic prevention technology and health data management. At the same time, it strengthens the international connection, promotes the promotion of multiple applications through the integration of software and hardware, and achieves the goal of re-upgrading the industry. As of the end of June 2011, there were 157 new biotech companies in Taiwan, 420 new biotech products, and 53 of them have obtained marketing licenses and the contributions have increased year by year.

PharmaEssentia is a new drug developer and manufacturer of biologics. In the next section, the status of pharmaceutical markets and new drug R&D in Taiwan and globally are described to provide an overview of the industry to which the Company belongs.

i. Overview of the Global Pharmaceutical Market

Although the COVID-19 epidemic has triggered various control measures, slowing down the global economic, reducing many non-necessary medical behaviors, and reducing the demand for medicines, the global pharmaceutical market will continue to develop as more new drugs with good efficacy enter the market. According to IQVIA statistics, the global pharmaceutical market was valued at approximately US$1.27 trillion in 2020 and grew at a rate of 1.18% relative to the market size in 2019. Among them, those advanced countries, such as the United States, the five countries in Europe (German, France, the United Kingdom, Italy, Spain), Japan, Csanada, and Australia, have world’s largest pharmaceutical market, with a size reaching US$959.5 billion in 2020, which accounted for 76% of the global market. Mainland China, Brazil and India, which is the second largest market with a size reaching US$290.8 billion in 2020, accounted for 23.0% of the global market. The remaining areas accounted for only 1 % of the global pharmaceutical market.

The growth rate of the global pharmaceutical market in 2020 is relatively small, mainly due to the reduction of the overall growth rate due to the impact of the COVID 19 epidemic on the production and sales of conventional drugs in medical institutions, changes in the allocation of R&D resources of manufacturers and delays in the launch of new products. Entering 2021, due to the large-scale vaccination plans of COVID 19 preventive vaccines in various countries, the huge demand for related biological drugs will be driven, and the use of epidemic-related adjuvant drugs in emerging countries where the

epidemic situation is still severe is still increasing significantly. Since 2021, the sales of high unit price new patented drugs and emerging therapies in European and American countries where the epidemic has eased have shown a significant recovery compared with 2020. Therefore, it is estimated that the global drug market will reach US$1.35 trillion in 2021, which represents a growth rate of 8.9%.

Table 1 Sales Territories and Projected Growth of Global Pharmaceutical Market in 2020

單位：億美元，%

地區別	2020 年銷售額	2016~2020 年 CAGR	2021~2025 年 CAGR
先進國家	9,595	3.8	1.5~4.5
-美國	5,278	4.2	2~5
-歐洲五國	1,804	4.4	2~5
-日本	882	-0.2	(-2)~1
新興醫藥國家	2,908	7.4	7~10
低所得國家	150	3.9	3~6
合計	12,652	4.6	3~6

Source: 2021 Yearbook of the Pharmaceutical Industry

ii. Overview of Global New Drug R&D

Driven by the aging population, chronic disease, and rising cancer population, the demand for medicines has increased, driving the growth of the drug market. According to IQVIA statistics, the market size in 2018 was US$1.2 trillion, and it is estimated that the market size in 2023 will reach more than US$1.5 trillion. The market is mainly driven by the introduction of innovative medicines, and the proportion of biopharmaceuticals is expected to continue to grow due to the rapid development of emerging biotechnologies such as antibodies, cell therapy, and gene editing. Due to the rise of Precision Medicine, the market now focusing on the personalized medicine. The development and market size of anti-cancer drugs also continues to grow, and many companies have successively invested in the development of cancer drugs.

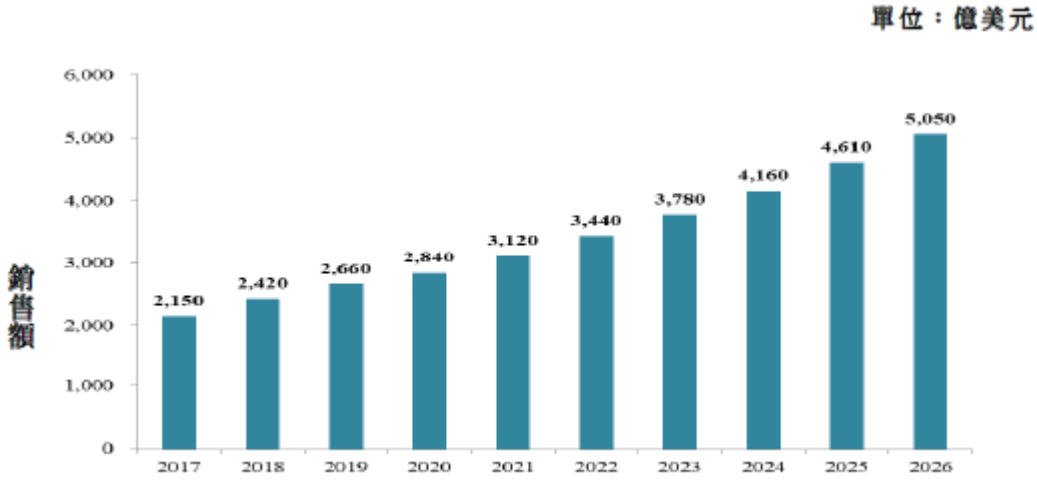
iii. Overview of the Global Biopharmaceutical Market

The rapid development of biochemical technologies has slowly turned biologics into mainstream products in the global pharmaceutical market. The main difference between biologics and traditional chemical drugs lies in the method with which they are researched, developed, and manufactured. Biologics are developed and manufactured using bioengineering technologies, such as genetic,

cellular, and protein engineering. Biologics are used to treat or prevent human diseases, including anemia, cancer, and autoimmune diseases. Conventional chemical drugs are produced by using various chemicals in different mixtures. Because chemical drugs are produced using only single-chemical engineering technologies, these drugs are easy to manufacture and mass produce. By contrast, biologics are produced using several bioengineering technologies in different disciplines; therefore, they require more time to research and develop than do chemical drugs. The development of biotech has catalyzed the development and launching of biologics. Because biologics have excellent therapeutic efficacy and minimal side effects, they have become the best-selling drugs since their launch in the market.

According to the research report of EvaluatePharm, the global biopharmaceutical market size in 2020 was about US$284 billion, an increase of about 6.77% from US$266 billion in 2019, and the proportion of the global pharmaceutical market also increased from 26% in 2020 to 30% in 2021. It is estimated that in 2026, the global biopharmaceutical market will reach US$505 billion, and the market share will reach 35%, becoming a key item driving the growth of the global pharmaceutical market. Although the market size of biological drugs is not as large as that of small-molecule drugs, with the development of biotechnology and the fact that monoclonal antibodies have a high degree of specificity that can destroy specific target cells without damaging normal cells, it has become pne of the important key technologies for new drugs.

Figure 1 The Development Trend of Global Biologics Market



Source World Preview 2020, Outlook to 2026, EvaluatePharm, June, 2020, 2021Yeabook of Pharmaceutical Industry

iv. Overview of the Pharmaceutical Market in Taiwan

Pharmaceutical industries in Taiwan have experienced 30 years of development. In addition to the health care market, it is also expanding into foreign markets. As the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare has become one of the member states of the International Pharmaceutical Audit Agreement, and has fully implemented the PIC/S Good Manufacturing Practice (GMP), not only the quality of the country's medicines has reached international standards, and its specifications have also been recognized by some countries. This is conducive to the expansion of the export market. In addition, the number of Taiwan's new drugs on the international market has gradually increased, and the actual product sales performance and licensing fee income brought by them have created substantial contributions to the turnover of Taiwan's pharmaceutical industry. In 2020, the sales of Taiwan's pharmaceutical industry reached NT$89 billion, an increase of 4.09% over 2019.

Table 2 2015~2020 Overview of Pharmaceutical Market in Taiwan

西元年	2015	2016	2017	2018	2019	2020
營業額(億元)	772	795	801	803	855	890
廠商家數(家)	320	320	357	358	360	375
從業人員(人)	18,500	18,500	19,000	19,055	19,100	19,500
出口值(億元)	261	314	292	301	310	322
進口值(億元)	1,021	1,267	1,422	1,510	1,680	1,681
內銷：外銷(%)	66:34	61:39	64:36	63:37	64:36	64:36
國內市場需求(億元)	1,532	1,748	1,931	2,012	2,224	2,249

資料來源：財團法人醫藥工業技術發展中心，2021 年。

Source: 2021Yeabook of Pharmaceutical Industry

The scale of Taiwan's pharmaceutical market has maintained steady growth for many years. However, due to the increasing medical expenditure, the government has continued to control medical expenditure by adjusting insurance premium rates, implementing a new partial burden system and controlling the price of health insurance in order to reduce medical costs, which affects Taiwan's pharmaceuticals market growth rate. However, it is estimated that the domestic drug market will continue to grow with the increasing proportion of the elderly population and the increasing demand for drugs for cancer and chronic diseases.

v. Overview of New Drug R&D in Taiwan

In 2016, the Executive Yuan launched the policy of "Biomedical Industry

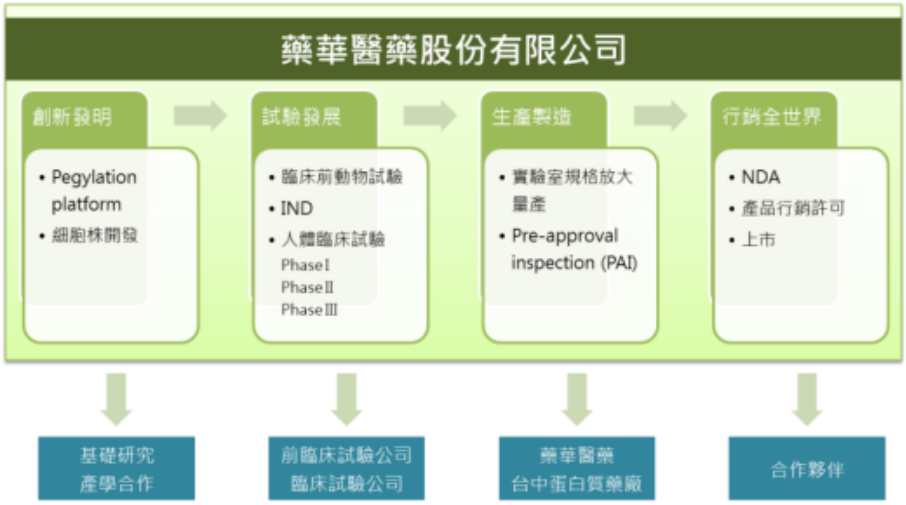
Innovation Program ", supplemented by the implementation of the "Act for the Development of Biotech and Pharmaceutical Industry ", to continue to provide financing and rental tax incentives for small and medium-sized domestic companies with sufficient capabilities on new drug development. While leading capital investment, it has successively assisted in the establishment of biotechnology and pharmaceutical industry clusters such as Nangang National Biotechnology Park and Hsinchu Biomedical Park. After the outbreak of the COVID-19 epidemic in 2020, the results of mid- and late-stage clinical trials of local new biological drugs continuously met the requirements and obtained drug certificates for listing in various countries. Also, the domestic biological drug contract development and manufacturing organization was benefit from this trend and has won more orders. Since 2021, the local innovative drug developers have continued to obtain approvals on new drug and enhance the international visibility of local new drugs.

vi. Overview of the Biopharmaceutical Market in Taiwan

Taiwan is implementing policies to develop biologics. These policies and laws are focused on expanding the scope of applications and refining the review, performance, and development of clinical trials. For example, the Act For The Development Of Biotech And New Pharmaceuticals Industry was amended in 2017 to include emerging technologies (e.g., gene therapy, precision medicine, and cell therapy) in the scope of R&D subsidies, which will facilitate the strengthening of biologics innovation and development in Taiwan. After a series of meetings, the Bio Taiwan Committee under the Executive Yuan concluded that focus should be placed on developing the niche of new protein drugs and biosimilars. Most biopharmaceutical industry chains has been established. A complete industry chain helps Taiwan’s biopharmaceutical industries to undertake R&D initiatives, accelerate product introduction, and strengthen international competitiveness.

B. Links Among the Upstream, Midstream, and Downstream Industry Segments

The links among the upstream, midstream, and downstream segments of the industry involved in the Company’s new drug development are presented as follows:



The Company is an R&D-oriented biopharmaceutical company specializing mainly in the development of new drugs. The Company is based in Taiwan, where it invents new drugs, develops clinical trials, and produces and manufactures pharmaceutical products for global distribution. Because pharmaceutical products are used in the human body, their safety and efficacy must be strictly controlled by governmental institutions globally through a series of mechanisms, including premarket reviews and postmarket monitoring. Hence, biopharmaceutical industries are unlike general industries. Generally, the R&D, production, and market distribution of new drug products must undergo the following processes:

i. Basic laboratory and applied research: This phase primarily involves the exploration of pharmaceutical products by industrial and academic institutions and research units in Taiwan and overseas.

ii. Technological and pharmaceutical pilot development: In this phase, pilot plants first confirm the feasibility of commercializing lab-made products and subsequently develop specifications and manuals for batch production. In addition, they must define methods for product analysis and equipment cleaning to ensure compliance with regulatory requirements.

iii. Preclinical study: Nonclinical animal testing is performed on current Good Manufacturing Practice (cGMP)-conforming pharmaceutical products and include pharmacokinetic, toxicological, and pharmacological tests to ensure that products are effective and safe in animal bodies.

iv. Application for human clinical trial: This phase involves submitting an IND application to pharmaceutical and health authorities and commencing a three-phase human clinical trial. The phase-I trial verifies drug safety in healthy participants. In phase II, a small number of participants is enrolled for purposes of obtaining the basis of drug efficacy and exploring possible effective doses. After study efficacy reaches a level of reproducibility, the phase-III trial is

conducted on a larger number of patients to establish therapeutic efficacy and perform long-term response monitoring. If the expected result is obtained after the phase-III trial, an NDA or BLA can be submitted to pharmaceutical and health authorities. After the drug permit license is obtained, the new pharmaceutical product can be distributed to the market for sale.

v. Pharmaceutical manufacturing and registration trial (plant inspection): The aforementioned phases are part of the pharmaceutical R&D process. A pharmaceutical product that passes all three phases of clinical trial is proven to be safe and effective in patients. However, potential manufacturers of this product must be inspected and verified by pharmaceutical and health authorities before the product can be commercialized for production and sale.

C. Product Development Trends

i. P1101 for the treatment of rare blood disorders

P1101 is used to treat myeloproliferative disorders, including PV, essential thrombocythemia (ET), and primary myeloid fibrosis (PMF). PV and ET are rare blood disorders. Rare diseases are those with low prevalence rates, are uncommon, and affect few patients. Individual countries define rare diseases differently. In Taiwan, the Rare Disease and Orphan Drug Act defines rare diseases as those with prevalence rate less than 1 in 10,000, and they are identified through considerations for genetic disease counseling or disease prevention, difficulty of diagnosis and treatment and disease severity, and coverage in the current NHI program. In Europe, a rare disease is considered to be one that affects less than 5 out of 10,000 patients, whereas in the United States, a disease is classified as rare if it affects fewer than 200,000 patients. Japan's Orphan Drug Law defines a rare disease as one that affects fewer than 50,000 patients. The World Health Organization (WHO) defines a rare disease as a disease or pathological change affecting 0.65‰–1‰ patients of the total population. Globally, 7000–8000 types of rare diseases have been confirmed. They account for 10% of human diseases, and only approximately 1% of these rare diseases can be treated effectively.

Rare diseases have different onset and disease characteristics, and they are generally severe or life-threatening. MPNs are a type of disease caused by abnormal changes in myeloid stem cells that result in the excessive proliferation of differentiated blood cells. Typical MPNs can be classified into PV, ET, chronic myelogenous leukemia, and PMF, none of which have cures or effective treatment methods, and they are treated with medication to control symptoms only.

According to statistics, the average diagnosis time of rare diseases is as long as 5-7 years. At present, more than 7,000 rare diseases are known, affecting about 350 million people around the world, but only about 200 diseases have approved drug treatments. The development stage is still a blue ocean. Research firm Global Market Insights estimates that the global rare disease treatment market will reach US$317.1 billion by 2026, with a compound growth rate of 12.2% from 2020-26. The growth is mainly due to the increase in the number of rare disease cases in the world, the promotion of national policies and the development and launch of new drugs. In recent years, orphan drugs are still the focus of new drug development. The use of P1101 in the treatment of PV and ET is described as follows:

(A) PV

PV symptoms develop slowly and occasionally, and PV may remain asymptomatic for many years. PV typically develops in elderly people. In PV, blood thickens because of excess red blood cells and circulates slowly around certain tissues, limiting oxygen supply and causing symptoms such as headache, dizziness, weakness, and shortness of breath. In severe cases, symptoms include an enlarged spleen, blood clotting, and an increased risk of stroke.

Current treatments for PV include phlebotomy, low-dose aspirin, medication using hydroxyurea (HU, a chemotherapeutic agent), off-label use of the conventional interferon Pegasys, and bone marrow transplant. However, these treatment methods remain inapplicable for one-fourth of patients with PV and can cause other complications and increase the risk of blood cancer. Currently, the only US Food and Drug Administration (FDA)-approved medication for PV is Jakafi, which is developed by Incyte Corporation, a company listed on the Nasdaq stock market. Jakafi was approved in the United States in December 2014. However, it is limited to use as a second-line drug when all of the aforementioned treatment options are ineffective.

The Company’s P1101 product (product name: Besremi) for the treatment of PV was granted marketing authorization by the EMA through our partner in Austria, AOP Orphan Pharmaceuticals (AOP), in February 2019. It was also approved by FDA to treat PV, the first FDA-approved medication and interferon therapy for the disease

(B) ET

ET is a rare blood disorder that causes bone marrow to produce excess platelets. Similar to PV, ET is related to the mutation of the JAK2 gene. ET is mainly treated using concurrent low-dose aspirin and HU; however, 20%–40% of patients become intolerant or nonresponsive to HU treatment. Consequently, these patients are exposed to an increased risk of disease progression and lower survivability. Anagrelide (Agrylin/Xagrid, Shire and Thromboreductin, AOP Orphan Pharmaceuticals AG) is a medication that was approved by the European Union (EU) in February 2018 for the treatment of ET. Anagrelide is also the standard treatment medication; however, it is associated with several side effects, such as edema and diarrhea and the possibility of vasodilation, palpitation, and heart failure. Patients with a history of abnormal cardiovascular function must carefully monitor changes in their disease condition after using anagrelide. Without proper treatment, patients with ET are exposed to increased risks of blood clotting and hemorrhage. The Company expects to complete the recruitment of its phase-III clinical trial in 2022.

ii. P1101 for chronic hepatitis treatment

Hepatitis B is among the most prevalent infectious diseases globally. According to the WHO, approximately 400 million people are carriers of the hepatitis B virus (HBV), and approximately 1 million people die from hepatitis B and associated diseases annually. Each year, 10–30 million people in the world develop hepatitis B, and 5%–10% of them become carriers.

The development of oral antiviral drugs for hepatitis B is focused on inhibiting virus replication and reducing drug resistance. Infected patients are prone to virus mutation and drug resistance if they continue to use medicine despite having persistently high levels of HBV. At this point, physicians assess patients' conditions and adjust their treatment methods and medications accordingly. Most patients with hepatitis B prefer oral administration of antiviral drugs because interferon therapy is associated with greater restrictions and side effects. Therefore, oral administration remains a common clinical practice. Current oral drugs include lamivudine, adefovir, entecavir, and telbivudine.

According to the 2017 Global Hepatitis Report published by the WHO in April 2017, more than 325 million people globally are carriers of the HBV or hepatitis C virus (HCV), and few of them know that they are carriers. The number of deaths increases as the number of infected people increases. In 2015, 1.34 million people died from hepatitis infection; this number is roughly equal to the number of deaths due to the human immunodeficiency virus and tuberculosis.

Patients with chronic hepatitis B and C must receive treatments frequently to prevent complications of cirrhosis and liver cancer for 10 to 20 years. Patients with hepatitis are asymptomatic in the early stages of infection. Patients develop symptoms such as headache, nausea, and dizziness as side effects of interferon therapy. Currently, PEG-Intron (Merck) and Pegasys (Roche) are long-acting pegylated interferons available on the market. These drugs are administered by injection once per week. Side effects persist for 2 to 3 days after injection, but by the time patients feel slightly improved, they must receive the next treatment. This cycle psychologically and physiologically affects patients' everyday lives, making patients reluctant to receive treatment. Therefore, patients with hepatitis urgently require a new-generation long-acting interferon that causes minimal side effects and is administered over a longer interval (e.g., once every 2 weeks). The WHO estimates that 71 million people globally have chronic hepatitis C. The actual number of infected patients may be underestimated because patients are asymptomatic in the first few weeks of infection, contributing to the low detection rate. Although hepatitis C can be completely cured using small-molecule drugs, approximately one-tenth of patients with hepatitis C are also carriers of HBV. During treatment for hepatitis C, the reduction of HCV levels triggers the onset of hepatitis B; the surface antigen levels for HBV in these patients are relatively low, which increases the success of interferon treatments. This type of patient is the best candidate for receiving interferon therapy. The Company is also prepared to invest in this direction. Patients coinfected with HBV/HCV are included in the scope of interferon therapy. This type of coinfection may be classified as a rare disease.

The use of P1101 as a treatment for chronic hepatitis is now focusing on evaluation of safety and efficacy (Phase I) with regard to the combination therapy of anit-PD1 for those hepatitis B or D patients who have not been under interferon treatments; and on Phase I/II trial of the safety and efficacy of PD1 antibody monotherapy, P1101 monotherapy and P1101 followed by anti-PD1 antibody therapy.

iii. Cancer Medicine

According to the latest report by the WHO's International Agency for Research on Cancer, in 2020, 19.3 million new cancer cases were diagnosed worldwide, and 10 million deaths were reported. The global cancer drug market reached US$135 billion by 2020 and is expected to grow to US$274 billion by 2030. In recent years, the development of new cancer drugs is flourishing, new drugs, such as immune checkpoint inhibitor and ADC, have entered the market one after another, and has uncovered new possibilities for cancer treatment. The

United States will remain the fastest-growing market in the world, growing at 12%–15%. The subsequent section describes two medications used in cancer treatment: anti-PD-1 antibody and oral paclitaxel (Oraxol).

(A) Immune checkpoint inhibitor: Anti-PD-1 antibody

Cancer immunotherapy increases autoimmune cell activity and stimulates the autoimmune system to detect and eliminate cancer cells and maintain normal bodily functions. Because PD-1/PD-L1 monoclonal antibodies are highly effective and safe, major pharmaceutical manufacturers globally are committed to their research and development. The immunotherapy focus on the improving efficacy and lowering the risk of side effects to improve the patients quality of life and possibility of survival.

The Company's P1101 is a new-generation long-acting interferon with short-term side effects. Its dosage can be flexibly adjusted, providing physicians with a greater scope of applications according to indications or disease severity. The development of cancer immunotherapy has provided numerous tools for the treatment of cancer and has gradually influenced the cancer treatment market. The Company will leverage the production efficiency and quality control strengths of its manufacturing sites to engage in the research and development of PD-1/PDL-1 monoclonal antibodies. We hope that the combined use of PD-1/PDL-1 antibodies and P1101 can strengthen patients' immune responses to different cancers. By leveraging this major strength, the Company will further expand the scope of applications for P1101 to include malignant melanoma, T cell lymphoma, hairy cell leukemia, and liver cancer, among other indications.

(B) Oral Paclitaxel (Oraxol)

According to meeting minutes of the Center for Drug Evaluation (CDE) on October 30, 2015, the CDE has in principle accepted the Company's application for a drug permit license. In the application, the Company used (a) data from clinical trials conducted in South Korea and South America by Athenex (formerly Kinex Pharmaceuticals; data comprised 200 patients in phases I, II, and III), (b) data from a pharmacokinetics study conducted in Taiwan by PharmaEssentia, and (c) treatment response data (24 patients examined over a trial period of one year). In the second quarter of 2016, the Company submitted an application for the development of drugs with a new route of administration to the TFDA. In July 2016, we received approval from the Taiwan Ministry of Health and Welfare to use Oraxol in a breast

cancer clinical trial. In the first quarter of 2017, we initiated the pharmacokinetics study and response trial, which were designed to span a treatment period of 4 months. In 2019, the Company completed the safety bridging study in Taiwan. In the future, the Company will combine these results with the South American three-phase interim analysis data generated by Athenex and submit them for review in accordance with the laws and regulations of the United States, United Kingdom, Australia, and New Zealand. Athenex plans to apply for a drug permit license with the US FDA in the first quarter of 2020, after which the Company will apply for a drug permit license in Taiwan in the second quarter of 2020. In April 2017, the Company received TFDA approval to conduct a registration trial on the concurrent use of Oraxol and ramucirumab solution in the treatment of advanced gastric and esophageal cancer. Phase I of this trial will be completed by 2022.

iv. KX01 for psoriasis

KX01 is a new compound molecule developed by the American biotech company Athenex (formerly Kinex Pharmaceuticals). KX01 has been proven to have a substantial inhibitory effect on cancer cell proliferation and has entered a phase-II trial in the United States. The Company believes that the mechanism of action by which KX01 inhibits cell proliferation is applicable to nonmalignant proliferative intractable psoriasis. Therefore, the Company has in-licensed KX01 from Athenex to develop a topical psoriasis ointment in Taiwan, mainland China, Hong Kong, Macau, Singapore, and Malaysia. KX01 is a new drug with new APIs. The Company's KX01 product entered a phase-I clinical trial in the fourth quarter of 2015. We completed the four stages of the phase-I trial on March 10, 2021. The clinical trial report for the drug was completed on October 29, 2021. PharmaEssentia Corporation is currently discussing follow-up clinical R&D plans with Athenex on the basis of the trial results.

D. Product Competition

Ropeginterferon alfa-2b (P1101) is a pharmaceutical product invented by PharmaEssentia. In February 2019, the EU issued a drug permit license for P1101 in the treatment of PV. The Company signed a licensing contract with AOP in September 2009 to license out P1101 to AOP for its sale and clinical trials in the treatment of proliferative blood disorders. Licensed countries include countries in Europe and the Middle East as well as Turkey and Russia. After obtaining the license and selling the product in the market, AOP will pay us the agreed amount of tiered royalties in proportion to the amount of sales made in the licensed countries.

As agreed, the Company must provide P1101 products to AOP for sale and collect income, in addition to the licensing fees and royalties, from AOP.

ET and PV are rare blood disorders. The Company's P1101 drug for the treatment of ET has received orphan drug designation in the United States. We plan to conduct a multinational, multicenter phase-III clinical trial in the United States, Taiwan, Japan, China, and South Korea to verify and observe the efficacy of P1101 in HU-experienced patients with ET for which treatment did not achieve the expected efficacy or failed. In 2019, the Company obtained approval to conduct a clinical trial in the United States and China. In February 2020, the Company obtained approval to conduct a clinical trial in Taiwan. We expect to initiate a phase-III trial in 2020. These trials will enroll patients from the United States, Japan, China, Taiwan, and South Korea; therefore, the trial period will span 2 to 3 years, and the recruitment of the trial will be completed by 2022

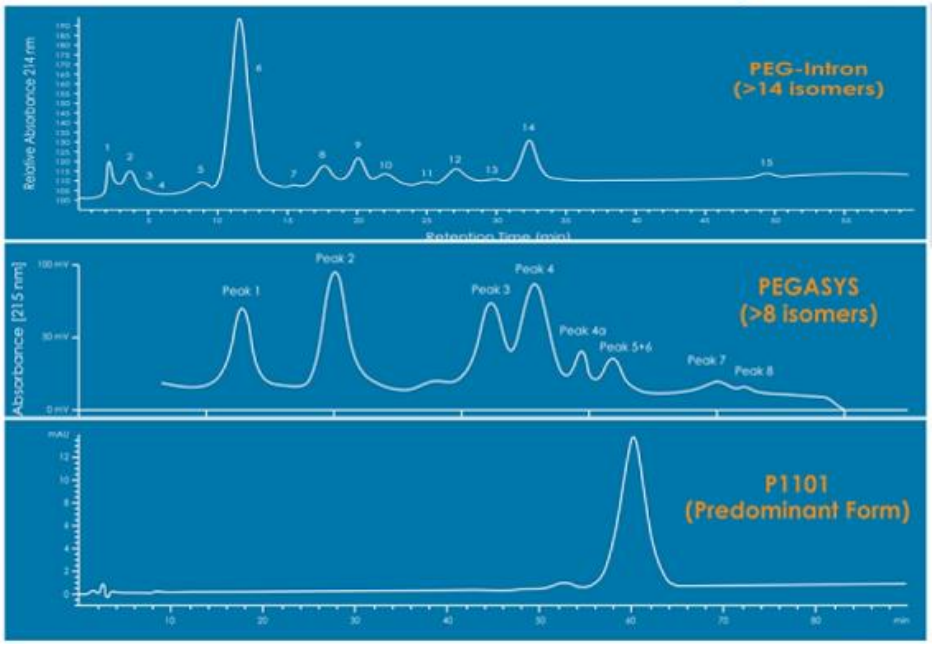
(3) Technologies and R&D Overview

A. Technological Arrangement in Business Operations and R&D

The Company's core technologies are developed by itself. The Company developed an innovative polyethylene glycol polymer (PEG) and protein coupling technology -PEGylation, and developed an excellent and specific linker, which can connect specific amino acids. The Company use this exclusive linker to add amino acid to the N-terminus of interferon alpha for coupling reaction and to link PEG and interferon more successfully, producing a new generation of long-acting interferon drug (PEG-P-IFN-α2b) with high purity (more than 95%).

The high purity can prolong the efficacy of interferon alpha, that is, prolong the injection interval and reduce the burden and side effects on patients. In addition, the Company uses this PEGylation technology platform to continue to develop other long-acting protein drugs for blood diseases such as PEG-GCSF long-acting leukocyte growth hormone, PEG-EPO long-acting erythropoietin, etc. These are used in infectious diseases such as hepatitis B and hepatitis C. The new generation of PEG-type long-acting interferon P1101 developed by the Company makes full use of the Company's exclusive PEGylation technology platform, through multi-layer patented technological breakthroughs, to produce a single 40K PEG-long-acting interferon. P1101 is a new generation of long-acting interferon that has advantages and flexibility in its application. It's also with lower side effects, longer-efficacy (one dose every two weeks), more flexible dose adjustment (up to 540μg). HPLC uses the physical properties of the analyte to separate various compounds in the analyte, as shown in the following figure:

HPLC results of PEG-Intron. PEGASYS. and P1101



After each compounds passes through the HPLC detector, different peak signals will be detected, and each peak represents a type of compound. Finally, the substances contained in the analyte are judged by analyzing and comparing these signals. PEG-Intron and PEGASYS showed 14 and 8 major peaks, representing 14 and 8 compounds, respectively. Based on the results of the PEG-Intron and PEGASYS clinical trials, the severity of the side effects may be related to the amount of the compound. After the same HPLC analysis of P1101, only one major peak was detected, proving that P1101 is a single-principal component long-acting interferon.

B. R&D Personnel and Their Educational Background

As of the end of March 2022, the educational background distribution of the Company's R&D personnel was as follows:

Education	Number of People	Percentage
PhD	20	31%
Master's Degree	44	68%
Bachelor's Degree	1	2%
Total	65	100%

C. R&D Expenses Invested in the Past 5 Years and Up to the Date of Publication of the Annual Report

Unit: NT$1,000

Item	2017	2018	2019	2020	2021
R&D Expenses	683,318	785,713	639,575	922,380	1,272,776
Net Operating Revenue	4,035	26,236	305,692	557,257	656,506
As a Percentage of Net Revenue	16,934%	2,994%	209%	166%	193.87%

Our Company is an investigational new drug company in the biotech industry. Besides the ET international multi-center Phase III clinical trial protocol to be added in 2020, the Company will continue to invest in the research and development of respective projects. It is estimated that the overall R&D expenditure throughout the year will account for at least 80% of the annual revenue.

D. Technologies or Products Successfully Developed in the Past 5 Years and Up to the Date of Publication of the Annual Report

Type	Product	Indication	Current Development Stage
Hematology	P1101 (New-generation long-acting Ropeginterferon alfa-2b) Developed by PharmaEssentia	Polycythemia vera (PV)	• Europe：granted a polycythemia vera (PV) drug license by the European Medicines Agency (EMA) in February 2019 • Taiwan:passed the drug inspection and registration review of Taiwan's Ministry of Health and Welfare in 2020 and was granted the license for the use of PV in Taiwan in June 2020. • South Korea: received marketing authorization from the country's Ministry of Food and Drug Safety (MFDS) on October 13, 2021. • The United States: received formal FDA approval for the use of P1101 to treat PV • Japan: obtained the clinical trial results for the phase II bridging clinical trial on July 20, 2021 • China：the National Medical Products Administration (NMPA) approved the single-arm phase II bridging clinical trial report for P1101 license application in April 2021.
		Essential thrombocythemia (ET)	Worldwide: Phase III clinical trial in progress
	PEG-EPO (Long-acting EPO) Developed by PharmaEssentia	Anemia in patients with kidney disease, anemia caused by chemotherapy for cancer	Process development and preclinical animal testing
Chronic Hepatitis	P1101 (New-generation long-acting Ropeginterferon alfa-2b) Developed by PharmaEssentia	Hepatitis B	Changed to IIT
		Hepatitis C	Phase III clinical trial in Taiwan, Korea and Mainland China complete.

Type	Product	Indication	Current Development Stage
Oncology	Anti-PD-1 antibody (immune checkpoint inhibitor) Developed by PharmaEssentia	Cancer	Small-scale pilot production and animal testing
	Oraxol® (Oral Paclitaxel) Developed Through Licensing	Breast cancer	The clinical pharmacokinetic bridging study (Study ID Number: KX-ORAX-007) required for the review and registration of a new drug in Taiwan was inspected on-site by TFDA GCP on December 16, 2020, at the Tri-Service General Hospital. On March 10, 2021, PharmaEssentia Corporation obtained the reference letter from the TFDA for the approval of its clinical trial report, which can then be used to support the review and registration of new drugs in Taiwan.
		Gastric and esophageal cancer	Phase I clinical trial in progress and expected to be completed by 2022.
Dermatology	KX01 (Kinase inhibitor) Developed Through Licensing	Psoriasis	Taiwan: clinical trial was completed in 2021. Application has been submitted in January 2022 to TFDA for a drug clinical trial report for future reference.

E. Preclinical Animal Study

All of the pre-clinical animal studies of the Company that are meant to understand the safety or effectiveness of a drug are outsourced to an outside CRO to facilitate the research and development of new drugs. The Company at the moment prioritizes suppliers with AAALAC or IACUC qualifications. Getting to know that the collaborative CRO is AAALAC (Association for Assessment and Accreditation for Laboratory Animal Care) or IACUC (Institutional Animal Care and Use Committee) certified helps us believe that the said suppliers will respect and abide by laboratory standards in terms of protecting the welfare of lab animals as we blieve in the judgment of the said international organizations.

(4) Long- and Short-Term Business Development Plans

A. Short-Term Business Development Strategy and Plan

In terms of the short-term development strategy and planning, due to the fact that the Company's P1101 (a long-acting interferon of the new generation) was already officially approved by the EU EMA and FDA to be marketed on February 19, 2019 and in 12 November, 2021, respectively. In the future, efforts will continue to apply for its permits in countries around the world for use in PV. The Company is conducting a Phase III global clinical trial of P1101 concurrently in the US, Taiwan, Japan, Korea, and Mainland China for treating thrombocythemia (ET). Clinical trials of P1101 in other indications, including chronic Hepatitis B and other rare blood proliferative disorders are ongoing, too. In addition, clinical trials will be continued for licensed new drugs, including oral cancer drug Oraxol®/Oratecan®/Oradoxel® and psorirasis medication KX01.

B. Mid-/Long-Term Development Strategy and Plan

For the mid-to-long-term development strategy and plan, the Company will expand its technical platform. Starting with PEGylated new protein-based drug, we will expand to take advantage of what we are good at, that is, chemical synthesis, in the research and development of small molecular new drugs and develop protein-based new drugs as cancer immunotherapy so that the cure rate of cancer can be significantly enhanced to benefit the patients. Moreover, the Company will develop new compound new drugs and become a first-rate professional pharmaceutical company in the world with complete vertical integration. It will help enhance the visibility of the Company in the international medicinal R&D industry and secure the Company's position in world medicinal research and development.

2. Overview of Markets, Production, and Sales

A. Market Analysis

i. Origins and Destinations of Primary Products (Services)

The global drug market is growing as the impacts from expiring patents of brand drugs drop, the quantity of drugs approved to be marketed continues to increase, and the demand on the drug market of the US climbs. According to the statistics of EvaluatePharm, the sales on the biopharmaceutical market in 2020 totaled around US$ 284 billion in value, a growth of around 6.77% as compared to the sales amount US$266 billion in 2019. The proportion of sales amount in the biopharmaceutical market to those of global drug market increase from 26% in 2019 to 30% in 2020. It is expected that the sales on the biopharmaceutical market will reach US$505 billion in 2026, representing 35% of the global drug market.

Meanwhile, according to the statistic data from EvaluatePharm, (See Table 3), oncologics, anti-diavetics, and immunosuppressants remained Top 3 among the medications used in 2020. The sales of medications in oncologics, specifically, totaled US$145.4 billion and is expected to increase to US$311.2 billion in 2026.

Table 3 2019~2025 Top 10 Categories of Therapeutic Drugs around the World

單位：億美元，%

藥品領域	2019 年 銷售額	2026 年 預測銷售額	2019~2026 年 CAGR
Oncologics(癌症用藥)	1,454	3,112	11.5
Anti-diabetics(降血糖用藥)	510	669	3.9
Immunosuppressants(免疫抑制劑)	240	613	14.3
Vaccines(疫苗)	325	561	8.1
Anti-rheumatics(抗類風濕用藥)	569	496	-1.9
Anti-virals(抗病毒用藥)	388	429	1.5
Sensory Organs (感覺器官用藥)	238	351	5.7
Bronchodilators(支氣管用藥)	278	322	2.1
Dermatologicals(皮膚用藥)	138	320	12.7
MS therapies(多發性硬化症用藥)	227	250	1.4

資料來源：World Preview 2020, Outlook To 2026, EvaluatePharm, 2020 年 6 月。

Source: 2021 Yearbook of the Pharmaceutical Industry

Table 4 2020 Top 10 Brand Drugs and Sales Around the World

單位：億美元，%

品牌藥/廠商名稱	主要適應症	2019 年 銷售額	2020 年 銷售額	2019~2020 年 成長率	產品 類型
Humira (AbbVie)	類風濕關節炎、克隆氏症、乾癬、幼年型自發性多關節炎等	191.69	198.32	3.46	生物藥品
Keytruda (Merck & Co)	晚期黑色素瘤	110.84	143.80	29.74	生物藥品
Eliquis (Bristol-Myers Squibb/Pfizer)	抗凝血劑	121.49	141.17	16.20	小分子藥
Revlimid (Bristol-Myers Squibb /Celgene)	多發性骨髓瘤	93.78	121.06	29.09	小分子藥
Imbruvica (AbbVie/ Johnson & Johnson)	淋巴瘤	80.85	84.3	4.27	小分子藥
Eylea (Regeneron/ Bayer/Santen)	濕式黃斑部退化病變、視網膜靜脈阻塞(RVO)	75.42	83.60	10.85	生物藥品
Stelara(Johnson & Johnson/Mitsubishi Tanabe Pharma)	乾癬症	65.91	79.40	20.47	生物藥品
Opdivo (Bristol-Myers Squibb/Ono)	黑色素瘤	80.04	78.87	-1.46	生物藥品
Biktarvy(Gilead Sciences)	HIV	47.40	72.6	53.16	小分子藥
Xarelto (Bayer/ Johnson & Johnson)	抗凝血劑	69.30	69.3	0.00	小分子藥

資料來源：各公司年報，匯率依中央銀行公布的年均匯率換算爲美元，2020 年 5 月。

Source: 2021 Yearbook of the Pharmaceutical Industry

According to the annual reports published by international pharmaceutical companies, among the top ten branded drugs in the world in 2020, AbbVie's Humira for the treatment of rheumatoid arthritis immune diseases, anticoagulant Eliquis

developed by Bristol-Myers Squibb and Pfizer, Merck & Co's Keytruda for the treatment of advanced melanoma and multiple myeloma drugs Revlimid developed by Bristol-Myers Squibb and Celgene are all with sales of more than US$10 billion in 2020 and the sales continued to grow. Humira of AbbVie continued to rank first. Due to the growth of the US market, its sales in 2020 reached US$19.832 billion, an increase of about 3.46% compared with 2019.

ii. Market Share

The Company's new drug Beremi, which has been authorized to AOP in Europe, was approved by the EU EMA to be marketed (MAA) in February 2019. The strategic partner AOP will proactively expand the market share. On November 12, 2021 (U.S. time zone), PharmaEssentia Corporation received formal FDA approval for the use of P1101 to treat PV. PharmaEssentia Corporation signed a purchase agreement for P1101 with its U.S. subsidiary PharmaEssentia USA Corporation, which officially enabled the establishment of sales channels and implementation of marketing activities in the U.S. market following the launch of P1101 as planned.

iii. Supply and Demand and Growth Potential on the Market in the Future

The Company primarily develops long-acting biological preparations. In terms of its R&D strategy, the unique coupling technology is applied to modifying existing long-acting biological preparations. Selected R&D items are consistently products with existing annual sales exceeding US$1 billion on the market. The access threshold for biological preparations is high so the competition is generally less than ordinary small molecular drugs, in addition to facts that the Company owns the exclusive synthesis patented technology and that biological preparation manufacturers that comply with European and American regulations can control the production timeframe on their own. Products that are under research and development cover blood disorders, infections, and cancer drugs; all are fields that continue to grow on the market. They target American and European markets and are hopefully to help the Company maintain a certain market share for its new biological preparations.

iv. Competitive Niche

(A) Robust R&D team and multiple patents

The R&D team of the Company has had many years of experience in researching and developing new drugs. The outstanding R&D accomplishments are the biggest assets of the Company. Patents obtained in multiple countries help protect the R&D accomplishments and ensure sustainable operations of the Company. In addition, the team highly keeps track of the latest biological technologies and new drug development trends to be precise in selecting R&D

items to accordingly be capable of selecting the most potential development targets after animal studies and begin clinical trials involving human subjects and eventually fulfill the marketing and sale goals.

(B) Familiarity with International New Drug Market

Multiple members on the team have worked for major pharmaceutical companies in the US before, including Biogen, ISIS, Amgen, Abott, and Johnson & Johnson, etc. Some of them were once officials reviewing drugs at the US Food and Drug Administration (FDA). They have an in-depth understanding of the new drug market in the US and can fully keep track of the changes in market demand, R&D activities of the competition, and regulatory requirements and accordingly plan management strategies for the Company's new drugs in terms of research and development, clinical trials, and international marketing.

(C) Independent Production and Manufacturing

The Company finished setting up a plant for new biological preparations in October 2012 and obtained the TFDA GMP permit in April 2013 and te EMA GMP Certificate in January 2018. During the process, we hired multiple groups of experts specializing in helping international pharmaceutical companies set up plants: Denmark NNE was in charge of planning and design, Australia Synertec provided guidance on how to establish the validation system and the documentation system, and Mr. Jordanov, who had experiences in helping 11 biological preparation manufacturers set up new plants, served as the general counsel. Taiwan I&K Engineering Co., Ltd. on the other hand, was the primary construction contractor. The completion of the plant marked not only the fact that Company had complete international experiences but also that the first biological preparation new plant establishment experience was officially part of the biological technology industry in Taiwan. P1101, whose permit was issued by the European Union in February 2019, is exactly being produced and manufactured at the Company's new biological preparation plant. With this new biological preparation plant that meets international criteria, it helps the Company maximize the R&D results during the laboratory process and transfer them to meet the mass production criteria of international standards. Besides fully keeping track of the quality of new drugs, there are absolute advantages in terms of cost control.

(D) Support from Countries around the World in National Policy

Besides considering the market properties of a drug, the Company continues to devote to the development of drugs treating the rare condition polycythemia vera (PV) because of the relatively little competition and high price range and

mainly because of the fact that PV patients require continuous medication, which will contribute to the constantly increase in the accumulative number of PV patients. A rare condition refers to one that has a low prevalence rate, is uncommon, and is associated with a small number of patients. The Company embarks on the development of new drugs from the perspective of rare conditions. Primary target markets for the treatments of rare blood disorders include advanced countries in Europe and America. Unlike other countries, high-price drugs are highly acceptable in Europe and America. In addition, the development of orphan drugs is emphasized in advanced countries and prioritized under local policies. It helps the P1101 of the Company to gain the upper hand in sales in advanced countries in America and Europe. P1101 is also known for its multiple indications. As a result, it can also be used to treat Hepatitis B and Hepatitis C. Hepatitis research in Taiwan is leading the world, too. Physicians specializing in liver disease are known for their enriched experiences in conducting clinical trials. The fact that the number of patients is greater in Asia also helps with the conduct of clinical trials.

(E) Multiple Products in Varied R&D Stages

Given the extended duration of R&D associated with new drugs, if the Company is devoted to only one product, after it is introduced to the market, there will be no other products close to be marketed to continue generating income and the enormous time and resources required for the research and development of new products will cause difficulties in the continuous operation of the Company. Besides developing the most advanced long-acting interferon P1101, the Company continues to develop other long-acting protein-based drugs, such as the PEG-GCSF long-acting leukocyte growth hormone and the PEG-EPO long-acting erythropoietin, and starts to develop new cancer immunotherapies for the next ten years. Besides independent R&D, the Company is capable of introducing technologies for the development of new products (for the Oraxol oral cancer drug and the KX01 kinase inhibitor). In the future, the current model will be followed, too, to independently research and develop a series of new products on the one hand and to cooperate in the development of potential new drugs with external companies on the other hand so that product diversity may be maximized.

v. Favorable and unfavorable factors for future development and response strategies

(A) Favorable Factors:

a. Primary products may be applied to the treatment of multiple disorders

(a) For P1101 as a primary product, not only polycythemia, but other indications can also be developed, too; it may be used in multiple rare blood disorders. The use of P1101 in the treatment of PV has been certified by the EMA/FDA (ODD) and will be entitled to monopoly on the market for ten years and seven years, respectively, once introduced to the market. The same model in developing P1101 for the treatment of PV will be followed to continue developing P1101 for treating other rare blood disorders.

(b) In light of the high tolerated dose of P1101 in humans, many clinicians are very interested in applying P1101 to the treatment of other malignancies and cancers for which effective therapies are yet available and physician-initiated clinical trials are proactively planned. These trials will help boost the confidence of physicians in applying P1101 and significantly help reduce the difficulty in recruiting subjects for clinical trials and the marketing and promotion of products once they are available on the market in the future.

(c) Hepatitis research in Taiwan is leading the world. Physicians specializing in liver disease are known for their enriched experiences in conducting clinical trials. The fact that the number of patients is greater in Asia is in favor of conducting clinical trials, too.

b. Familiarity with International New Drug Market

The Company is an R&D company in nature that primarily develops new drugs. Patents are important assets of the Company. Owning key technologies helps not only with the development of other new products and licensing to others with their use to generate income but also with the avoidance of infringing upon someone else's intellectual properties during development, which can give rise to unnecessary delays and disputes during research and development.

c. Multiple Products in Varied R&D Stages

(a) Given the extended duration of R&D associated with new drugs, if only one product is being researched and developed, after it is introduced to the market, there will be no other products close to be marketed to continue generating income and the enormous time and resources required for the research and development of new products will cause difficulties in the continuous operation of the Company.

Besides developing the most advanced long-acting interferon P1101, PharmaEssentia continues to develop other long-acting protein-based drugs, such as PEG-GCSF and PEG-EPO, etc. starts to develop new cancer immunotherapies for the next ten years.

(b) Besides independent R&D, the Company is capable of introducing technologies for the development of new products (for the KX01 kinase inhibitor). In the future, the current model will be followed, too, to independently research and develop a series of new products on the one hand and to cooperate in the development of potential new drugs with external companies on the other hand so that product diversity may be maximized.

(B) Unfavorable factors and countermeasures

Unfavorable factor	Countermeasure
Protein-based new drugs involve a relatively long R&D duration and higher manufacturing difficulty	Efforts are made to primarily modify long-acting protein-based drugs that are already available on the market in order to reduce the uncertainty of drugs in terms of safety and to shorten the R&D duration and minimize the investment risk.
Biosimilars are faced with increasing competition on the market each day.	For the development of biosimilars with a high technical threshold and high access barriers, there should be a careful evaluation procedure while products to be researched and developed are being selected that covers technology, market, patent, and regulatory requirements to ensure that the development of products may be completed and the drug registration permit may be obtained within the shortest period of time possible.
Biotech talent is seriously wanted in Taiwan, particularly that with professional practical experiences in proteion chemistry.	The Company works proactively with the Phd On-the-job Training Program introduced by the government in finding suitable talent to receive complete training and later devote to practical tasks in the Company, creating a win-win situation for the industry and the academic circle.

B. Important Purposes and Production/Manufacturing Process of Currently Marketed Products

The Company is one that researches and develops and manufactures protein-based new drugs on the basis of the PEG technical platform for the independent research and development of long-acting protein-based drugs and the small molecular synthesized drugs technology. For the time being, it primarily focuses on the fields covering blood,

infection, and tumor-related diseases. As scheduled, the global international multi-center ET Phase III clinical trial will be activated to maximize product efficacy and clinical and marketing deployments will be proactively promoted for rare conditions such as PV and ET in Japan and in China.

C. Supply of Primary Raw Materials

The Company is a R&D-oriented new biotech company that is devoted to the innovation and invention, trials, and development of new drugs. While developing new drugs, researchers professionally determine and select primarily raw materials with optimal quality and purity by referring to publications and R&D results. In order to maintain quality of drugs and keep consistent the sources of raw materials for the data of experiments conducted during respective stages, suppliers of materials used in the development of new drugs will not be easily replaced. As such, raw materials selected to support respective stages of new drug development by the Company are mainly from international well-known heavyweights; this ensures the quality and stability of raw materials supplied.

D. Description of Major Gross Profit Margin Changes by Each Department Classification or Major Product Classification for the Most Recent 2 Years:

Items / Year	Revenue	Cost	Gross profit	Gross Profit Margin (%)
2020	557,257	373,323	183,934	33%
2021	656,506	378,856	277,650	42%

Explaination for Major Gross Profit Margin Change: The Company's has obtained the drug license in the United States in November and started to market and sell the product in the region. Therefore, the gross margin in 2021 increases as compared with that of 2020.

E. List of Principal Suppliers and Clients

i. The names of any suppliers accounting for 10% or more of the Company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, and the percentage of total procurement accounted for by each:

Unit: NT$1,000

Year	2020				2021			
No.	Name	Amount	As a Percentage of Net Revenue (%)	Relationship with the Company	Name	Amount	As a Percentage of Net Revenue (%)	Relationship with the Company
1	Akso Healthcare Co., Ltd.	187,498	59.31	None	Akso Healthcare Co., Ltd.	122,368	35.82	None
2	Chugai Pharma Taiwan Ltd.	31,872	10.08	None	Shepherd Healthcare Ltd.	87,419	25.59	None
3	Other	96,755	30.61		Chugai Pharma Taiwan Ltd.	59,168	17.32	None
					Others	72,659	21.27	
	total	316,125	100.00		Total	341,614	100.00	

The discrepancy can be attributed to the acquisition of Panco Healthcare Co., Ltd. in Q2, 2020, which resulted in a change in the top 10 suppliers. In 2020, the greatest supplier was the primary supplier of Panco Healthcare Co., Ltd., and transactions with this supplier accounted for a high percentage of PharmaEssentia's goods purchasing expenses. None of the other suppliers accounted for more than 10% of PharmaEssentia's goods purchasing expenses.

ii. The names of any clients accounting for 10% or more of the Company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, and the percentage of total sales accounted for by each:

Unit: NT$1,000

Year	2020				2021			
Item	Name	Amount	As a Percentage of Net Revenue (%)	Relationship with the Company	Name	Amount	As a Percentage of Net Revenue (%)	Relationship with the Company
1	AOP Orphan Pharmaceuticals AG	268,876	48.25	None	Central Clinic & Hospital	231,168	35.21	None
2	Central Clinic & Hospital	142,907	25.64	None	AOP Orphan Pharmaceuticals GmbH	205,239	31.26	None
3	Tungs Taichung MetroHarbor Hospital	76,172	13.67	None	Tungs Taichung MetroHarbor Hospital	66,706	10.16	None
	Others	69,302	12.44		Others	153,393	23.37	
	Total	557,257	100.00		Total	656,506	100.00	

PharmaEssentia primarily engages in the development and production of new drugs. A major product of the company, P1101, is a new drug for PV and hepatitis. Its use on PV won a CHMP recommendation in December 2018, and its MAA was approved by the EMA in February 2019. For the American market, PharmaEssentia has submitted a BLA to the FDA in March 2020 and obtained the drug license from FDA in November 2021. According to schedule, PharmaEssentia will start multinational and multicenter phase III clinical trials for ET to enhance product benefits, and it is actively making plans for the clinical trial and marketing of products against PV and ET in Japan and China. As of now, PharmaEssentia has obtained drug licenses in EU, Taiwan, Switzerland, Israel, the United States and Korea. Therefore, with the increasing number of marketing licenses from other markets and the expansion in indications, P1101 can be expected to attract a diverse clientele.

F. Production Volume for the Most Recent 2 Years:

Unit: NT$1,000; 1,000 tablets

Year	2020			2021		
Volume / Product	Capacity	Quantity	Amount (Note)	Capacity	Quantity	Amount (Note)
P1101	-	19,268,500	171,718	-	24,431,000	357,973
PharmaQ10	-	533	3,390	-	487	3,177

G. Sales Volume for the Most Recent 2 Years:

Unit: NT$1,000; 1,000 tablets

Year	2020				2021			
Volume / Product	Domestic Sale		Export		Domestic Sale		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Sale of goods	437	278,563	30	268,876	337	339,160	31	293,915
Research Income	-	3,589	-	6,229	-	2,703	-	20,728
Total	437	282,152	30	275,105	337	341,863	31	314,643

3. Number of Employees in the Last 2 Years and Up to the Date of Publication of the Annual Report

Unit: Person; Year

Year		2020	2021	As of April 30, 2022
Number of Employees	Manager or above	79	105	117
	General employee	200	232	248
	Total	279	337	365
Average Age		39	44	46.29
Average Years of Service		4.5	4.9	4.25
Education Level Percentage (%)	PhD	13	14	13.70
	Master's Degree	55	50	51.78
	Bachelor's Degree	31	35	33.70
	High School or below	2	1	0.82

4. Environmental Protection Expenditures

Total losses (including compensation for damages) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including estimates of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible):

(1) The Company's acquisition of a permit for pollution emissions:

A. Stationary pollution source: Permit no. for installing an antistationary pollution facility: CTSPESD No. BC063-02; Permit no. for emitting stationary pollution: CTSPESD No. BC061-08

B. Water pollution prevention: Permit no. for water pollution prevention: CTSPEWP No. BD017-10

C. Waste removal and disposal: Permit for the waste removal and disposal: No. B10110080005

D. Handling of toxic chemical substances：Permit for handling of toxic chemical substances from Taichung Environmental Protection Bureau No. 000023

(2) Pollution prevention fees payable:

A. Air pollution control fee

No air pollution control fee was incurred because the raw materials and pollution emitted by the manufacturing activities at the Taichung Plant were below the thresholds (quarterly VOC emissions is fewer than 1 tonne) for charging.

B. Wastewater treatment fee

The Taichung Plant is located in the Central Taiwan Science. Its water waste is directly discharged into the sewage water system and discharged to the Taichung Park Sewage Treatment Plant. As the water waste was not directly discharged to the surface, there is no concern of water pollution. The expenses incurred for wastewater is as follow:

Year	2018	2019	2020	2021
Amount	NT$122,000	NT$138,000	NT$134,000	NT$123,000

C. Soil and Groundwater Pollution Remediation Fees

As the inspection activities of quality control produced heavy metals waste, the Company is required to pay soil pollution fees pursuant to the relevant regulations. However, the Company was exempt from payment from 2018 to 2021 because the fees were below the NT$200 threshold.

D. General waste disposal fee

The hazardous industrial waste and general industrial waste produced by the Taichung plant is handled by legitimate waste clearance and disposal organizations, and the

compliance audit of environmental protection laws and regulations is arranged irregularly every year to avoid environmental pollution caused by improper disposal. Expenses incurred for waste removal and disposal was summarized as below:

Year	2018	2019	2020	2021
Amount	NT$427,000	NT$484,000	NT$632,000	NT$609,000

(3) Pursuant to Article 28 of the Waste Disposal Act, which states that enterprises shall employ professional technical personnel, the Taichung Plant is part of the manufacturing industry and should submit a waste disposal proposal, and has a registered capital of NT$2 billion or more. Hence, the Taichung Plant is required to employ professional technical personnel, which the Company has ensured.

Institution	Company Name	Permit	Approval No.
Clearance	Shin Shin Environmental Protection Engineering Co., Ltd.	Waste Clearance Permit	2021 Taichung City Fei-Yi-Qing No. 0060
	How-Well Environmental Engineering Co., Ltd.		2018 Taichung City Fei-Jia-Qing No. 0012
	Skylark Technology Enterprise Co., Ltd.		2019 Taichung City Fei-Qing No. 0074
	Nanke Environmental Technology Co., Ltd.		2020 Taichung City Fei- Jia-Qing No. 0006
Disposal	1. Taichung City Refuse Incineration Plant	Waste Disposal Permit	-
	2. How-Well Enterprise Co., Ltd.		Fu-Shou-Huan-Fei No. 1070079036
	3. How-Well Medical Waste Disposal Enterprise Co., Ltd.		Fu-Shou-Huan-Fei No. 1080285481
	4. Resource Recycling Facility, Environmental Resource Research Center, National Cheng Kung University		Tai-Jiao-Zi(6) No. 1080169607A

(4) List the company's investments in major antipollution facilities, the use purpose of such facilities, and the possible effects to be produced: None. The Company plan to establish an effective collection system of air pollutants. Please refer to item (7) for more details.

(5) Describe the processes undertaken by the company for environmental pollution improvements in the most recent 2 fiscal years and up to the publication date of the prospectus. If there have been any pollution disputes, their handling processes should also be described: None.

(6) Describe the loss (including damage compensation paid) suffered by the company because of environmental pollution incidents in the most recent 2 fiscal years and up to the publication date of the prospectus, the total penalty/fine amount, as well as a disclosure of its future preventive policies (including improvement measures) and possible expenses to be incurred (including possible losses if no preventive measures are taken, and the penalties and estimated damage compensation amount; if reasonable estimations cannot be made, please present the facts that explain why not): No losses and penalties were incurred from 2018 to 2021.

(7) Explain the current pollution conditions and the impact of its improvement to profits, competitive position, and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the upcoming 2 fiscal years:

In accordance with the Air Pollution Control Act, companies shall effectively collect each type of air pollutant and maintain the normal operation of their air pollution control facilities. Therefore, Taichung Plant plans to purchase facilities for air pollutant collection, discharge pipelines and sampling platforms, which will be included in the existing operating facilities and is expected to be completed by June 2022.

(8) Workplace and Employee Safety and Protection Measures

(9) Our Taichung branch has established the Work Rules for Labor Safety and Health for employees to regulate safety and management matters. Matters implemented to ensure the health and safety of our Taichung branch are as follows:

A. Health and safety management unit and personnel

The Company has established a health and safety management unit in accordance with the Occupational Safety and Health Act. The unit is headed by the supervisor of the Administrative Management Department. The Administrative Management Department has established an “Environmental Safety Group” that performs tasks related to safety, health, and environmental protection and is composed of a safety and health administrator and designated environmental personnel. The health and safety administrator are appointed as the head of health and safety operations.

B. Facility safety

The Company’s production facility is equipped with safety protection measures such as emergency stop buttons on autoclave machines and safeguards on cutting machines.

Detectors are installed at sites where hydrogen and liquid nitrogen are used to prevent leakage.

Dangerous equipment (e.g., Category A pressure vessels) is serviced and maintained on a monthly basis.

Annual/quarterly/monthly/daily automatic inspection is performed as required by law (Category A pressure vessels, power generators, small furnace, centrifuge, and vehicles/cars).

When signing a contract with contractors, the Company requires contractors to comply with the health and safety requirements in its Contractor Management Rules.

C. Environment and health

To create a risk-free work area, localized ventilation facilities are installed in work areas where chemical are used. Monthly/daily automatic inspection is performed as required by law (activities involving organic solvents and specific chemical substances).

Work environment measurements are performed every 6 months.

Drinking water facilities are serviced and maintained on a monthly basis. Water quality is checked by certified laboratories every 3 months to ensure the cleanliness of drinking water for employees.

D. Fire control and safety

The Company has installed a complete fire service system in accordance with the Fire Services Act. The system comprises a fire alarm system, water supply system, evacuation system, and fire extinguishers.

Fire drills are held every 6 months to better equip employees with knowledge on the use of fire control and evacuation systems.

Firefighting equipment is checked regularly to ensure that the equipment is functional whenever required.

Certified organizations or technicians specializing in firefighting equipment are hired every year to check, repair, and provide reports on firefighting equipment.

E. Education and training

New employees must receive general education and training on health and safety.

Existing employees must also receive such general education.

Pursuant to the law, the Company has appointed a supervisor of organic solvent operation, supervisor of specific chemical operation, first aider, Category A pressure vessel operator, boiler operator, and high-pressure gas vessel operator.

F. Employees' right to know

In training new employees, information regarding preventive and precautionary measures for hazardous and dangerous substances is provided to reduce the occurrence of workplace safety incidents.

Safety data sheets (SDSs) are provided at chemical workstations and in storage areas, and employees are taught to interpret their contents.

G. Health examination and health promotion

New employees are required to submit a physical examination sheet.

Every year, employees involved in special operations must receive a health examination.

Every year, all employees must undergo a health examination (in accordance with GMP laws and regulations).

Health promotion activities are held every year (including weight loss, aerobic exercise, ball games, and stress relief talks).

H. Recurrence prevention

Every occupational injury incident is investigated to enforce preventive measures. Workplace incident improvement measures are proposed by the Environmental Safety Group, IT Department, and Production Department within 48 hours of an incident.

Disaster statistics are calculated every month and reported to the Central Taiwan Science Park.

I. Group insurance

The Company purchases group insurance for all its employees so they can receive reasonable labor or group insurance claims and take time off without worrying when they sustain occupational injury.

J. Healthy workplace certification

The Company is committed to safety, health, and environmental management. In addition to caring for the safety of employees at work, the Company is concerned about their physical health status. The Company received the Badge of Accredited Healthy Workplace for its efforts in health promotion.

5. Labor Relations

(1) List all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

A. Employee benefits

- Labor insurance: In accordance with the Labor Insurance Act.
- National health insurance: In accordance with the National Health Insurance Act.
- Group insurance: All employees are eligible to life insurance, liability insurance, and medical insurance, which cover hospitalization and cancer treatments. All policies are fully covered by the Company.
- Employee bonus: Any earnings concluded in a fiscal year shall be first used to pay the statutory taxes and make up for losses of previous years, and the distribution ratio of employee bonuses for the year shall be proposed and approved by the Board of Directors, after which it shall be presented at the shareholder meeting for ratification.

- Employee stock options: The Company invites professionals to join and be a part of the Company's work team and retains outstanding employees who demonstrate development potential. The Company cares for its employees and helps them to improve their quality of life, ensuring they are motivated to create benefits for the Company and shareholders. Following approval by the Board of Directors, employee stock options are issued in accordance with the Procedures for Employee Stock Option Issuance and Subscription.
- Year-end bonus/recreational activities: The Company regularly organizes employee trips and provides year-end bonuses. The Company has an Employee Welfare Committee in place that plans, promotes, and implements employee benefits, which include aspects in relation to weddings, funerals, birthdays, celebrations, employee trips, holiday bonuses, and occasional department gatherings. Committee members are elected in accordance with the law by employees through a voting process.

B. Continuing education and training
- New employees: On the first day of work, employees are given an orientation tour around the workplace during which personnel rules, the company profile, work rules, and supervisors and colleagues are introduced to them.
- Continuing Education Rules for Existing Employees: All full-time employees are encouraged to participate in on-the-job education and training courses to promote lifelong learning, impart professional knowledge and skills, and improve their humanistic qualities, thereby enhancing employees' service quality, literacy, and job performance.

C. Retirement systems and their implementation status

Pursuant to the Labor Standards Act, the Company has established the Employee Retirement Rules, which state that for employees who opt for the old pension system, the Company shall make monthly contributions equal to 2% of each employee's monthly salary to their pension account with the Bank of Taiwan set up in the name of the labor pension reserve supervision committee. As of July 1, 2005 following the implementation of the Labor Pension Act (hereinafter referred to as the "new pension system"), a defined contribution plan shall apply to the years of service for employees who were originally applicable to the Rules and opted for the new pension system or employees who report for duty after the implementation of the new pension system. Accordingly, the Company shall make monthly contributions equal to 6% of each employee's monthly salary to their individual pension account at the Bureau of Labor Insurance.

D. Status of agreements between labor and management and all measures aimed at preserving the rights and interests of employees

The Company adopts communication, incentive, and education mechanisms to fulfill employee needs in a timely manner, which helps to forge a positive relationship in which employees and the Company share and work together toward common goals and interests. Subsequently, employees' loyalty to the Company and job satisfaction are enhanced, increasing their willingness to commit to the Company and contribute more to creating value for it. The Company maintains uninterrupted communication and harmonious relations with its employees; therefore, no major labor disputes have occurred as of late.

(2) Describe any losses suffered by the company because of labor disputes occurring in the most recent 2 fiscal years and up to the publication date of the prospectus, and disclose the estimated amount expected to be incurred in the present and future as well as preventive measures; if a reasonable estimate cannot be made, an explanation of why it cannot be made should be provided:

The Company did not suffer any losses because labor disputes in the past 2 years and up to the publication date of the annual report.

6. Information Security Management

(1) Information security management strategy and structure

In order to effectively promote information security, the Company has set up an Information Security Management Team, which is responsible for the promotion, governance and supervision of information security.

The Company's Information Security Management Team is convened by a senior executive designated by the CEO or the general manager. The members of the information security team include the General Management Office - Information Director, CEO Office - Biostatistics Director, General Management Office - Intellectual Finance Legal Director, and Sustainable Development Center Supervisors, Corporate Governance Supervisors, QA/QC/PROD/Engineering Supervisors, Human Resources Supervisors of the General Management Office, etc., and the internal auditors will join the meetings if needed. In addition, the convener may designate any other appropriate supervisor to serve as a committee member according to actual needs.

In addition, the Information Security Management Team of the Company has the following Promotion Teams, which are assigned by the convener and are responsible for the coordination, planning and execution of assigned tasks.

A. Personal data protection and business secret management promotion team: responsible for establishing a personal data protection system, implementing and supervising personal data protection, and coordinating the management of the company’s business secrets. It covered the company's internal employees, external suppliers, clinical data from CRO and PANCO, etc.
B. Information system security maintenance team: responsible for the planning and implementation of information system security management.
C. Auditing Department: responsible for the audit of information security related operations.

(2) Information Security Policy and Regulations

In accordance with the revision of the " Regulations Governing Establishment of Internal Control Systems by Public Companies " and the "Guidelines for the Information Safety Management and Control for OTC Listed Companies", the Company continues to formulate and establish its own information security policies and regulations. The content of the policies and regulations includes

A. establishing an information security promotion organization, formulating information security policies and procedures, and arrange personnel training;
B. identifying important core businesses;
C. developing information security systems and conducting information security risk assessments;
D. implementing information security protection and control measures
E. communicating the security incident identified;
F. conducting continuous improvement of information security management.

The company has allocated adequate resources and assigned appropriate personnel as the information security supervisor for promoting, coordinating, supervising and reviewing information security management matters, with a view to establishing appropriate information security management mechanism.

(3) Management approaches

The management approaches for 2022 are as follow:

A. Backup planning for important information systems (SAP/WebEIP)
B. Social Engineering
C. Information Security Diagnostic
D. Encrypting File System
E. Data loss prevention (DLP)
F. O365 MFA(Multi-Factor Authentication) Information security enhancement

(4) Allocated resources

- Policies：formulate and establish the information security policies and regulations
- Trainings：all newly hired employees should complete the training courses on information security and social engineering.
- Personnel：A new information security supervisor was hired and is in charge of the construction of information security control system.

(5) As of date, no major information security incidents have occurred.

7. Material Contracts

Contract type	Business partners	Contract period	Content	Restrictive covenants
Royalties for new drugs	Athenex Inc.	December 8, 2011– (patent expiration date)	Exclusive rights for the dermatological KX01/KX02 in Taiwan, Singapore, Malaysia, China, Hong Kong, Macau, Japan, and South Korea.	None
Royalties for new drugs	Athenex Inc.	December 16, 2013– (patent expiration date)	Exclusive rights for the orally administered cancer drugs Oraxol and Oratecan in Taiwan, Singapore, and Vietnam.	None
Clinical trial	AA Company	December 7, 2010– End of research	Commissioning of the company for Phase I and Phase II clinical trials of P1101 for hepatitis B, Phase II clinical trials of P1101 for hepatitis C virus genotype 1, Phase III clinical trials of P1101 for hepatitis C virus genotype 2 and Phase I and Phase II clinical trials of KX01 for psoriasis.	None

Contract type	Business partners	Contract period	Content	Restrictive covenants
Clinical trial	BB Company	March 15, 2019–completion of the clinical trial	Commissioning of the company for Phase III clinical trials of P1101 for hepatitis C virus genotype 2 in China.	None
Service provision	CC 公司	2020/2/24~2023/2/23	Commissioning of the company for the provision of human resource management, marketing, and staff training services.	None
Clinical trial	Medpace Inc.	August 14, 2020–completion of the clinical trial	Commissioning of the company for clinical trials of P1101ET in the United States, Taiwan, and Hong Kong.	None
Clinical trial	EPS International Holdings Co., Ltd. (EPSI)	September 29, 2020–completion of the clinical trial	Commissioning of the company for clinical trials of P1101ET in Japan, South Korea, and China.	None

VI. Financial Highlights

1. Condensed Balance Sheets and Statements for the Past 5 Fiscal Years

(1) Condensed Balance Sheet and Statement of Comprehensive Income

A. Condensed Balance Sheet – IFRS

Unit: NT$1,000

Item \ Year		Consolidated Financial Data for the Past 5 Years				
		2017	2018	2019	2020	2021
Current Assets		3,259,081	2,262,525	1,919,122	4,147,424	4,926,661
Property, Plant, and Equipment		280,638	372,277	423,190	419,332	374,384
Intangible Assets		16,407	16,488	98,234	220,654	246,249
Other Asset		113,050	153,753	518,864	743,776	650,889
Total Assets		3,669,176	2,805,043	2,959,410	5,531,186	6,198,183
Current Liabilities	Before Distribution	117,762	245,205	336,678	1,086,699	1,411,962
	After Distribution	117,762	245,205	336,678	1,086,699	1,411,962
Noncurrent Liabilities		93,929	87,879	367,656	524,777	535,840
Total Liabilities	Before Distribution	211,691	333,084	704,334	1,611,476	1,947,802
	After Distribution	211,691	333,084	704,334	1,611,476	1,947,802
Equity Attributable to Owner of the Parent Company		3,457,485	2,471,959	2,255,076	3,919,710	4,250,381
Capital Stock		2,187,208	2,190,849	2,250,438	2,634,183	2,769,036
Capital Surplus		2,164,838	1,321,811	875,656	3,727,229	4,697,388
Retained Earnings	Before Distribution	(872,851)	(1,011,629)	(843,512)	(2,144,028)	(2,811,152)
	After Distribution	(872,851)	(1,011,629)	(843,512)	(2,144,028)	(2,811,152)
Other Equity		(21,710)	(29,072)	(27,506)	(40,435)	(60,150)
Treasury Shares		-	-	-	(257,239)	(344,741)
Noncontrolling Interests		-	-	-	-	-
Total Equity	Before Distribution	3,457,485	2,471,959	2,255,076	3,919,710	4,250,381
	After Distribution	3,457,485	2,471,959	2,255,076	3,919,710	4,250,381

Note 1: The financial statements for each year have been audited and reviewed by a CPA.
Note 2: The financial data for each year were data from an IFRS-based consolidated financial report.

B. Consolidated Statement of Comprehensive Income – IFRS

Unit: NT$1,000

Year / Item	Consolidated Financial Data for the Past 5 Years				
	2017	2018	2019	2020	2021
Operating Revenue	4,035	26,236	305,692	557,257	656,506
Gross Profit	4,297	(2,158)	243,989	183,934	277,650
Income (Loss) from Operations	(889,475)	(1,054,890)	(849,223)	(1,715,852)	(2,822,408)
Nonoperating Income and Expenses	17,167	15,722	7,079	(232,164)	11,420
Profit (Loss) before Income Tax	(872,308)	(1,039,168)	(842,144)	(1,948,016)	(2,810,988)
Profit (Loss) from Continuing Operations	(872,308)	(1,039,760)	(842,994)	(1,948,142)	(2,810,988)
Loss from Discontinuing Operations	-	-	-	-	-
Net Income (Loss)	(872,308)	(1,039,760)	(842,994)	(1,948,142)	(2,810,988)
Other Comprehensive Income (Loss) for the Year (Net After Income Tax)	(1,953)	472	926	(13,089)	(19,879)
Total Comprehensive Income (Loss) for the Year	(874,261)	(1,039,288)	(842,068)	(1,961,231)	(2,830,867)
Net Income (Loss) Attributable to: Owners of the Parent Company	(872,308)	(1,039,760)	(842,994)	(1,948,142)	(2,810,988)
Net Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	(874,261)	(1,039,288)	(842,068)	(1,961,231)	(2,830,867)
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Earnings Per Share (NT$)	(4.01)	(4.76)	(3.85)	(8.04)	(10.80)

Note 1: The financial statements for each year have been audited and reviewed by a CPA.

Note 2: The financial data for each year were data from an IFRS-based consolidated financial report.

C. Unconsolidated Condensed Balance Sheet – IFRS

Unit: NT$1,000

Item \ Year		Consolidated Financial Data for the Past 5 Years				
		2017	2018	2019	2020	2021
Current Assets		3,237,878	2,180,603	1,882,742	3,622,211	4,603,832
Investments Accounted for Using the Equity Method		14,275	93,227	53,300	301,528	141,121
Property, Plant, and Equipment		280,603	371,504	414,218	403,968	348,391
Intangible Assets		16,407	16,488	80,938	199,864	226,317
Other Asset		112,783	129,898	447,432	577,451	554,462
Total Assets		3,661,946	2,791,720	2,878,630	5,105,022	5,874,123
Current Liabilities	Before Distribution	110,532	231,822	314,540	780,100	1,060,082
	After Distribution	110,532	231,882	314,540	780,100	1,060,082
Noncurrent Liabilities		93,929	87,879	309,014	405,212	563,660
Total Liabilities	Before Distribution	204,461	319,761	623,554	1,185,312	1,623,742
	After Distribution	204,461	319,761	623,554	1,185,312	1,623,742
Equity Attributable to Owner of the Parent Company		2,187,208	2,190,849	2,250,438	2,634,183	2,769,036
Capital Stock		2,164,838	1,321,811	875,656	3,727,229	4,697,388
Retained Earnings	Before Distribution	(872,851)	(1,011,629)	(843,512)	(2,144,028)	(2,811,152)
	After Distribution	(872,851)	(1,011,629)	(843,512)	(2,144,028)	(2,811,152)
Other Equity		(21,710)	(29,072)	(27,506)	(40,435)	(60,150)
Treasury Shares		-	-	-	-	(344,741)
Noncontrolling Interests	Before Distribution	3,457,485	2,471,959	2,255,076	3,919,710	4,250,381
Total Equity	After Distribution	3,457,485	2,471,959	2,255,076	3,919,710	4,250,381

Note 1: The financial statements for each year have been audited and reviewed by a CPA.
Note 2: The financial data for each year were data from an IFRS-based unconsolidated financial report.

D. Unconsolidated Statement of Comprehensive Income – IFRS

Unit: NT$1,000

Item \ Year	Consolidated Financial Data for the Past 5 Years				
	2017	2018	2019	2020	2021
Operating Revenue	4,035	26,236	305,692	280,363	311,309
Gross Profit	4,297	(2,158)	243,989	152,939	179,269
Income (Loss) from Operations	(858,606)	(910,411)	(640,264)	(1,122,705)	(1,458,809)
Nonoperating Income and Expenses	(13,702)	(129,349)	(202,730)	(825,437)	(1,325,179)
Profit (Loss) before Income Tax	(872,308)	(1,039,760)	(842,994)	(1,948,142)	(2,810,988)
Profit (Loss) from Continuing Operations	(872,308)	(1,039,760)	(842,994)	(1,948,142)	(2,810,988)
Loss from Discontinuing Operations	-	-	-	-	-
Net Income (Loss)	(872,308)	(1,039,760)	(842,994)	(1,948,142)	(2,810,988)
Other Comprehensive Income (Loss) for the Year (Net After Income Tax)	(1,953)	472	926	(13,089)	(19,879)
Total Comprehensive Income (Loss) for the Year	(874,261)	(1,039,288)	(842,068)	(1,951,231)	(2,830,867)
Earnings Per Share (NT$)	(4.01)	(4.76)	(3.85)	(8.04)	(10.80)

Note 1: The financial statements for each year have been audited and reviewed by a CPA.
Note 2: The financial data for each year were data from an IFRS-based unconsolidated financial report.

(2) Name of CPAs and Auditors' Opinions for the Past 5 Fiscal Years

A. Name of CPAs and Auditors' Opinions for the Past 5 Fiscal Years

Year	CPA	Name of Firm	Audit Opinion
2017	Su-Wen Lin, Li-Feng Lin	Ernst & Young	An unqualified opinion
2018	Chien-Ju Yu, Li-Feng Lin	Ernst & Young	An unqualified opinion
2019	Chien-Ju Yu, Li-Feng Lin	Ernst & Young	An unqualified opinion
2020	Chien-Ju Yu, Li-Feng Lin	Ernst & Young	An unqualified opinion
2021	Su-Wen Lin, Li-Feng Lin	Ernst & Young	An unqualified opinion

B. Reason for Change in CPA

None.

2. Financial Analysis

(1) Consolidated financial analysis – IFRS

Analysis Item (Note) \ Year			Consolidated Financial Data for the Past 5 Years				
			2017	2018	2019	2020	2021
Financial Structure	Debt Ratio (%)		5.77	11.87	23.80	29.13	31.43
	Long-Term Fund for Property, Plant, and Equipment (%)		1,264.04	828.57	654.92	1,087.75	1,330.12
Solvency	Current Ratio (%)		2,767.51	922.71	570.02	381.65	348.92
	Quick Ratio (%)		2,708.65	893.59	473.86	337.11	277.63
	Times Interest Earned (%)		(496.04)	(656.62)	(111.24)	(234.98)	(280.94)
Operating ability	Average Collection Turnover (Times)		5.56	2.20	2.74	1.71	1.43
	Average Collection Days for Receivables		66	166	133	213	255
	Average Inventory Turnover (Times)		-	0.22	0.27	0.94	0.53
	Average Payment Turnover (Times)		-	1.75	2.50	3.58	2.14
	Average Inventory Turnover Days		-	1,659	1,352	388	688.68
	Property, Plant, and Equipment Turnover (Times)		0.02	0.09	0.86	1.38	1.71
	Total Assets Turnover (Times)		0.00	0.01	0.11	0.13	0.11
Profitability	Return on Total Assets (%)		(21.32)	(32.08)	(29.04)	(45.73)	(47.79)
	Return on Equity (%)		(22.58)	(35.07)	(35.67)	(63.10)	(68.81)
	Pre-tax Income to Paid-in Capital Ratio (%)	Income from Operations	(39.26)	(48.15)	(37.74)	(65.14)	(101.93)
		Pre-tax Income	(39.88)	(47.49)	(37.50)	(73.96)	(101.52)
	Net Margin (%)		(21,618.54)	(3,963.10)	(275.77)	(349.59)	(428.17)
	Earnings Per Share (NT$)		(4.01)	(4.76)	(3.85)	(8.04)	(10.80)
Cash Flow	Cash Flow Ratio (%)		Note 1	Note 1	Note 1	Note 1	Note 1
	Cash Flow Adequacy Ratio (%)		Note 1	Note 1	Note 1	Note 1	Note 1
	Cash Flow Reinvestment Ratio (%)		Note 1	Note 1	Note 1	Note 1	Note 1
Leverage	Operating Leverage		Note2	Note2	Note2	Note2	Note2
	Financial Leverage		Note2	Note2	Note2	Note2	Note2

Analysis of Deviation over 20%:

1. Long-Term Fund for Property, Plant, and Equipment: the increase was mainly due to increase in long-term fund from capital increase in 2021.
2. Average Inventory Turnover、Average Inventory Turnover Days: the decrease in the average inventory turnover and the increase in the average inventory turnover days were mainly due to the high safety stock level as the Company has obtained the drug license and the market exclusivity in the United States and was preparing for the global demand of the products.
3. Average Payment Turnover: the decrease in the average payment turnover was mainly due to the acquisition of Panco Healthcare in the second quarter of 2020.
4. Property, Plant, and Equipment Turnover (Times): The increase in the turnover rate was mainly due to the increase in Revenue. The Company has obtained the approval of drug license in the United States and the in November 2021 and started to generate revenue in December.
5. Profitability ratios: The operating expenses increased because the Group was expanding its operations and the operating US subsidiary has started its marketing and commercialization activities. Therefore, the profit decreased as compared with that of last year.

Note 1: Net cash flow from operating activities is negative and is not calculated.

Note 2: The Company has net operating loss at the current year and this ratio is not analyzed

(2) Parent Company only financial analysis– IFRS

Analysis Item (Note) \ Year			Consolidated Financial Data for the Past 5 Years				
			2017	2018	2019	2020	2021
Financial Structure	Debt Ratio (%)		5.58	11.45	21.66	23.22	31.43
	Long-Term Fund for Property, Plant, and Equipment (%)		1,264.20	828.80	649.54	1,089.61	1,330.12
Solvency	Current Ratio (%)		2,929.36	940.39	598.57	464.33	348.92
	Quick Ratio (%)		2,867.79	910.64	497.37	406.15	277.63
	Times Interest Earned (%)		(496.04)	(656.24)	(133.26)	(282.78)	(280.94)
Operating Ability	Average Collection Turnover (Times)		5.57	2.20	2.74	1.45	1.43
	Average Collection Days for Receivables		66	166	133	252	255
	Average Inventory Turnover (Times)		-	0.22	0.27	0.33	0.53
	Average Payment Turnover (Times)		(0.02)	2.05	2.51	4.66	2.14
	Average Inventory Turnover Days		-	1,659	1,352	1,106	688.68
	Property, Plant and Equipment Turnover (Times)		0.02	0.09	0.87	0.71	1.71
	Total Assets Turnover (Times)		-	0.01	0.11	0.07	0.11
Profitability	Return on Total Assets (%)		(21.35)	(32.18)	(29.56%)	(48.67%)	(47.79)
	Return on Equity (%)		(22.58)	(35.07)	(35.67)	(63.10)	(68.81)
	As a Percentage of Paid-in Capital Ratio (%)	Income from Operations	(39.26)	(41.56)	(28.45)	(42.62)	(101.93)
		Pre-tax Income	(39.88)	(47.46)	(37.46)	(73.96)	(101.52)
	Net Margin (%)		(21,618.54)	(3,963.1)	(275.77)	(694.86)	(428.17)
	Earnings Per Share (NT$)		(4.01)	(4.76)	(3.85)	(8.04)	(10.80)
Cash Flow	Cash Flow Ratio (%)		Note 1	Note 1	Note 1	Note 1	Note 1
	Cash Flow Adequacy Ratio (%)		Note 1	Note 1	Note 1	Note 1	Note 1
	Cash Flow Reinvestment Ratio (%)		Note 1	Note 1	Note 1	Note 1	Note 1
Leverage	Operating Leverage		Note2	Note2	Note2	Note2	Note2
	Financial Leverage		Note2	Note2	Note2	Note2	Note2

Analysis of Deviation over 20%:

1. Long-Term Fund for Property, Plant, and Equipment: the increase was mainly due to increase in long-term fund from capital increase in 2021.
2. Average Inventory Turnover、Average Inventory Turnover Days: the decrease in the average inventory turnover and the increase in the average inventory turnover days were mainly due to the high safety stock level as the Company has obtained the drug license and the market exclusivity in the United States and was preparing for the global demand of the products.
3. Average Payment Turnover: the increase in the turnover rate was due to the increase in average accounts payable as compared with 2020.
4. Profitability ratios: The operating expenses increased because the Group was expanding its operations and the operating US subsidiary has started its marketing and commercialization activities. Therefore, the profit decreased as compared with that of last year.

Note 1: Net cash flow from operating activities is negative and is not calculated.

Note 2: The Company has net operating loss at the current year and this ratio is not analyzed

Note 1: The calculation formulas used for the financial analysis are as follows:

1. Financial Structure

(1) Debt ratio = total liabilities / total assets

(2) Long-term fund to property, plant and equipment ratio = (shareholders' equity + noncurrent liabilities) / net property, plant, and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets − inventories − prepaid expenses) / current liabilities

(3) Times interest earned = earnings before interest and taxes / interest expenses

3. Operating Ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period

(2) Average collection days for receivables = 365 / receivables turnover rate

(3) Average inventory turnover = cost of sales / average inventory

(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period

(5) Average days of sale = 365 / average inventory turnover

(5) average payment turnover = cost of sales / average trade payables

(6) Property, plant, and equipment turnover = operating revenue / average net property, plant, and equipment

(7) Total assets turnover = operating revenue / average total assets

4. Profitability

(1) Return on total assets = (net income + interest expenses * (1 − effective tax rate)) / average total assets

(2) Return on equity = net income / average equity

(3) Pre-tax income to paid-in capital ratio = income before tax / paid-in capital

(4) Net margin = net income /operating revenue

(5) Earnings per share = (net profit after tax – dividends on preferred shares) / weighted average number of issued shares (Note 2)

5. Cash flow

(1) Cash flow ratio = net cash provided by operating activities / current liabilities

(2) Cash flow adequacy ratio = 5-year sum of cash from operations / 5-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash flow reinvestment ratio = (cash provided by operating activities − cash dividends) /
(gross property, plant, and equipment + long-term investments + other noncurrent assets + working capital) (Note 3)

6. Leverage

(1) Operating leverage = (operating revenue − variable cost) / income from operations (Note 4)

(2) Financial leverage = income from operations / (income from operations − interest expenses)

Note 2: When the above formula for calculating earnings per share is used during measurement, pay attention to the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.

2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered when calculating the weighted average number of shares.

3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

4. If the preferred shares are nonconvertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of noncumulative preferred shares, if there is net profit after tax, dividends on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment must be made.

Note 3: Pay attention to the following matters when performing cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.

2. Capital expenditures means the amounts of cash out-flows for annual capital investment.

3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculations.

4. Cash dividend includes cash dividends from both common shares and preferred shares.

5. Gross property, plant, and equipment value means the total value of property, plant, and equipment prior to the subtraction of accumulated depreciation.

Note 4: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, pay attention to their reasonableness and to maintaining consistency.

Note 5: In the case of a company whose shares have no par value or have a par value other than NT$10, for the calculation of the abovementioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

Note 6: The financial data for Q1 of 2019 have been reviewed by a CPA. Relevant profit (loss) was calculated for the year.

Note 7: The Company was not required to produce an unconsolidated financial statement for Q1 of 2019.

Note 8: Cost of sales for Q1 of 2019 was negative, resulting in a negative financial ratio.

3. Audit Committee's Report for the Most Recent Year's Financial Statement

Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal of the deficit compensation. The CPA firm Ernst & Young Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating the Financial Statements. The Business Report, Financial Statements, and proposal of the deficit compensation have been reviewed and determined to be correct and accurate by the Audit Committee. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this Report.

PharmaEssentia Corp.

Chairman of the Audit Committee:

JinnDer Chang

March 1, 2022

4. **Financial Statement for the Most Recent Fiscal Year, Including an Auditor's Report Prepared by a Certified Public Accountant, as well as a 2-Year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Chart, and Any Related Footnotes or Attached Appendices**

   Please see page 220 to 314 of this Annual Report.

5. **The Company's Unconsolidated Financial Statement for the Most Recent Fiscal Year Certified by a CPA**

   Please see of page 315 to 424 this Annual Report.

6. **If the Company and its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report Shall Explain How Said Difficulties Impacted the Company's Financial Situation**

   None.

VII. Financial Status, Operating Results, and Risk Management

1. Financial Status

(1) Consolidated – IFRS

Unit: NT$1,000; %

Item \ Year	2020	2021	Difference	
			Amount	Amount
Current Assets	4,147,424	4,926,661	779,237	18.79
Property, Plant, and Equipment	419,332	374,384	(44,948)	(10.72)
Intangible Assets	220,654	246,249	25,595	11.60
Other Assets	743,776	650,889	(92,887)	(12.49)
Total Assets	5,531,186	6,198,183	666,997	12.06
Current Liabilities	1,086,699	1,411,962	325,263	29.93
Noncurrent Liabilities	524,777	535,840	11,063	2.11
Total Liabilities	1,611,476	1,947,802	336,326	20.87
Capital Stock	2,634,183	2,769,036	134,853	5.12
Capital Surplus	3,727,229	4,697,388	970,159	26.03
Retained Earnings (Cumulative Loss)	(2,144,028)	(2,811,152)	(667,124)	31.12
Total Equity	3,919,710	4,250,381	330,671	8.44

Analysis of Variation: (10% or more variation in the monetary amounts, and the amount equals 1% of the total assets for the fiscal year)

1. The increase in current assets and total assets were mainly due to the capital increase in 2021.
2. The decrease in other assets was mainly due to the amortization of right-of-use assets.
3. The increase in current liabilities and total liabilities were mainly due to the advance receipt of funds from employee stock options and private placement of common shares.
4. The increase in capital stock and capital surplus were mainly due to the capital increase in 2021.
5. The increase in the cumulative loss was mainly due to the increase in the operating expenses for research and development and market expansion.

(2) Unconsolidated – IFRS

Unit: NT$1,000; %

Item \ Year	2021	2021	Difference	
			Amount	Amount
Current Assets	3,622,211	4,603,832	981,621	27.10
Investment Accounted for Using the Equity Method	301,528	141,121	(160,407)	(53.20)
Property, Plant, and Equipment	403,968	348,391	(55,577)	(13.76)
Intangible Assets	199,864	226,317	26,453	13.24
Other Assets	577,451	554,462	(22,989)	(3.98)
Total Assets	5,105,022	5,874,123	769,101	15.07
Current Liabilities	780,100	1,060,082	279,982	35.89
Noncurrent Liabilities	405,212	563,660	158,448	39.10
Total Liabilities	1,185,312	1,623,742	438,430	36.99
Capital Stock	2,634,183	2,769,036	134,853	5.12
Capital Surplus	3,727,229	4,697,388	970,159	26.03
Retained Earnings (Cumulative Loss)	(2,144,028)	(2,811,152)	(667,124)	31.12
Total Equity	3,919,710	4,250,381	330,671	8.44

Analysis of Variation: (10% or more variation in the monetary amounts, and the amount equals 1% of the total assets for the fiscal year)

1. The increases in liquid assets and total assets were attributable to the issuance of common stock for cash in 2021.
2. The investment accounted for using the equity method decreased as a result of the operation loss recognized.
3. The increase in current liabilities and total liabilities were mainly due to the advance receipt of funds from employee stock options and private placement of common shares.
4. The increase in noncurrent liabilities was mainly due to the reclassification of the credit balance of investments accounted for using equity method.
5. The increases in the capital stock and capital surplus were primarily attributable to the issuance of common stock for cash in 2021.
6. The increase in the accumulated deficit was attributable to the continual investment in R&D and business expansion at a time when PharmaEssentia was in a pioneering stage with limited revenue.

2. Financial Performance

(1) Analysis of Operating Results in Consolidated Financial Statement – IFRS

Unit: NT$1,000; %

Item \ Year	2020	2021	Increase/Decrease	
			Amount	% Variation
Operating Revenue	557,257	656,506	99,249	17.81
Net Operating Revenue	557,257	656,506	99,249	17.81
Operating Cost	(373,323)	(378,856)	(5,533)	1.48
Gross Profit	183,934	277,650	93,716	50.95
Operating Expenses	(1,899,786)	(3,100,058)	(1,200,272)	63.18
Income (Loss) from Operations	(1,715,852)	(2,822,408)	(1,106,556)	64.49
Nonoperating Income and Expenses	(232,164)	11,420	243,584	(104.92)
Income (Loss) Before Income Tax	(1,948,016)	(2,810,988)	(862,972)	44.30
Minus: Income Tax Expense	(126)	-	126	(100.00)
Other Comprehensive Income (Loss) for the Year	(13,089)	(19,879)	(6,790)	51.88
Net Profit (Loss) After Tax	(1,961,231)	(2,830,867)	(869,636)	44.34

Analysis of Variation: (10% or more variation in the monetary amounts, and the amount equals 1% of the total assets for the fiscal year)

1. The Operating Revenue and Gross Profit increase because the Company received formal approval for the use of P1101 to treat PV in November 2021 and started to generate the revenue from December 2021.
2. The increase in operating expenses and income (loss) from operations was primarily attributable to the increase in the operating expenses of PharmaEssentia USA Corporation for its marketing and commercialization activities.
3. The decrease in nonoperating expenses was primarily attributable to the decrease in reserve for arbitration events the Company was involved in.

(2) Analysis of Operating Results in the Unconsolidated Financial Statement – IFRS

Unit: NT$1,000; %

Item \ Year	2020	2021	Increase/Decrease	
			Amount	% Variation
Operating Revenue	280,363	311,309	30,946	11.04
Net Operating Revenue	280,363	311,309	30,946	11.04
Operating Cost	(127,424)	(132,040)	(4,616)	3.62
Gross Profit	152,939	179,269	26,330	17.22
Operating Expenses	(1,275,644)	(1,613,860)	(338,216)	26.51
Income (Loss) from Operations	(1,122,705)	(1,458,809)	(336,104)	29.94
Nonoperating Income and Expenses	(825,437)	(1,352,179)	(526,742)	63.81
Income (Loss) before Income Tax	(1,948,142)	(2,810,988)	(862,846)	44.29
Minus: Income Tax Expense	-	-	-	-
Other Comprehensive Income (Loss) for the Year	(13,089)	(19,879)	(6,790)	51.88
Net Profit (Loss) After Tax	(1,961,231)	(2,830,867)	(869,636)	44.34

Analysis on Major Changes: (With a change in value of 10% and above and the value reaching 1% of the total assets for the specific year)

1. The increase in operating expenses and loss from operations were primarily attributable to the salary and wages expenses recognized as a result of issuance of treasury shares to employees.
2. The increase in nonoperating income and expenses was primarily attributable to the increase in the operating expenses of PharmaEssentia USA Corporation for its marketing and commercialization activities.

(3) Sales Volume Forecast and Basis, Potential Impact on the Company's Financial Operations and Measures to be Taken in Response

The assumptions involved in the estimation of a new drug's expected revenue mainly include the number of patients, the number of syringes required for treatment, and the drug prices in the areas where the drug is to be sold. The number of patients is estimated according to various factors, including the population growth rate based on published official statistics, disease prevalence rate based on the statistics measured by professional hematological disease research institutions, diagnostic rate or cure rate based on the statistics compiled by professional cancer research institutions, and the conservative market share (market penetration rate) estimated by international market research agencies commissioned by PharmaEssentia. The number of syringes required for treatment is estimated according to the administration rate or medical compliance of patients in a country. The drug prices in the areas where the drug is to be sold is estimated by referencing the price range of similar drugs and the drug pricing models and annual drug price variation patterns of the areas in question.

The marketing and distribution plans for P1101 are made in accordance with its primary indication. Targeting rare hematological diseases, P1101 is mainly marketed in advanced countries, such as those in Europe and Northern America. This is because the United States is the largest consumer in the new-drug market and accounts for the consumption of 42% of new drugs worldwide, and when combined with advanced countries in Europe, they consume 80% of new drugs in the market. Compared with other countries, European and Northern American countries exhibit a high level of acceptance for expensive new drugs. Moreover, the attention and benefits that these advanced countries give to orphan drugs will allow P1101 to occupy a vantage position in sales. Among Asian countries, Japan accounts for 20% of the international new drug market and has tremendous demands for orphan drugs. Therefore, other than the European and Northern American markets, PharmaEssentia also has plans to actively promote the clinical trials of P1101 in Japan and South Korea and commercialize it as an orphan drug for PV and ET in these countries.

3. Cash Flow

(1) Analysis of Cash Flow Changes During the Most Recent Years

A. Consolidated Financial Statement

Unit: NT$1,000; %

Year / Item	2020	2021	(Increase) Decrease	% (Increase) Decrease
Operating Activities	(1,455,290)	(2,462,071)	(1,006,781)	69.18
Investing Activities	(302,198)	(78,177)	224,021	(74.13)
Financing Activities	3,566,379	2,808,763	(757,616)	(21.24)

Analysis of Changes:

1. The increase in cash outflow from operating activities was primarily attributable to the increase in operating expenses, inventories, and the decrease in other current liabilities.
2. The decrease in cash outflow from investing activities was primarily attributable to the decrese in financial assets measured at amortized cost and intangible assets.
3. The decrease in cash inflow from financing activities was primarily attributable to the decrease in fundraising amounts.

B. Unconsolidated Financial Statement

Unit: NT$1,000; %

Year / Item	2020	2021	(Increase) Decrease	% (Increase) Decrease
Operating Activities	(827,467)	(1,443,892)	(616,425)	74.50
Investing Activities	(1,068,272)	(1,143,386)	(75,114)	7.03
Financing Activities	3,510,354	2,868,811	(641,543)	(18.28)

Analysis of Changes:

1. The increase in cash outflow from operating expenses was primarily attributable to the increase in operating expenses, inventories and other current liabilities.
2. The increase in cash outflow from investment activities was primarily attributable to the increase in investments accounted for by using the equity method and the decrease in intangible assets.
3. The decrease in cash inflow from financing activities was primarily attributable to the decrease in fundraising amounts.

(2) Liquidity Analysis for the Coming Year and Corrective Measures to be Taken in Response to Liquidity:

Cash – beginning balance (1)	Expected net cash flow from operating activities for the year (2)	Expected cash outflow (3)	Expected cash balance (insufficiency) (1)+(2)-(3)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
3,178,194	7,868,458	2,972,566	8,074,087	-	-

1. Analysis of cash liquidity in the following year:
   (1) Net cash outflow from operating activities: The projected cash outflows result from expenses of clinical trials, research and development and personnel costs. ◦
   (2) Net cash outflow from investing activities: The projected cash outflows result from acquisitions of assets.
   (3) Net cash inflow from financing activities: The projected cash inflows result from fundraising of NT$8,000,000 thousand.
2. Contingency plan and liquidity analysis for deficit in cash: Inapplicable.
3. The forecast for cash liquidity is an optimal estimation based on PharmaEssentia's current plans and the most likely future scenarios. A discrepancy between reality and expectations must be expected because plans and the economic environment may not always progress as desired.

4. Effect of Major Capital Expenditures on Financial Operations During the Most Recent Years

None.

5. Investment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses, Improvement Plan, and Investment Plans for the Coming Year

(1) The Company's investment policy

Re-investments made by the Company take into consideration factors such as clinical promotion, drug marketing, and market deployment, among others, and are handled by respective departments in accordance with the internal control system after they are submitted to the Board of Directors, where they are discussed and approved.

(2) Main Reasons for Profits/Losses

A. PharmaEssentia Biotechnology (Beijing) Ltd.

To open up the Chinese market, PharmaEssentia established PharmaEssentia Asia (Hong Kong) Limited, a wholly owned subsidiary, in October 2013 to manage patent-related affairs in China. Presently, the subsidiary has only completed corporate registration and has not started the outward remittance of payments for shares issued. Additionally, to open up the Chinese market and manage human clinical trials for new products, PharmaEssentia

established PharmaEssentia Asia (Hong Kong) Limited in February 2014, a wholly owned subsidiary, and used it as the parent company for a sub-subsidiary, PharmaEssentia Beijing Limited, which was established in December 2014. Through PharmaEssentia Asia (Hong Kong) Limited, the corporation invested in PharmaEssentia Beijing Limited in the 2021 fiscal year, incurring a loss of NT$19,374,000 from equity method investments.

B. PharmaEssentia Japan KK

To open up the Japanese market, PharmaEssentia established a subsidiary, PharmaEssentia Japan KK, in Tokyo, Japan in February 2017 to manage the R&D and licensing of new drugs. For this subsidiary, PharmaEssentia lost NT$168,878,000 from equity method investments in the 2021 fiscal year .

C. PharmaEssentia USA Corporation.

To open up the U.S. market, PharmaEssentia established a subsidiary, PharmaEssentia USA LLC, in Massachusetts, United States in June 2017. The subsidiary was later renamed PharmaEssentia USA Corporation. For this subsidiary, PharmaEssentia lost NT$1,092,404,000 from equity method investments in the year of 2021.

D. PharmaEssentia Korea Corporation

To open up the South Korean market, PharmaEssentia established a subsidiary, PharmaEssentia Korea Corporation, in Seoul, South Korea in May 2020 to manage the clinical trials, licensing, and marketing of new drugs. For this subsidiary, PharmaEssentia lost NT$37,855,000 from equity method investments in the year of 2021.

E. Panco Healthcare Co., Ltd.

To expedite the integration of PharmaEssentia’s warehouse and logistics systems for the marketing of new drugs, PharmaEssentia acquired Panco Healthcare Co., Ltd. in May 2020 at the cost of NT$12,500,000. For this subsidiary, PharmaEssentia lost NT$35,901,000 from equity method investments in the year of 2021.

F. PharmaEssentia Singapore Pte Ltd.

For the operation need of the Group, the Company established the wholly owned subsidiary PharmaEssentia Singapore Pte. Ltd. in September 2021. For this subsidiary, PharmaEssentia has a gain of NT$13,000 from equity method investments in the year of 2021.

(3) Investment Plans for the Coming Year

A. On November 12, 2021 (U.S. time zone), PharmaEssentia Corporation received formal FDA approval for the use of P1101 to treat PV. P1101 is the first FDA-approved medication and interferon therapy for PV. In a press release on the day of the approval, Dr. Ann Farrell, director of the Division of Nonmalignant Hematological Diseases in the FDA's Center for Drug Evaluation and Research, specifically stated that the FDA's approval of Ropeginterferon alfa-2b underscores the FDA's commitment to helping

patients with rare diseases gain access to new treatments. commitment, especially to the 6,200 PV patients per year. The Company's U.S subsidiary is currently in a stage of rapid development and will continue to establish the sales channels in the U.S. market. Therefore, the Company will continue to investment in PharmaEssentia USA Corporation to support its establishment of marketing and sales team and to generate stable cash flows.

B. PharmaEssentia Japan KK has completed the trial report for the new drug P1101 for the treatment of polycythemia vera (PV). PharmaEssentia Japan KK has also obtained PMDA's approval to apply for the PV drug license, after reviewing the drug efficacy and safety of P1101, with clinical trials results from the Phase I Study and those from trials in Europe. Therefore, the Company will continue to investment in PharmaEssentia Japan KK to support its operations.

6. Risk Management

(1) Impact of Recent Interest Rates, Exchange Rate Fluctuations, and Inflation on the Company's Profit and Loss and Future Response Measures

A. Impact of changes in interest rates on the company's profit and loss and future response measures

The Company purchased its Nankang office in 2014 by taking out a collateral loan of NT$105,850,000 with the bank. The nonoperating interest expenses from 2019 to 2021 were NT$1,614,000, $1,415,000 and NT$2,411,000, respectively. In general, the changes in interest rate exert no material impact on the Company. The Company remains an active participant in forging and maintaining a strong relationship with its bank, which will guarantee favorable interest rates and efficient fund acquisition in the future should the Company need to apply for loans.

B. Impact of exchange rate fluctuations on the company's profit and loss and future response measures

In the Company's operating activities, relevant expenses required to conduct clinical trials overseas are paid in foreign currencies and potentially affected by exchange rates. The nonoperating net profit (loss) on foreign currency exchange from 2019 to 2021 was NT$(5,304,000), NT$9,815,000, and NT$(1,845,000), respectively. In general, exchange rate fluctuations have no material impact on the Company's business outcomes. To mitigate the impact of exchange rate fluctuations, the Company collects exchange rate information at all times, pay attention to currency trends and changes in international foreign exchange market, and maintain a positive interactive relationship with the bank to obtain extensive information on foreign exchanges as well as more favorable exchange rates.

C. Impact of inflation on the company's profit and loss and future response measures
Inflation does not impact the Company's technologies and expenses required for the R&D of new drugs as well as new pharmaceutical products that are still being developed. Therefore, inflation has not imposed direct and material impacts on the Company's previous profits and losses. The Company will remain vigilant for market price variations and maintain a positive interactive relationship with its suppliers and clients. The Company will also take appropriate actions in response to reduce impacts on its profits and losses.

(2) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, the main reasons for the profits/losses generated thereby, and response measures to be taken in the future.

A. High-risk investments and highly leveraged investments: None.
B. Loans to other parties, endorsements, and guarantees: The Company has formulated the "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee," which it follows when lending funds to other parties and providing endorsement and guarantees.
C. Derivatives transactions: None.

(3) R&D work to be conducted in the future, and further expenditures expected for such work:

Period	R&D Plans
Short-to-Mid Term	New long-acting protein drugs: P1101 for treatment of other indications Small molecule drugs: KX01 (Kinase inhibitor), Oraxol (oral paclitaxel), and Oratecan (oral camptothecin)
Mid-to-Long Term	Continue to research and develop new long-acting protein drugs Continue to develop R&D technologies for small molecule drugs Establish a cell strain development platform and introduce new platform applications Develop new drugs for cancer immunotherapy (PD-1/PD-L-1 monoclonal antibodies) Develop new drug PEG-INF-β (muscle atrophy) for sickle cell anemia and β thalassemias

The Company's estimated total research and development expenses in 2022 will be approximately 1.9 billion. The research and development expenses of each plan will be adjusted year by year according to the actual progress and the targeted goals.

(4) Effect of important policies adopted and changes in the legal environment at home and abroad on the company's financial operations and measures to be taken in response.

Amendments to policies and laws did not have any material impact on the Company in the most recent fiscal years and up to the publication date of the Annual Report

(5) Effect of developments in science and technology as well as industrial change on the company's financial operations and measures to be taken in response.

The Company specializes in new protein drugs. Its latest development was a new generation long-acting interferon drug called P1101. P1101 can be used to treat blood proliferative disorders, chronic hepatitis, skin cancer, and T cell lymphoma among other indications. This new drug has unlimited market potential. The Company's R&D team regularly adjusts its development strategies according to industry R&D trends and discusses possible factors that influence the Company's resource allocation. The team takes immediate actions in response to any progress in biotechnologies that may impact the entire biotech industry and the Company. Hence, recent developments in science and technology as well as industrial changes have not exerted any immediate material impacts on the Company's operations.

(6) Effect of changes in corporate image on crisis management and measures to be taken in response.

The Company upholds the value of ethical and robust management. Since its inception, the Company has actively reinforced its internal management, improved quality and efficiency, and made plans to penetrate the capital market to recruit high-caliber talents, hone the capabilities of management teams, and contribute business achievements to shareholders and members of society, thereby fulfilling its corporate social responsibility. Thanks to the Company's positive corporate image, no corporate crisis has occurred in the Company as a result of changes to corporate image.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken.

The Company has had no merger and acquisition plans in the most recent fiscal years and up to the publication date of the annual report.

(8) Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken.

The Company completed the construction of a pharma facility in Taichung in October 2012 and obtained a GMP (good manufacturing practice) certificate on April 18, 2013. Per current estimations, the facility has the capacity to meet mass production demands following the acquisition of drug permits and market distribution. The Taichung Plant has received a GMP certificate from the EMA (European Medicines Agency) and the MOHW (Ministry of Health and Welfare).

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

The Company mainly engages in new drug development. Its operating revenues are primarily generated from licensing income, royalty payments after a drug is introduced to the market, and the sale of goods. The EMA granted an MAA (marketing authorization application) for Besremi®, which was licensed out to AOP in Europe by our subsidiary in Japan, on February 19. Because the Company has granted AOP in Austria the right to sell the product in Europe, the Middle East, and the Commonwealth of Independent States, the Company expects to earn royalty payments and income from the sale of the pharmaceutical product. The Company will ensure the collection of debts.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the company has been transferred or otherwise changed hands, and mitigation measures being or to be taken.

The Company did not transfer or change a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the company in the most recent fiscal years and up to the publication date of the annual report.

(11) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.

The Company has made no changes to top management in the most recent fiscal years and up to the publication date of the annual report.

(12) List major litigious, nonlitigious, or administrative disputes that (1) involve the company and/or any company director, company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake greater than 10%, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

The Company's major litigious cases that have been concluded by means of a final judgment or are still under litigation:

Company Name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	Status of the dispute as of the date of publication of the annual report.
PharmaEssentia Corp.	Black Gold Global Sdn. Bhd (BGG)	BGG's failure to pay for the licensing of Q10 technology, which occurred in 2008.	101.4.18	The payment amounted to 1,108,130 RM (including the last installment of the licensing fee, 990,000 RM) and US$5,500. The noncompliance of BGG despite repeated requests prompted PharmaEssentia to appeal to the Malaysian court for the forced dissolution of BGG on April 18, 2012. The Malaysian court issued a winding-up order on October 18, 2012, authorizing the dissolution of BGG. In July 2013, PharmaEssentia submitted a claim for the estimated amount realized, which is awaiting the decision of a creditors' meeting under the Malaysian court. The account receivable has been listed as full loss in the 2013 and 2014 fiscal years, and it has no material impact to PharmaEssentia.
PharmaEssentia Corp.	AOP Orphan Pharmaceuticals AG (AOP), an Austrian corporation	In 2009, PharmaEssentia and AOP entered into an agreement for the mutual exchange of licensing scope, territory, and information, in which PharmaEssentia provides chemistry, manufacturing, and controls (CMC) processes information to	107.3.31	Based on the analysis and opinion of the Company's German counsel, the arbitral decision contained many mistakes and procedural defects, and therefore the Counsel has recommended that PharmaEssentia file an application to set aside with the arbitration award. On February 15, 2022, the Company was notified by its German counsel, that regarding a decision (I ZB 21/21) in its current set aside litigation against AOP, the German Federal Court of Justice (Bundesgerichtshof or BGH) decided to set aside the original ICC arbitral award that (2) the Company is ordered to pay to AOP EUR 142,221,201 plus interest at a rate of 5% above the base interest rate

Company Name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	Status of the dispute as of the date of publication of the annual report.
		AOP, and AOP provides clinical trial data to PharmaEssentia. Based on the agreement, any party's failure to provide information within 30 days constituted conditions for contract termination. Accordingly, in November 2017, PharmaEssentia retained German counsel to send a notice letter to AOP that its failure to cure a material breach would result in contract termination. In March 2018, AOP filed a request for arbitration to the International Chamber of Commerce (ICC), claiming that PharmaEssentia, in not assisting to		from 14 August 2019 until receipt by AOP of this amount in full, payable on an annual basis, and (3) the Company is ordered to pay to AOP EUR 1,353,976.63 as of the date of the present award. The Federal Supreme Court has declared the award enforceable in paragraphs (1) the validity of the license agreement and the manufacturing agreement have been established and (4) all other requests also remain dismissed. All those enforcement and attachment orders that AOP filed with Austria Court, USA Court, and German Court against the Company’s patent right in December 2020, January 2021, and July 2021, respectively, was terminated and annulled after the German Federal Court of Justice. There is no significant impact to the Company’s financial position and the business.

Company Name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	Status of the dispute as of the date of publication of the annual report.
		provide CMC information, caused AOP delay in receiving drug approval, resulting in financial loss.		
PharmaEssentia Corp.	Wei, a former employee	Wei, a former employee who left in 2006, filed a civil claim in 2019 to the Taiwan Shilin District Court against PharmaEssentia for the compensation of 111,111 stock shares.	108.11.27	In November 2019, the Company's former employee Mr. Wei brought civil litigation against the company (Shihlin District Court (Taiwan District Court (109) Zhong Lao Zi No. 10, Taiwan High Court-Civil Appeals (Taiwan High Court (109) Lao Shang Yi Zi No. 145) demanding the Company make payment of technology shares. After case review by the Shihlin District Court and the Taiwan High Court, the entire case, as of November 3, 2021, has ended in a judgment overturning the original judgment ordering the appellant to pay principal and interest of more than $375 thousand, and the announcement of the provisional execution, as well as the litigation costs, except for confirmed parts. With the judicial resolution of the dispute between the two parties, Mr. Wei Jun's original attachment of $1,566 thousand at the Company's Yuanta Bank, Zhongzheng branch, based on the results of the judicial resolution and negotiation between the two parties, Mr. Wei Jun should return $1,148 thousand to the Company. On January 22, 2022, Mr. Wei Jun issued a check of sufficient amount, and the Company has already cashed the full amount.

Company Name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	Status of the dispute as of the date of publication of the annual report.
PharmaEssentia Corp.	AOP Orphan Pharmaceuticals AG(AOP), an Austrian corporation	AOP's late delivery of clinical trial data, which was a violation of the license agreement between AOP and PharmaEssentia, resulted in serious delays in obtaining BLA approval in the United States.	109.11.18	Following the decision of the Board of Directors made on November 13, 2020, PharmaEssentia filed a request for arbitration to the ICC against AOP on November 18, 2020, demanding compensation of no less than USD 1.78 billion for the loss associated with delayed BLA approval attributable to AOP's late delivery of clinical trial data, and the ICC secretariat accepted the request.
PharmaEssentia Corp.	AOP Orphan Pharmaceuticals AG(AOP) , an Austrian corporation	AOP's noncompliance of clinical trials for three indications, which was a violation of the license agreement between AOP and PharmaEssentia, resulted in losses associated with the delays in completing clinical trials and obtaining MAA approval for P1101, a product of PharmaEssentia, in the agent territory of AOP.	109.12.22	Following the decision of the Board of Directors on November 13, 2020, PharmaEssentia filed a request for arbitration to the ICC against AOP on December 22, 2020, demanding the compensation of no less than EUR 500 million, and the ICC secretariat accepted the request. On January 27, 2021, AOP has requested to consolidate the two cases, Case No. 25925 PTA filed on December 12, 2020, and Case 25808 PTA filed on November 18, filed by the Company against AOP. On February 18, 2021, the ICC notified PharmaEssentia about the consolidation. The Statement of Claim filed by the Company has in November 2021 has demanding the compensation to be 24.27 million and the Company retain the right to claim additional damages. ◦ The Company, on March 26, 2022, was notified by its retained counsel, that

Company Name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	Status of the dispute as of the date of publication of the annual report.
				AOP, on March 25, 2022, filed with the ICC Court a Statement of Defence and Counterclaim. In AOP's responsive brief, in addition to its responses, AOP made counterclaims against PEC as follows: (1) Alleged the Company violated the original License Agreement and caused damages; (2) Alleged the Company illegally used AOP's clinical trial data; and (3) Alleged the Company should pay AOP for services and repay overpaid amounts. AOP's counterclaims total approximately EUR 6 billion. To protect all shareholders' interest, the Company will submit it defense within the deadline in accordance with the relevant arbitration rules. Currently there is no impact on the Company's finance and business.

(13) Other important risks and mitigation measures taken

Items	Possible Risks	Response Measures
R&D	• R&D and biocompatibility test results are not as expected. • Competitors overtake the Company in terms of R&D progress. • R&D professionals are difficult to cultivate and retain. • Clinical trial progress or results are not as expected.	• Perform a thorough assessment through animal studies and user experiences and strictly control trial quality using rigorous visual inspection mechanisms. • Simultaneously develop new drugs for different indications to disperse the risk of developing only a single drug. • Recruit professionals with a background in the biotech industry; create and maintain a positive R&D environment in which benefits and opportunities for further education are offered to retain talented employees. • Actively cooperate with relevant academic and educational institutions to establish cooperative education projects and foster high-caliber professionals for the biopharmaceutical industry.
External Cooperation	• The progress or results of sponsored studies are not as expected.	• Select the most cooperative study institutions for long-term cooperation to avoid delays caused by communication problems and technical differences. • The clinical study company sponsored by the Company not only strictly adheres to the Good Clinical Practice (GCP) standards but also hires professional managers with international experience to ensure study quality and comply with clinical trial laws and regulations.
Manufacturing	• The time required to complete process validation is difficult to estimate because the schedule for product distribution is uncertain. If a product is produced too early, it will approach its expiration date by the time it is distributed in the market; however, if a product is produced too late, unexpected problems	• Communicate and coordinate with competent authorities at all times and make necessary adjustments in line with regulatory requirements regarding pharm facility specifications. • The Company is committed to new drug development by directing resources to innovations, inventions, clinical trials, and manufacturing plants, and obtaining drug permits for global distribution. With complete vertical integration, we hope to

	might arise that affect the review schedule. • To export new drug products, manufacturing plants must be inspected by the EMA (European Medicines Agency) and US FDA. The inspection standards and progress may change at any time.	research, develop, and manufacture new drug products in Taiwan that are comparable to and completely in line with products clinically tested and sold worldwide, including European countries and the United States. Ever since the pilot plant of the Taichung Plant was completed in 2012, it has undergone a series of processes, including pilot production, TFDA inspection, and validated production for drug permit applications. Subsequently, at the beginning of 2018, the Taichung Plant received a GMP (good manufacturing practice) certificate from the EMA, making PharmaEssentia the first biopharmaceutical company in Taiwan to be certified by the EMA. After obtaining the drug permit, the Company will be able to structure its supply chain according to global marketing plans and sales demand.
Marketing	• The main markets of new drug products for the treatment of rare blood disorders are based in advanced countries such as European nations and the United States where competitors are major international manufacturers, rendering market penetration difficult.	• Medicine and pharmacy in the United States are clearly distinguished. One of the key strategies for gaining a share of the market is ascertaining sales and distribution channels to forge long-term customer relationships for market expansion. • The Company's P1101 is a long-acting interferon with fewer side effects, high safety, and flexible dosing adjustment. The Company has granted exclusive right of sale in Europe to AOP. The Company's strategic partner AOP presented the PROUD-PV pivotal study results of P1101 for PV treatment at the 2016 American Society of Hematology (ASH)'s Annual Meeting and Exposition. P1101 is safer and more well tolerated compared with HU (hydroxyurea). In addition, the primary endpoints in the CONTI-PV trial presented at the 2017 ASH meeting were statistically significant. In February 2017, the EMA confirmed the completeness of AOP's application documents and initiated

		the procedure for new drug review. Plant inspection results indicated no major deficiencies. At the beginning of 2018, the EMA issued GMP certificates to the Taichung Plant and Taipei Laboratory. • Accompanied by internationally renowned opinion leaders and legal experts, the Company has held multiple meetings with US FDA officials. The participants unanimously agreed that the meeting yielded positive outcomes and could facilitate US market penetration in the future. The Company is actively preparing for premarketing activities, which include building positive relations with medical leaders, the MPN Research Foundation, and patient interest groups, to expedite the application for a drug permit. The Company received US FDA approval for Compassionate Use of P1101 for treating PV patients stably controlled on Pegasys, subsequently seizing market opportunities.
Laws	• It is difficult to keep track of the status of drug permit applications in different countries. Competent authorities of different countries often provide inconsistent opinions regarding clinical trial agreements. The approval times for IND (investigational new drug) applications vary. • Amendments to health insurance and payment policies.	• First, gain international recognition by obtaining US FDA approval for an IND program, and then communicate with the competent authorities of other countries to expedite the clinical review process. • Prepare review documents by following ICH Guidelines to reduce differences among countries.
Finance	• New drugs take a long time and are expensive to develop.	• Keep a well-replenished supply of funds and adhere to a strict budget plan. • Comply with the government's industry policies and apply for project funding. • The Company has obtained a drug permit in Europe for its new drug Besremi® and is slowly selling the

		product in various European countries. Product sales are expected to generate operating revenue for the company and provide additional funds. • Before generating income from product sales and royalty payments, the Company sources its funds primarily from cash capital increase, with additional support from bank loans.

7. Other Important Matters

None.

VIII. Special Notes

1. Information Related to Affiliates

(1) Consolidated Business Report of Affiliates

A. Organizational Chart of Affiliates

Affiliate Name	Shareholding
PharmaEssentia (Hong Kong) Corporation	-
PharmaEssentia Asia (Hong Kong) Corporation	100%
PharmaEssentia Biotechnology (Beijing) Co., Ltd.	100%
PharmaEssentia Japan KK	100%
PharmaEssentia USA Corporation.	100%
PharmaEssentia Korea Corporation.	100%
Panco Healthcare co.,Ltd.	100%
PharmaEssentia Singapore Pte. Ltd.	100%

Note 1: To expand the mainland Chinese market, the Company established the wholly owned PharmaEssentia (Hong Kong) Co., Ltd. in October 2013. As of December 31, 2018, PharmaEssentia (Hong Kong) had only completed the registration process. The Company has not yet issued shares.

Note 2: For the operation need of the Group, the Company established the wholly owned subsidiary PharmaEssentia Singapore Pte. Ltd. in September 2021.

B. Basic Information of Affiliates

As of December 31, 2021; NT$1,000

Affiliate Name	Region	Main Business Activity	Shareholding	Amount Invested
PharmaEssentia (Hong Kong) Corporation	Hong Kong	Biotechnology services	-	-
PharmaEssentia Asia (Hong Kong) Corporation	Hong Kong	Biotechnology services	100%	$91,344
PharmaEssentia Biotechnology (Beijing) Co., Ltd.	Beijing	Biotechnology services	100%	55,600
PharmaEssentia Japan KK	Japan	Biotechnology services	100%	451,990

Affiliate Name	Region	Main Business Activity	Shareholding	Amount Invested
PharmaEssentia USA Corporation.	USA	Biotechnology services	100%	1,617,926
PharmaEssentia Korea Corporation.	Korea	Biotechnology services	100%	58,700
Panco Healthcare Co., Ltd.	Taiwan	Biotechnology services	100%	102,500
PharmaEssentia Singapore Pte Ltd.	Singarpore	Biotechnology services	100%	1,394

Note 1: To expand the mainland Chinese market, the Company established the wholly owned PharmaEssentia (Hong Kong) Co., Ltd. in October 2013. As of December 31, 2018, PharmaEssentia (Hong Kong) had only completed the registration process. The Company has not yet issued shares.

Note 2: For the operation need of the Group, the Company established the wholly owned subsidiary PharmaEssentia Singapore Pte. Ltd. in September 2021.

C. Information on Personnel Who Are Presumed to Have a Controlling and Subordinate Relationship with the Company and the Reasons Behind the Presumption: None.

D. Business Scope of Affiliated Companies: Biotechnology services and clinical trials.

E. Directors, Supervisors, and General Managers of Affiliates

Affiliate Name	Title	Name or Representative	Shareholding	
			Shares	%
PharmaEssentia (Hong Kong) Corporation	Director	ChingLeou Teng ChanKou Hwang	-	-
PharmaEssentia Asia (Hong Kong) Corporation	Director	ChingLeou Teng ChanKou Hwang	-	-
PharmaEssentia Biotechnology (Beijing) Co., Ltd.	Executive Director	KoChung Lin	-	-
PharmaEssentia Japan KK	Director	KoChung Lin ChingLeou Teng Snow Chang Katsuya Yonezu	-	-

Affiliate Name	Title	Name or Representative	Shareholding	
			Shares	%
	Supervisor	Norio Komatsu Toshiaki Sato ChanKou Hwang ChiaYen Su		
PharmaEssentia USA Corporation.	Director	KoChung Lin ChingLeou Teng Manning, Meredith	-	-
PharmaEssentia Korea Corporation	Director Supervisor	KoChung Lin ChingLeou Teng Moon, HakSun Snow Chang		
Panco Healthcare Co., Ltd.	Director Supervisor	KoChung Lin ChingLeou Teng ChanKou Hwang ChiaLi Lin		
PharmaEssentia Singapore Pte Ltd	Director	KoChung Lin ChiaLi Lin Peggy Lu Andrew Jeremy Jason		

F. Operational Highlights of Affiliates (Unconsolidated Financial Information)

As of December 31, 2021; Unit: NT$1,000

Affiliate Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Income from Operations	Income (Loss) for the Year
PharmaEssentia Asia (Hong Kong) Corporation	91,344	12,984	7,447	5,537	-	(31,173)	(31,572)
PharmaEssentia Biotechnology (Beijing) Co., Ltd.	55,600	9,498	5,221	4,277	-	(4,489)	(19,374)
PharmaEssentia Japan KK	451,990	96,225	41,920	54,305	128	(168,774)	(168,878)
PharmaEssentia USA Corporation.	1,617,926	395,760	571,112	(175,352)	72,372	(1,210,062)	(1,092,404)
PharmaEssentia Korea Corporation.	58,700	12,392	10,360	2,032	-	(37,827)	(37,855)
Panco Healthcare Co.,Ltd.	102,500	329,416	251,557	77,859	335,242	(35,605)	(35,901)
PharmaEssentia Singapore Pte. Ltd.	1,394	1,389	1	1,388	-	(1)	13

Note: The company is a limited company and therefore has no earnings per share.

(2) Consolidated Financial Statements of Affiliates

Please see page 220 to 314 of this annual report.

(3) Affiliation Report

The Company is not a subordinate company prescribed under the Affiliated Enterprise section of the Company Act; therefore, the Company is not required to produce an affiliation report.

2. Private Placement Securities in the Most Recent Year and Up to the Publication Date of This Annual Report

Item	First private placement in 2019 Date issued: December 30, 2019				
Type of private placement security	Common stock				
Date and quantity/value approved through the shareholder's meeting	As resolved through the first special shareholders' meeting of the Company on October 1, 2019, for common stock within the limit of 35,000 thousand shares, global depository receipt, and/or private placement of common stock through capital increase in cash, and/or private placement of global or domestic convertible corporate bonds may be adopted once or in separate efforts (no more than 3) within one year since the date when the decision was made through the shareholders' meeting.				
Basis for and legitimacy of pricing	1. As required by the Directions for Public Companies Conducting Private Placements of Securities, the reference price shall be the higher of the simple average closing price of the common stocks for either the 1, 3, or 5 business days or for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. 2. Based on the foregoing pricing price determination principle, the price of NT$ 106.8 obtained with the simple average closing price of the common stocks for the 30 business days before the price determination date, that is, December 24, 2019, and after adjustment for any distribution of stock dividends, cash dividends or capital reduction, is the reference price. The current private placement price is set at NT$86, which is 80.5% of the reference price and no below the 80% reference price as decided through the special shareholders' meeting.				
Method chosen for specific people	Targets of the current private placement of securities are limited to specific people defined in Article 43-6 of the Securities and Exchange Act and the original (2002) Tai-Cai-Zheng-(I)-Tzi No. 0910003455 letter dated June 13, 2002 from the Securities and Futures Bureau, Ministry of Finance.				
Rationale for organizing private placements	In light of the relatively extended time-effectiveness and convenience associated with private placements and the fact that privately placed securities may not be freely assigned within three years, it will better ensure the long-term relationship between the Company and the subscribers. In addition, private placements organized by the authorized Board of Directors reflective of the actual operating demand of the Company helps effectively enhance the mobility and flexibility in fund-raising for the Company. As such, private placements need to be organized.				
Number of shares (or number of corporate bonds)	5,668,198 shares of common stock				
Date of payment and date of filing	Date of payment: December 30, 2019 Date of filing: January 8, 2020				
Date of delivery	January 20, 2020				
Information of subscriber	Target of private placement	Eligibility	Quantity subscribed	Relationship with the company	Involvement in corporate operation

	ChingLeou Teng	Article 43-6 Paragraph 1 Sub-paragraph 3 of the Securities and Exchange Act	116,280	Chairman	Insider or related party of the Company
	ChaoHe Chen		581,396	Director	Insider or related party of the Company
	BenYuan Chen		174,419	Director	Insider or related party of the Company
	ChanKou Hwang		23,256	Director	Insider or related party of the Company
	ShihYing Hsu		186,047	Director	Insider or related party of the Company
	KoChung Lin		116,280	Chief Operation Officer	Insider or related party of the Company
	YenTung Luan		34,884	Chief Operation Officer of Taichung Branch	Insider or related party of the Company
	Snow Chang		11,629	Financial and Accounting Supervisor	Insider or related party of the Company
	MingKun Zeng		40,698	Shareholder	None
	RuiYu Yu		1279,070	Shareholder	None
	MaLi Huang		174,419	Shareholder	None
	LiJing Chen		290,698	Shareholder	None
	ShuYun Zheng		174,419	Shareholder	None
	XianZhi Zheng		174,419	Shareholder	None
	JianMing Wang		174,419	Shareholder	None
	YuZhen Lin		93,024	Shareholder	None
	YiRen Zhan		58,140	Shareholder	None
	GueiZhi You		290,698	Shareholder	None
	FuYu Wu		23,256	Shareholder	None
	SuChiang Chemical & Pharmaceutical Co., Ltd.		174,419	Shareholder	None
	KGI Bank Fiduciary Investment Account of HONGKONG JOYRICH		174,000	Shareholder	None

	INVESTMENTS LIMITED				
	Hunya Foods Co., Ltd.		465,117	Shareholder	None
	GangTing Fan		23,256	Employee	None
	Zhe Hsu		29,070	Employee	None
	JingXing Su		17,442	Employee	None
	HuiHua Lin		34,884	Employee	None
	MingBin Xu		34,884	Employee	None
	MingShan Lu		17,442	Employee	None
	ShiGuan Wu		23,256	Employee	None
	YouKui Cai		17,442	Employee	None
	WeiDer Li		11,628	Employee	None
	DaRen Lin		11,628	Employee	None
	Yue Xie		23,256	None	None
	FanXiu Huang		11,628	None	None
	I&K Engineering Co., Ltd.		581,395	None	None
Actual subscription (or conversion) price	NT$ 86 per share				
Difference between the actual subscription (or conversion) price and the reference price	The actual subscription price is NT$ 86 per share, which is 80.5% of the reference price, NT$ 106.8 per share.				
Impacts on the shareholder's equity of private placement (such as increase in the accumulated deficits...)	Fund-raising by means of private placement of common stock for capital increase in cash does not involve expenditure on the interest associated with liabilities, reduces the financial risk for the Company, and helps immediately improve the Company's financial structure and increase the flexibility for the Company over financial allocation. It is expected to reinforce the competitive advantages of the Company, improve the operating efficacy, and strengthen the financial structure and hence helps with the shareholders' equity positively.				
Utilization of privately raised funds and status of implementation of the plan	(1) Value of required funds for the current plan: NT$501,000 thousand (2) Funding source: 5,668,198 shares of common stock are privately placed, with the denomination per share being NT$10 and each share issued at NT$ 86; that is, NT$ 487,465 thousand is raised. The shortage of NT$ 13,535 thousand will be supported by the self-owned assets of the Company. (3) Planned Items、Status of Capital Use： The funds raised hereby shall reserve for either increasing working capital, strengthening the financial structure, and/or doing research and developing new drug, and/or conducting reinvestment and/or, and/or supporting the Company's long-term development funding needs (one or several of these purposes). The Company has collected full payment of NT$487,465and the funds are reserved for reinvesting in the Company's subsidiaries PharmaEssentia Asia (Hong Kong) Corporation and PharmaEssentia Biotechnology (Beijing) Co., Ltd..				
Expressed benefits of private placement	The current private placement for capital increase in cash is meant mainly to increase the capital size of the subsidiary PharmaEssentia Japan KK in order for it to take charge of				

	clinical trials conducted in Japan of P1101 and to communicate with the Japan PMDA and apply for a drug permit, and to facilitate subsequent marketing of the new drug. The funds are also reserved for reinvesting the subsidiary in Hong Kong PharmaEssentia Hong Kong to indirectly invest in the sub-subsidiary PharmaEssentia Beijing, for it to communicate with the China NMPA and apply for a drug permit, and to facilitate subsequent marketing of the new drug. The Phase II clinical trial to support the use of the Company's P1101 in treating PV has already been approved by Japan PMDA in October 2019. There is total 29 patients under the trial and the Company obtained the trials results on July 20, 2021.In addition, the Company already applied for the Phase II clinical trial with the China CFDA (now changed to NMPA). After multiple advisory meetings with China CDE, it's decided the Company will use this trial results for the purpose applying for the drug permit.
Certificate of payment of subscribed (converted) shares (bond conversion entitlement certificate), shares, shares from free placement	None

<table>
<tr><td>Item</td><td colspan="5">First private placement in 2020
Date issued: June 24, 2020</td></tr>
<tr><td>Type of private placement security</td><td colspan="5">Common stock</td></tr>
<tr><td>Date and quantity/value approved through the shareholder’s meeting</td><td colspan="5">As resolved through the first special shareholders’ meeting of the Company on May 27, 2020, for common stock within the limit of 35,000 thousand shares, global depository receipt, and/or private placement of common stock through capital increase in cash, and/or private placement of global or domestic convertible corporate bonds may be adopted once or in separate efforts (no more than 3) within one year since the date when the decision was made through the shareholders’ meeting.</td></tr>
<tr><td>Basis for and legitimacy of pricing</td><td colspan="5">1. As required by the Directions for Public Companies Conducting Private Placements of Securities, the reference price shall be the higher of the simple average closing price of the common stocks for either the 1, 3, or 5 business days or for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
2. Based on the foregoing pricing price determination principle, the price of NT$117 obtained with the simple average closing price of the common stocks for the 30 business days before the price determination date, that is, June 24, 2020, and after adjustment for any distribution of stock dividends, cash dividends or capital reduction, is the reference price. The current private placement price is set at NT$93.8, which is 80.17% of the reference price and no below the 80% reference price as decided through the special shareholders’ meeting.</td></tr>
<tr><td>Method chosen for specific people</td><td colspan="5">Targets of the current private placement of securities are limited to specific people defined in Article 43-6 of the Securities and Exchange Act and the original (2002) Tai-Cai-Zheng-(I)-Tzi No. 0910003455 letter dated June 13, 2002 from the Securities and Futures Bureau, Ministry of Finance.</td></tr>
<tr><td>Rationale for organizing private placements</td><td colspan="5">In light of the relatively extended time-effectiveness and convenience associated with private placements and the fact that privately placed securities may not be freely assigned within three years, it will better ensure the long-term relationship between the Company and the subscribers. In addition, private placements organized by the authorized Board of Directors reflective of the actual operating demand of the Company helps effectively enhance the mobility and flexibility in fund-raising for the Company. As such, private placements need to be organized.</td></tr>
<tr><td>Number of shares (or number of corporate bonds)</td><td colspan="5">16,724,947 shares of common stock</td></tr>
<tr><td>Date of payment and date of filing</td><td colspan="5">Date of payment: June 24, 2020
Date of filing: July 2, 2020</td></tr>
<tr><td>Date of delivery</td><td colspan="5">July 20, 2020</td></tr>
<tr><td rowspan="2">Information of subscriber</td><td>Target of private placement</td><td>Eligibility</td><td>Quantity subscribed</td><td>Relationship with the company</td><td>Involvement in corporate operation</td></tr>
<tr><td>Eon Capital investment account, entrusted to Yuanta Commercial Bank</td><td></td><td>6,210,022</td><td>None</td><td>None</td></tr>
</table>

Taiwania Capital Fund II	Article 43-6 Paragraph 1 Sub-paragraph 3 of the Securities and Exchange Act	2,132,196	None	None
Mega International Commercial Bank Co., Ltd.		530,000	None	None
Hunya Foods Co., Ltd.		426,440	Shareholder	None
Fruitful Orchard Properties Limited Taiwan Branch (B.V.I)		319,830	Shareholder	None
Hong Tai Investment Co., Ltd.		213,220	Subordinate relation with the director of the Company	Insider or related party of the Company
ChaoHe Chen		213,220	Director	Insider or related party of the Company
ShihYing Hsu		181,237	Director	Insider or related party of the Company
BenYuag Chen		127,932	Director	Insider or related party of the Company
JinnDer Chang		85,288	Director	Insider or related party of the Company
RuiYu Yu		2,345,416	Shareholder	None
LiQing Chen		1,599,147	None	None
GueiZhi You		370,239	Shareholder	None
LiJing Chen		213,220	Shareholder	None
JianMing Luo		181,237	Shareholder	None
JingCun Liu		159,9	Shareholder	None
ShenYu Li		159,915	Shareholder	None
WenXian Cai		159,915	Shareholder	None
MingYang Lai		159,915	Shareholder	None
PingNan Liao		165,000	Shareholder	None
YingRu Chen		106,610	None	None
XiuQing Lin		106,610	Shareholder	None
MaoTang Chen		106,610	Shareholder	None
JingRan Xu		106,610	Shareholder	None
LaiFu Kuo		106,610	Shareholder	None
LiHua Su		100,000	Shareholder	None
ShiMing Lin		53,305	Shareholder	None

	ZhenShan Wang		53,305	Shareholder	None
	LiHong Chen		21,322	None	None
	ChaoSheng Cheng		10,661	Employee	None
Actual subscription (or conversion) price	NT$ 93.8 per share				
Difference between the actual subscription (or conversion) price and the reference price	The actual subscription price is NT$ 93.8 per share, which is 80.17% of the reference price, NT$117 per share.				
Impacts on the shareholder's equity of private placement (such as increase in the accumulated deficits...)	Fund-raising by means of private placement of common stock for capital increase in cash does not involve expenditure on the interest associated with liabilities, reduces the financial risk for the Company, and helps immediately improve the Company's financial structure and increase the flexibility for the Company over financial allocation. It is expected to reinforce the competitive advantages of the Company, improve the operating efficacy, and strengthen the financial structure and hence helps with the shareholders' equity positively.				
Utilization of privately raised funds and status of implementation of the plan	(1) Value of required funds for the current plan: NT$ 1,568,800 thousand (2) Funding source: 16,724,947 shares of common stock are privately placed, with the denomination per share being NT$10 and each share issued at NT$ 93.8; that is, NT$ 1,568,800 thousand is raised. (3) Planned Items、Status of Capital Use： The funds raised hereby shall reserve for either increasing working capital, strengthening the financial structure, and/or doing research and developing new drug, and/or conducting reinvestment and/or, and/or supporting the Company's long-term development funding needs (one or several of these purposes). The Company has collected full payment of NT$1,568,800 and the funds are reserved for increasing working capital and purchasing equipment for research and production.				
Expressed benefits of private placement	Among the funds raised hereby, NT$1,403,300 is reserved for increasing working capital and is expected to improving and strengthening the Company's financial structure, increasing the equity ratio and improving the liquidity; the remaining NT$165,500 is reserved for purchasing research and production equipment for the production of P1101 at Taipei and Taichung plants in order for the Company to successfully establish a GMP certified Medicament Factory.				
Certificate of payment of subscribed (converted) shares (bond conversion entitlement certificate), shares, shares from free placement	None				

Item	First private placement in 2021 Date issued: December 10, 2021
Type of private placement security	Common stock
Date and quantity/value approved through the shareholder's meeting	As resolved through the first special shareholders' meeting of the Company on August 5, 2021, for common stock within the limit of 50,000 thousand shares, global depository receipt, and/or private placement of common stock through capital increase in cash, and/or private placement of global or domestic convertible corporate bonds may be adopted once or in separate efforts (no more than 3) within one year since the date when the decision was made through the shareholders' meeting.
Basis for and legitimacy of pricing	1. As required by the Directions for Public Companies Conducting Private Placements of Securities, the reference price shall be the higher of the simple average closing price of the common stocks for either the 1, 3, or 5 business days or for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. 2. Based on the foregoing pricing price determination principle, the price of NT$220.4 obtained with the simple average closing price of the common stocks for the 30 business days before the price determination date, that is, December 3, 2021, and after adjustment for any distribution of stock dividends, cash dividends or capital reduction, is the reference price. The current private placement price is set at NT$177, which is 80.31% of the reference price and no below the 80% reference price as decided through the special shareholders' meeting.
Method chosen for specific people	Targets of the current private placement of securities are limited to specific people defined in Article 43-6 of the Securities and Exchange Act and the original (2002) Tai-Cai-Zheng-(I)-Tzi No. 0910003455 letter dated June 13, 2002, from the Securities and Futures Bureau, Ministry of Finance.
Rationale for organizing private placements	In light of the relatively extended time-effectiveness and convenience associated with private placements and the fact that privately placed securities may not be freely assigned within three years, it will better ensure the long-term relationship between the Company and the subscribers. In addition, private placements organized by the authorized Board of Directors reflective of the actual operating demand of the Company helps effectively enhance the mobility and flexibility in fund-raising for the Company. As such, private placements need to be organized.
Number of shares (or number of corporate bonds)	6,602,000 shares of common stock
Date of payment and date of filing	Date of payment: December 13, 2021 Date of filing: December 24, 2021
Date of delivery	January 5, 2022

Information of subscriber	Target of private placement	Eligibility	Quantity subscribed	Relationship with the company	Involvement in corporate operation
	BenYuan Chen		170,000	Director	None
	PingNan Liao		170,000	Shareholder	None
	ChaoHe Chen		170,000	Shareholder	None
	MingKun Zeng		4,000	Shareholder	None

	LiHua Su	Article 43-6 Paragraph 1 Sub-paragraph 3 of the Securities and Exchange Act	100,000	Shareholder	None
	MaoTang Chen		57,000	Shareholder	None
	LiJing Chen		74,000	Shareholder	None
	JingCun Lin		113,000	Shareholder	None
	LaiFu Guo		170,000	Shareholder	None
	ShenYi Li		100,000	Director	Insider or related party of the Company
	MeiZhi Lai		339,000	Shareholder	None
	QiuMei Lai		339,000	Shareholder	None
	YuYing Jiang		339,000	Shareholder	None
	HengZhi You		1,130,000	Shareholder	None
	HuanWen Huang		198,000	Shareholder	None
	Yu Xi Investment Limited Company		198,000	Shareholder	None
	MengYong Huang		1,130,000	Shareholder	None
	ZengTian Li		198,000	Shareholder	None
	JinCai Huang		100,000	Shareholder	None
	WenXian Cai		170,000	Shareholder	None
	Taiwan Oasis Technology Co., Ltd.		170,000	Shareholder	None
	XuFeng Li		200,000	Shareholder	None
	MeiLi Tian		200,000	Shareholder	None
	JunZhong Zheng		311,000	Shareholder	None
	YiJie Qiu		339,000	Shareholder	None
	Long Deed Corporation		113,000	Shareholder	None
Actual subscription (or conversion) price	NT$177 per share				
Difference between the actual subscription (or conversion) price and the reference price	The actual subscription price is NT$220.4 per share, which is 80.31% of the reference price, NT$177per share.				
Impacts on the shareholder's equity of private placement (such as increase in the accumulated deficits...)	Fund-raising by means of private placement of common stock for capital increase in cash does not involve expenditure on the interest associated with liabilities, reduces the financial risk for the Company, and helps immediately improve the Company's financial structure and increase the flexibility for the Company over financial allocation. It is expected to reinforce the competitive advantages of the Company, improve the operating efficacy, and strengthen the financial structure and hence helps with the shareholders' equity positively.				
Utilization of privately raised funds and status of implementation of the plan	(1) Value of required funds for the current plan: NT$1,168,554 thousand (2) Funding source: 6,602,000 shares of common stock are privately placed, with the denomination per share being NT$10 and each share issued at NT$177; that is, NT$ 1,168,554 thousand is raised.				

	(3) Planned Items、Status of Capital Use： The funds raised hereby shall reserve for either increasing working capital, strengthening the financial structure, and/or doing research and developing new drug, and/or conducting reinvestment and/or, and/or supporting the Company's long-term development funding needs (one or several of these purposes). The Company has collected full payment of NT$1,168,554,000 and the funds are reserved for increasing working capital and purchasing equipment for research and production.
Expressed benefits of private placement	The funds raised hereby is reserved for increasing working capital and is expected to improving and strengthening the Company's financial structure, increasing the equity ratio and improving the liquidity.
Certificate of payment of subscribed (converted) shares (bond conversion entitlement certificate), shares, shares from free placement	None

Item	Second private placement in 2021 Date issued: December 29, 2021				
Type of private placement security	Common stock				
Date and quantity/value approved through the shareholder's meeting	As resolved through the first special shareholders' meeting of the Company on August 5, 2021, for common stock within the limit of 50,000 thousand shares, global depository receipt, and/or private placement of common stock through capital increase in cash, and/or private placement of global or domestic convertible corporate bonds may be adopted once or in separate efforts (no more than 3) within one year since the date when the decision was made through the shareholders' meeting.				
Basis for and legitimacy of pricing	1. As required by the Directions for Public Companies Conducting Private Placements of Securities, the reference price shall be the higher of the simple average closing price of the common stocks for either the 1, 3, or 5 business days or for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. 2. Based on the foregoing pricing price determination principle, the price of NT$293.7 obtained with the simple average closing price of the common stocks for the 30 business days before the price determination date, that is, December 23, 2021, and after adjustment for any distribution of stock dividends, cash dividends or capital reduction, is the reference price. The current private placement price is set at NT$235, which is 80.01% of the reference price and no below the 80% reference price as decided through the special shareholders' meeting.				
Method chosen for specific people	Targets of the current private placement of securities are limited to specific people defined in Article 43-6 of the Securities and Exchange Act and the original (2002) Tai-Cai-Zheng-(I)-Tzi No. 0910003455 letter dated June 13, 2002 from the Securities and Futures Bureau, Ministry of Finance.				
Rationale for organizing private placements	In light of the relatively extended time-effectiveness and convenience associated with private placements and the fact that privately placed securities may not be freely assigned within three years, it will better ensure the long-term relationship between the Company and the subscribers. In addition, private placements organized by the authorized Board of Directors reflective of the actual operating demand of the Company helps effectively enhance the mobility and flexibility in fund-raising for the Company. As such, private placements need to be organized.				
Number of shares (or number of corporate bonds)	6,631,000 shares of common stock				
Date of payment and date of filing	Date of payment: December 29, 2021 Date of filing: January 12, 2022				
Date of delivery	January 24, 2022				
Information of subscriber	Target of private placement	Eligibility	Quantity subscribed	Relationship with the company	Involvement in corporate operation
	China First Steel Cable Factory Co., Ltd.		256,000	Shareholder	None
	King King Energy Service Co., Ltd.		86,000	None	None

	Chung Shan Investment Co., Ltd.	Article 43-6 Paragraph 1 Sub-paragraph 3 of the Securities and Exchange Act	213,000	None	None
	XingZhu Huang		536,000	Shareholder	None
	XuFeng Li		150,000	Shareholder	None
	JianQuan Wei		149,000	None	None
	YingZhi Guo		510,000	None	None
	YiJie Qiu		128,000	Shareholder	None
	JunXiong Chen		107,000	Shareholder	None
	MeiLan Qiu		128,000	Shareholder	None
	PingNan Liao		130,000	Shareholder	None
	LiZhen Huang		62,000	Shareholder	None
	EnYi Chen		103,000	Shareholder	None
	XuanHuei Wang		57,000	Shareholder	None
	XueShun Zhang		213,000	None	None
	YuRong Chen		107,000	None	None
	QingDong Wang		383,000	None	None
	LiWen Chen		256,000	Shareholder	None
	JianMing Luo		86,000	Shareholder	None
	YingRu Chen		43,000	Shareholder	None
	YuXin Chen		64,000	Shareholder	None
	Zhong Hung		320,000	Shareholder	None
	Rui-Yu Yu		639,000	Shareholder	None
	LaiFu Guo		100,000	Shareholder	None
	YueQiuYang		277,000	Shareholder	None
	NengSenChen		86,000	Shareholder	None
	XiuLing Que		86,000	Shareholder	None
	JingRan Xu		200,000	Shareholder	None
	GuanYu Su		298,000	Shareholder	None
	Yu Xin Investment Limited Company		192,000	Shareholder	None
	HengZhi You		213,000	Shareholder	None
	MaoTang Chen		43,000	Shareholder	None
	JunNing Zhang		256,000	None	None
	MeiLi Tian Tian		111,000	Shareholder	None
	Bo Yuan Zhuo		43,000	None	None
Actual subscription (or conversion) price	NT$235 per share				
Difference between the actual subscription (or conversion) price and the reference price	The actual subscription price is NT$293.7 per share, which is 80.01% of the reference price, NT$235 per share.				
Impacts on the shareholder's equity of	Fund-raising by means of private placement of common stock for capital increase in cash does not involve expenditure on the interest associated with liabilities, reduces the				

private placement (such as increase in the accumulated deficits...)	financial risk for the Company, and helps immediately improve the Company's financial structure and increase the flexibility for the Company over financial allocation. It is expected to reinforce the competitive advantages of the Company, improve the operating efficacy, and strengthen the financial structure and hence helps with the shareholders' equity positively.
Utilization of privately raised funds and status of implementation of the plan	(1) Value of required funds for the current plan: NT$1,558,285 thousand (2) Funding source: 6,631,000 shares of common stock are privately placed, with the denomination per share being NT$10 and each share issued at NT$235; that is, NT$ 1,558,285 thousand is raised. (3) Planned Items、Status of Capital Use： The funds raised hereby shall reserve for either increasing working capital, strengthening the financial structure, and/or doing research and developing new drug, and/or conducting reinvestment and/or, and/or supporting the Company's long-term development funding needs (one or several of these purposes). The Company has collected full payment of NT$1,558,285,000 and the funds are reserved for increasing working capital and purchasing equipment for research and production.
Expressed benefits of private placement	The funds raised hereby is reserved for increasing working capital and is expected to improving and strengthening the Company's financial structure, increasing the equity ratio and improving the liquidity.
Certificate of payment of subscribed (converted) shares (bond conversion entitlement certificate), shares, shares from free placement	None

3. The Company's Common Shares Acquired, Disposed of, and Held by Subsidiaries in the Most Recent Year and Up to the Publication Date of this Annual Report

None.

4. Other Necessary Supplements

None.

5. Any Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, in the Most Recent Year and Up to the Publication Date of This Annual Report

None.

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安永聯合會計師事務所

11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.

Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/taiwan

English Translation of Auditors' Report Originally Issued in Chinese

Independent Auditors' Report

To PharmaEssentia Corp.

Opinion

We have audited the accompanying consolidated balance sheets of PharmaEssentia Corp. and its subsidiaries (the "Company" and its subsidiaries) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred to "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – International Arbitration

Please refer to Note9(10), on October 21, 2020, the Company received the arbitral award which was raised by AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP) bringing to International Chamber of Commerce (hereinafter referred to as "ICC"). By October 28, 2020 resolution of the board of directors, an application to set aside was filed on December 17, 2020, initiating proceedings that challenged the award as having significant errors and procedural defects, including violations of public policy and the Company's right to be heard. On February 15, 2022, by notification from its German counsel, the Company received the resulting decision of the German Federal Court of Justice (BGH), as to that certain original final award content of Items (1) the Company's liability of EUR 142,221 thousand to compensate for damages, and (2) the Company's liability of EUR 1,354 thousand for arbitration and related costs, should be formally set aside. As of December 31, 2021, the Company had considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter. Our opinion is not modified accordingly.

Key Audit Matters

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

Assessment for indicator of impairment of non-financial assets

As of December 31, 2021, the total net amount of property, plant and equipment, right-of-use assets and intangible assets of the Company and its subsidiaries was NTD 1,011,176 thousand, constituting 17% of the consolidated total assets. The Company and its subsidiaries are engaged in medicine discovery and new drug patten developments. The Company and its subsidiaries are still at loss position in the year of 2021 because the Company and its subsidiaries are still investing in new drugs development. As of the balance sheet date, the Company and its subsidiaries based on the external and internal sources to assess whether there is any indication of impairment in property, plant and equipment, right of use and intangible assets. If there is indication of impairment, the recoverable amount should be estimated. The evaluation of indicator of impairment of property, plant and equipment, right of use and intangible assets rely on management judgement on various external and internal sources of information. The result of impairment evaluation is significant to the consolidated financial statements. Therefore, we consider impairment assessment as a key audit matter.

We have conducted audit procedures including but not limited to understanding the technical, market, economic or legal environment, consider whether there are any major changes that are detrimental to the Company and its subsidiaries, and whether it has lost its competitiveness in the market. Understand the latest progress of research and development of major new drug projects and presence of significant delay happens, also through observe whether property, plant and equipment are operated normally and not obsoleted or damaged. We also evaluate whether the total market value of the Company and its subsidiaries as of the balance sheet date is greater than the net book value, to evaluate whether the management's judgement on impairment of non-financial assets is reasonable. In Note 4 and 5 of consolidated financial statements to assess the appropriateness of the accounting policies and disclosures relating to the impairment of non-financial assets.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NTD 253,015 thousand, constituting 4% of consolidated total assets as of December 31, 2021, and total operating revenues of NTD 72,372 thousand, constituting 11% of consolidated operating revenue for the year ended December 31, 2021. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit year of 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion with emphasis of matter and other matter paragraph and emphasis of matter on the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020.

Yu, Chien-Ju

Lin, Li-Huang

Ernst & Young, Taiwan
March 1, 2022

Taipei, Taiwan
Republic of China

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31,			
		2021		2020	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6	$3,453,645	56	$3,200,378	58
Current financial assets at amortised cost	4,6,8	-	-	12,000	-
Accounts receivable, net	4,5,6	466,044	8	450,597	8
Other receivables	4	26,788	-	2,358	-
Current tax assets	4	383	-	385	-
Current inventories	4,5,6	861,378	13	394,847	7
Prepayments	6	76,488	1	43,952	1
Other current assets		41,935	1	42,907	1
Total current assets		4,926,661	79	4,147,424	75
Non-current assets					
Non-current financial assets at fair value through other comprehensive income	4,6	39,220	1	17,435	-
Non-current financial assets at amortised cost	4,6,8	27,085	-	77,791	1
Property, plant and equipment	4,6,8	359,538	6	408,223	8
Right-of-use assets	4,6	405,389	7	483,435	9
Intangible assets	4,5,6,7	246,249	4	220,654	4
Prepayments for business facilities		14,846	-	11,109	-
Other non-current assets, others	6	179,195	3	165,115	3
Total non-current assets		1,271,522	21	1,383,762	25
Total assets		$6,198,183	100	$5,531,186	100

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of December 31,			
		2021		2020	
		Amount	%	Amount	%
Current liabilities					
Current borrowings	4,6,8	$20,000	-	$50,000	1
Notes payable		75	-	75	-
Accounts payable		176,300	3	176,990	3
Other payables	6	495,637	8	399,099	7
Other payables to related parties	7	296	-	565	-
Current lease liabilities	4,6	78,591	2	90,273	2
Long-term borrowings, current portion	6,8	12,052	-	6,499	-
Other current liabilities, others	5,6,9	629,011	10	363,198	7
Total current liabilities		1,411,962	23	1,086,699	20
Non-current liabilities					
Non-current portion of non-current borrowings	6,8	87,090	1	99,203	2
Non-current lease liabilities	4,6	338,505	5	400,755	7
Net defined benefit liability, non-current	4,5,6	3,950	-	4,028	-
Other non-current liabilities, others		106,295	2	20,791	-
Total non-current liabilities		535,840	8	524,777	9
Total liabilities		1,947,802	31	1,611,476	29
Equity attributable to owners of parent	4,6				
Share capital					
Ordinary share		2,769,036	45	2,634,183	48
Total share capital		2,769,036	45	2,634,183	48
Capital surplus					
Additional paid-in capital arising from ordinary share		3,964,932	64	3,473,517	63
Employee share options		731,996	12	253,252	4
Restricted stock		460	-	460	-
Total capital surplus		4,697,388	76	3,727,229	67
Retained earnings					
Accumulated deficit		(2,811,152)	(45)	(2,144,028)	(39)
Total retained earnings		(2,811,152)	(45)	(2,144,028)	(39)
Other equity interest		(60,150)	(1)	(40,435)	(1)
Treasury shares		(344,741)	(6)	(257,239)	(4)
Non-controlling interests	4	-	-	-	-
Total equity		4,250,381	69	3,919,710	71
Total liabilities and equity		$6,198,183	100	$5,531,186	100

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	For the years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
Operating revenue	4,6	$656,506	100	$557,257	100
Operating costs	4,6	(378,856)	(58)	(373,323)	(67)
Gross profit from operations		277,650	42	183,934	33
Operating expenses	6,7				
Selling expenses		(956,449)	(145)	(379,218)	(68)
Administrative expenses		(870,833)	(133)	(598,188)	(107)
Research and development expenses		(1,272,776)	(194)	(922,380)	(166)
Total operating expenses		(3,100,058)	(472)	(1,899,786)	(341)
Net operating loss		(2,822,408)	(430)	(1,715,852)	(308)
Non-operating income and expenses	4,6,9				
Interest income		4,631	1	7,492	1
Other income		24,667	4	41,546	7
Other gains and losses, net		(7,908)	(1)	(272,946)	(49)
Finance costs, net		(9,970)	(2)	(8,256)	(1)
Total non-operating income and expenses		11,420	2	(232,164)	(42)
Loss before tax		(2,810,988)	(428)	(1,948,016)	(350)
Total tax expense	4,6	-	-	(126)	-
Loss		(2,810,988)	(428)	(1,948,142)	(350)
Other comprehensive income	4,6				
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans		(164)	-	(135)	-
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(3,215)	-	(6,909)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements		(16,500)	(3)	(6,045)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-
Other comprehensive income, net		(19,879)	(3)	(13,089)	(2)
Total comprehensive income		$(2,830,867)	(431)	$(1,961,231)	(352)
Loss, attributable to:					
Loss, attributable to owners of parent		$(2,810,988)		$(1,948,142)	
Loss, attributable to non-controlling interests		-		-	
		$(2,810,988)		$(1,948,142)	
Comprehensive income attributable to:					
Comprehensive income, attributable to owners of parent		$(2,830,867)		$(1,961,231)	
Comprehensive income, attributable to non-controlling interests		-		-	
		$(2,830,867)		$(1,961,231)	
Earnings per share (in NTD)	6				
Basic loss per share		$(10.80)		$(8.04)	

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Summary	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Share capital	Capital surplus			Retained earnings	Other equity interest			Treasury shares			
	Ordinary share	Additional paid-in capital arising from ordinary share	Employee share options	Restricted stock	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	Treasury shares	Total equity attributable to owners of parent		
Balance on January 1, 2020	$2,250,438	$647,761	$227,435	$460	$(843,512)	$1,175	$(28,656)	$(25)	$-	$2,255,076	$-	$2,255,076
Other changes in capital surplus:												
Capital surplus used to offset accumulated deficits	-	(647,761)	-	-	647,761	-	-	-	-	-	-	-
Loss for the year ended December 31, 2020	-	-	-	-	(1,948,142)	-	-	-	-	(1,948,142)	-	(1,948,142)
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(135)	(6,045)	(6,909)	-	-	(13,089)	-	(13,089)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	(1,948,277)	(6,045)	(6,909)	-	-	(1,961,231)	-	(1,961,231)
Issue of shares	387,249	3,425,551	-	-	-	-	-	-	-	3,812,800	-	3,812,800
Share-based payments	3,903	47,966	25,817	-	-	-	-	25	-	77,711	-	77,711
Purchase of treasury shares	-	-	-	-	-	-	-	-	(264,646)	(264,646)	-	(264,646)
Retirement of treasury share	(7,407)	-	-	-	-	-	-	-	7,407	-	-	-
Balance on December 31, 2020	$2,634,183	$3,473,517	$253,252	$460	$(2,144,028)	$(4,870)	$(35,565)	$-	$(257,239)	$3,919,710	$-	$3,919,710
Balance on January 1, 2021	$2,634,183	$3,473,517	$253,252	$460	$(2,144,028)	$(4,870)	$(35,565)	$-	$(257,239)	$3,919,710	$-	$3,919,710
Other changes in capital surplus:												
Capital surplus used to offset accumulated deficits	-	(2,144,028)	-	-	2,144,028	-	-	-	-	-	-	-
Loss for the year ended December 31, 2021	-	-	-	-	(2,810,988)	-	-	-	-	(2,810,988)	-	(2,810,988)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(164)	(16,500)	(3,215)	-	-	(19,879)	-	(19,879)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	(2,811,152)	(16,500)	(3,215)	-	-	(2,830,867)	-	(2,830,867)
Issue of shares	132,330	2,594,509	-	-	-	-	-	-	-	2,726,839	-	2,726,839
Share-based payments	2,523	40,934	478,744	-	-	-	-	-	-	522,201	-	522,201
Purchase of treasury shares	-	-	-	-	-	-	-	-	(87,502)	(87,502)	-	(87,502)
Balance on December 31, 2021	$2,769,036	$3,964,932	$731,996	$460	$(2,811,152)	$(21,370)	$(38,780)	$-	$(344,741)	$4,250,381	$-	$4,250,381

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,	
	2021	2020
Cash flows from (used in) operating activities:		
Loss before tax	$(2,810,988)	$(1,948,016)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	221,173	170,630
Amortization expense	5,908	4,151
Interest expense	9,970	8,256
Interest income	(4,631)	(7,492)
Share-based payments	501,518	53,764
Loss (gain) on disposal of property, plant and equipment	70	(17)
Other adjustments to reconcile profit (loss)	(18)	(8,557)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(15,447)	62,490
Decrease (increase) in other receivables	(24,430)	-
Decrease (increase) in inventories	(466,531)	(137,521)
Decrease (increase) in prepayments	(33,542)	9,628
Decrease (increase) in other current assets	(249)	(33,900)
Increase (decrease) in contract liabilities	-	(68)
Increase (decrease) in notes payable	-	25
Increase (decrease) in accounts payable	(690)	21,894
Increase (decrease) in other payables	96,538	30,504
Increase (decrease) in other payables to related parties	(269)	90
Increase (decrease) in other current liabilities	(31,569)	290,954
Increase (decrease) in net defined benefit liability	(242)	(229)
Increase (decrease) in other non-current liabilities, others	85,504	20,791
Cash inflow (outflow) generated from operations:	(2,467,925)	(1,462,623)
Interest received	5,852	9,114
Income taxes received (paid)	2	(1,781)
Net cash flows from (used in) operating activities	(2,462,071)	(1,455,290)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	(174)	(71,045)
Proceeds from repayments of financial assets at amortised cost	62,751	-
Acquisition of financial assets at fair value through other comprehensive income	(25,000)	-
Net cash flow from acquisition of subsidiaries	-	(1,731)
Acquisition of property, plant and equipment	(64,094)	(71,765)
Proceeds from disposal of property, plant and equipment	-	230
Acquisition of intangible assets	(27,543)	(126,357)
Increase in prepayments for business facilities	(6,238)	(9,391)
Increase in other non-current assets, others	(17,879)	(22,139)
Net cash flows from (used in) investing activities	(78,177)	(302,198)
Cash flows from (used in) financing activities:		
Increase in short-term loans	-	50,000
Decrease in short-term loans	(30,000)	-
Proceeds from long-term debt (including current portion)	-	25,000
Repayments of long-term debt	(6,560)	(3,398)
Payments of lease liabilities	(109,668)	(83,316)
Proceeds from issuing shares	2,726,839	3,812,800
Exercise of employee share options	318,065	23,947
Payments to acquire treasury shares	(87,502)	(257,239)
Interests paid	(2,411)	(1,415)
Net cash flows from (used in) financing activities	2,808,763	3,566,379
Effect of exchange rate changes on cash and cash equivalents	(15,248)	(4,188)
Net increase (decrease) in cash and cash equivalents	253,267	1,804,703
Cash and cash equivalents at the beginning of period	3,200,378	1,395,675
Cash and cash equivalents at the end of period	$3,453,645	$3,200,378

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

English translation of consolidated financial statements originally issued in Chinese

PHARMAESSENTIA CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. History and organization

PharmaEssentia Corp. (the "Company"), was established on May 9, 2000. The Company primarily engages in medicine discovery, supplements in developing specialty pharmaceutical reagents, API and new drug patterns developments. The Company commenced business since October 2003.

In a board of directors meeting held in February 2012, the Company resolved to build a plant for producing pharmaceutical protein medicine at Central Taiwan Science Park, which was completed and put into use in October 2012 for producing, for clinical trial, pegylated interferon (Ropeginterferon alfa-2b) (P1101). The pegylated interferon (Ropeginterferon alfa-2b) (P1101) produced by the plant has, as of January 2018, received GMP certifications from both the European Medicines Agency (EMA) and the Taiwan Ministry of Health and Welfare. These certifications demonstrate that the plant complies with Good Manufacturing Practice to produce medicine. This Company's product has also received certification of medicine exportation from the Ministry of Health and Welfare in March 2018. Ropeginterferon alfa-2b (proprietary name of Besremi®), licensed to the European company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP), received approval of EU marketing authorization application (MAA) for a medicinal product, announced February 19, 2019 on the EC (European Commission) website. In addition, the Company's Besremi 500 mcg/mL solution for injection in prefilled syringe was approved on April 30, 2020 by the Taiwan Ministry of Health and Welfare (hereinafter referred to as MoHW) new drug application review, MOHW-BM No. 000143. U.S. Food and Drug Administration (FDA) approved the Company's new drug Ropeginterferon alfa-2b (proprietary name of Besremi®) for the treatment of adults with Polycythemia Vera (PV).

The Company's shares have been listed on the Taipei Exchange since July 19, 2016. The Company's registered address and main operating site are located at 2F and 13F, No.3, Park St., Nangang Dist., Taipei City. The Company also set up its Taichung branch, located at 3F, No. 28, Keya W. Rd., Daya Dist., Taichung City.

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

The consolidated financial statements of PharmaEssentia Corp. and its subsidiaries (the Group) for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors on March 1, 2022.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The new standards and amendments had no material impact on the Group.

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

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

(A) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

(a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

(b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss in accordance with applicable Standards.

(c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

(d) Annual Improvements to IFRS Standards 2018 ~ 2020

Amendment to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41
The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The Group assessed that the aforementioned standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2023

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
D	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
E	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
F	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

A. *IFRS 10 "Consolidated Financial Statements"* and *IAS 28 "Investments in Associates and Joint Ventures"* – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

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

B. *IFRS 17 "Insurance Contracts"*

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

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

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

C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

D. Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

E. Definition of Accounting Estimates – Amendments to IAS 8

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

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A) and (C)~(F), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	December 31, 2021	December 31, 2020
The Company	PharmaEssentia (Hong Kong) Limited	Biotechnology Service, etc.	Note 1	Note 1
〃	PharmaEssentia Asia (Hong Kong) Limited	〃	100%	100%
〃	PharmaEssentia Japan KK	〃	100%	100%
〃	PharmaEssentia USA Corporation	〃	100%	100%
〃	PharmaEssentia Korea Corporation	〃	100%	100%
〃	Panco Healthcare Co., Ltd.	〃	100%	100%
〃	PharmaEssentia Singapore Pte. Ltd. (Note 2)	〃	100%	-
PharmaEssentia Asia (Hong Kong) Limited	PharmaEssentia Biotechnology (Beijing) Limited	〃	100%	100%

Note 1: In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in 2013. However, as of December 31, 2021, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

Note 2: According to operation plan, the Company invested in PharmaEssentia Singapore Pte.Ltd. with 100% shares in September 2021 and included it in the consolidated financial statements since then.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. On partial disposal of an associate or a joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

<u>Financial assets measured at amortized cost</u>

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

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

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under *IFRS 9 Financial Instruments.*

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

Raw materials – Purchase cost on a weighted-average basis.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

(11) Property, plant and equipment

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

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

Buildings	5～40 years
Machinery and equipment	5～10 years
Transportation equipment	5～6 years
Office equipment	3～6 years
Leasehold improvements	The shorter of lease terms or economic useful lives

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

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

(12) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

For the rent concession arising as a direct consequence of the COVID-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group has applied the practical expedient to all rent concessions that meet the conditions for it.

(13) Intangible assets

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

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

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

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

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

Research and development costs

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

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

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

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

	Intangible assets under development	Other intangible assets	Patents	Trademarks and Licences	Computer software
Useful lives	Finite	Finite	Finite (10~11years)	Finite (10~12 years)	Finite (3~6 years)
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight-line basis over the shorter of the period of the patent or estimated useful life	Amortized on a straight-line basis over the shorter of the period of legal life or estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Internally generated	Internally generated	Acquired	Acquired	Acquired

(14) Impairment of non-financial assets

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

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

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

(15) Provisions

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

Provisions for legal matters

Provisions for legal matters have been recognized for estimated legal obligations and relevant cost based on past experience. If the existing obligation is mostly likely to incur and the amount may be reasonably estimated, the provisions for legal matters are to be recognized.

(16) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is drug and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 30 to 180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide goods subsequently; according, these amounts are recognized as contract liabilities.

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

Rendering of services

The Group mainly provides the experimental research service, recognizes revenue based on the scope of services performed and enforceable rights to payments for completed services.

Most of the contractual considerations of the Group are collected evenly throughout the contract period. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

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

Royalty revenue

The Group's royalty revenue contains contract fee and milestone royalty based on contracts entered with other pharmaceutical factory or cooperative partner about the intellectual property rights of the new drug. After the new drugs obtain the approval, the Group would require a sales-based royalty. The foregoing revenue is recognized based by the contract, it would be recognized when the performance obligation has very high possibility to be satisfied and has not expected to have large revised amount. Thus, the royalty amount would be counted by sales-base and would be recognized only when (or as) the later of the following events occurs:

A. the subsequent sale or usage occurs; and
B. the performance obligation to which some or all usage-based royalty has been allocated has been satisfied).

The royalties of intellectual property rights which provided rights for clients to use are recognized as revenue on a straight-line basis throughout the licensing period.

(17) Government grants

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

(18) Post-employment benefits

All regular employees of the Company and domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's financial statements. Pension benefits for employees of the overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Group and related to employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model. Share-based payment transactions related to non-employees is measured based on the fair value of the service provided. If the fair value of service could not be measured reasonably, it will be measured based on the fair value of the equity instruments granted while the entity receives merchandise or counterparty provides service.

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

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

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

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

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

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

(21)Business combinations and goodwill

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

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

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

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

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

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

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

5. Significant accounting judgments, estimates and assumptions

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

(1) Judgment

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

A. Impairment of non-financial assets

When the Group assessed whether non-financial assets were impairment, it was based on the external and internal information (including major new development market, industry profile and developing of each new drug' s competitiveness, project planning and progress).

B. Intangible assets under development－Development costs

The Group assessed that intangible assets under development met recognition requirements of intangible assets under development – development costs. Based on the fact and circumstances of marketing authorization application for new drug, the Group capitalized development costs which can be directly attributed to the development of new drug.

(2) Estimates and assumptions

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

A. Receivables – estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

B. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, changes of the future salary etc. Please refer to Note 6 for more details.

D. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6. Thus, the Group estimated the number of expected vesting equity instruments based on the vesting conditions success possibility and historical employee turnover rate.

E. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax asset of the Group as of December 31, 2021.

F. Recognition and measurement for contingent liabilities

Provision for unsettled litigation is recognized when it is probable that it will result in unfavorable effect and the amount can be reasonably estimated. While the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand / petty cash	$981	$933
Cash in banks	3,444,174	997,502
Time deposits	8,490	2,201,943
Total	$3,453,645	$3,200,378

Please refer to Note 12 for more details on credit risk.

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

	As of December 31,	
	2021	2020
Equity instrument investments measured at fair value through other comprehensive income – non-current:		
Unlisted company stocks	$39,220	$17,435

A. Please refer to Table 3 of Note 13 for more details on the relevant information of unlisted company stocks held by the Group.

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

(3) Financial assets at amortized cost

	As of December 31,	
	2021	2020
Cash in banks	$27,085	$89,791
Less: loss allowance	-	-
Total	$27,085	$89,791
Current	$-	$12,000
Non-current	27,085	77,791
Total	$27,085	$89,791

A. The credit risk of financial assets at amortized cost is low based on evaluation (same as the initial assessment) as of December 31, 2021 and 2020; therefore, there should be no significant expected credit losses.

B. The Group classified certain financial assets as financial assets at amortized cost. Please refer to Note 8 for more details on financial assets at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Accounts receivable

	As of December 31,	
	2021	2020
Accounts receivable	$466,044	$450,597
Less: loss allowance	-	-
Total	$466,044	$450,597

A. Accounts receivable were not pledged.

B. Accounts receivable credit terms are generally from 30 to 180 days. The total carrying amount as of December 31, 2021 and 2020 was $466,044 thousand and $450,597 thousand, respectively. Please refer to Note 12 for more details on credit risk.

C. The Group measures the allowance of its receivables at an amount equal to lifetime expected credit losses. The historical credit loss experience shows that different customer segments do not have significantly different loss patterns. Therefore, the loss allowance is measured at an amount equal to lifetime expected credit losses and with no distinction between groups. In addition, based on the historical default rate and subsequent collections, the Group assesses that receivables which are not overdue or overdue within 90 days from customers with great credit ratings, or the counterparties are domestic hospitals, foundation and government agencies, were no material impairment loss incurred. The relevant information of provision matrix as of December 31, 2021 and 2020, was as follows:

	As of December 31, 2021					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$232,266	$27,026	$19,125	$17,070	$170,557	$466,044
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-
Carrying amount	$232,266	$27,026	$19,125	$17,070	$170,557	$466,044

	As of December 31, 2020					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$399,696	$27,351	$23,550	$-	$-	$450,597
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$399,696	$27,351	$23,550	$-	$-	$450,597

As of December 31, 2021 and 2020, allowance of the Group was both $0 thousand; there was no movement of allowance during the years ended December 31, 2021 and 2020, respectively.

D. The Group has an unsettled international arbitration event with counterparty – AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP). As of December 31, 2021, accounts receivable due from the counterparty was overdue for 91 days. Please refer to Note 9 for more details of such arbitration event. The Group has recognized related provision for overdue receivable according to phase of arbitration.

(5) Inventories

	As of December 31,	
	2021	2020
Raw materials	$8,827	$9,104
Supplies	42,883	33,351
Work in progress	59,725	87,007
Finished goods	698,693	245,608
Purchased merchandise inventory	51,250	19,777
Total	$861,378	$394,847

A. Expense and loss incurred on inventories were as follows:

	For the years ended December 31,	
	2021	2020
Cost of inventories sold	$348,185	$338,074
Expense recognized from inventory write-down to net realizable value	26,812	1,201
Others	1,460	33,988
Total	$376,457	$373,263

B. Inventories were not pledged.

(6) Prepayments

	As of December 31,	
	2021	2020
Current:		
Prepaid expenses (Note 1)	$49,015	$27,672
Other prepayments (Note 1)	27,473	16,280
Subtotal	76,488	43,952
Non-current:		
Excess business tax paid	115,277	111,295
Prepaid application patent fees and others	9,169	8,384
Subtotal (Note 2)	124,446	119,679
Total	$200,934	$163,631

Note 1: Prepaid expenses and other prepayments were mainly prepaid for operating expenses such as arbitration and commissioned trial expenses.

Note 2: Accounting for other non-current assets, other.

(7) Property, plant and equipment

A. Movements of property, plant and equipment of the Group for the years ended December 31, 2021 and 2020 were as follows:

	Land	Buildings and structures	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost:								
As of January 1, 2021	$58,241	$70,543	$410,980	$3,295	$27,938	$317,684	$42,561	$931,242
Additions	-	-	24,062	-	23,564	13,662	2,806	64,094
Disposals	-	-	(1,439)	(986)	(8)	(1,437)	-	(3,870)
Other changes (Note)	-	(20)	-	-	(826)	11,700	(8,878)	1,976
As of December 31, 2021	$58,241	$70,523	$433,603	$2,309	$50,668	$341,609	$36,489	$993,442
As of January 1, 2020	$58,241	$70,603	$389,111	$3,295	$16,584	$270,919	$9,047	$817,800
Additions	-	-	23,437	-	11,727	23,812	12,789	71,765
Acquisitions from business combination	-	-	-	-	-	20,236	-	20,236
Disposals	-	-	(1,568)	-	-	-	-	(1,568)
Other changes (Note)	-	(60)	-	-	(373)	2,717	20,725	23,009
As of December 31, 2020	$58,241	$70,543	$410,980	$3,295	$27,938	$317,684	$42,561	$931,242
Accumulated depreciation and impairment:								
As of January 1, 2021	$-	$15,646	$267,214	$2,809	$13,359	$223,991	$-	$523,019
Depreciation	-	2,004	32,970	146	5,664	73,983	-	114,767
Disposals	-	-	(1,392)	(986)	(8)	(1,414)	-	(3,800)
Other changes (Note)	-	(5)	-	-	(77)	-	-	(82)
As of December 31, 2021	$-	$17,645	$298,792	$1,969	$18,938	$296,560	$-	$633,904
As of January 1, 2020	$-	$13,486	$239,713	$2,663	$10,646	$151,456	$-	$417,964
Depreciation	-	2,170	28,856	146	2,788	57,346	-	91,306
Acquisitions from business combination	-	-	-	-	-	15,189	-	15,189
Disposals	-	-	(1,355)	-	-	-	-	(1,355)
Other changes (Note)	-	(10)	-	-	(75)	-	-	(85)
As of December 31, 2020	$-	$15,646	$267,214	$2,809	$13,359	$223,991	$-	$523,019
Net carrying amount as of:								
December 31, 2021	$58,241	$52,878	$134,811	$340	$31,730	$45,049	$36,489	$359,538
December 31, 2020	$58,241	$54,897	$143,766	$486	$14,579	$93,693	$42,561	$408,223

Note: Other changes included reclassifications from prepaid equipment, transfer out by nature, and exchange rate impacts.

B. There was no capitalization on interest expense to property, plant and equipment for the years ended December 31, 2021 and 2020.

C. Please refer to Note 8 for more details on property, plant and equipment under pledge.

(8) Intangible assets

A. Movements of the intangible assets of the Group for the years ended December 31, 2021 and 2020 were as follows:

	Trademarks	Patents	Computer software	Other intangible assets	Intangible assets in development	Total
Cost						
As of January 1, 2021	$5,713	$35,894	$13,111	$-	$203,506	$258,224
Additions－generated internally	-	-	-	-	24,901	24,901
Additions－acquired separately	-	-	2,642	-	-	2,642
Other changes (Note)	788	2,980	582	228,008	(228,407)	3,951
As of December 31, 2021	$6,501	$38,874	$16,335	$228,008	$-	$289,718
As of January 1, 2020	$3,166	$33,718	$10,569	$-	$84,211	$131,664
Additions－generated internally	-	-	-	-	120,435	120,435
Additions－acquired separately	1,140	2,176	2,606	-	-	5,922
Other changes (Note)	1,407	-	(64)	-	(1,140)	203
As of December 31, 2020	$5,713	$35,894	$13,111	$-	$203,506	$258,224
Accumulated Amortization and Impairment:						
As of January 1, 2021	$1,221	$25,611	$10,738	$-	$-	$37,570
Amortization	719	2,729	1,085	1,375	-	5,908
Other changes (Note)	(4)	-	(5)	-	-	(9)
As of December 31, 2021	$1,936	$28,340	$11,818	$1,375	$-	$43,469
As of January 1, 2020	$507	$22,935	$9,988	$-	$-	$33,430
Amortization	720	2,676	755	-	-	4,151
Other changes (Note)	(6)	-	(5)	-	-	(11)
As of December 31, 2020	$1,221	$25,611	$10,738	$-	$-	$37,570
Net carrying amount as of:						
December 31, 2021	$4,565	$10,534	$4,517	$226,633	$-	$246,249
December 31, 2020	$4,492	$10,283	$2,373	$-	$203,506	$220,654

Note: Other changes included reclassifications by nature and exchange rate impacts.

B. Amortization expense of intangible assets was stated as follows:

	For the years ended December 31,	
	2021	2020
Operating costs	$1,814	$383
Selling expenses	626	550
Administrative expenses	738	407
Research and development expenses	2,730	2,811
Total	$5,908	$4,151

C. In February 2019, the Group received marketing authorization in the EU for its Polycythemia Vera (PV) medicine. Moreover, in August and September 2019, the Group's pre-BLA (Biologics License Application) meetings with the US FDA confirmed that the data results of the clinical trials for the EU marketing authorization would be sufficient for the US PV application (i.e., US FDA BLA for PV). Therefore, the Group, after the pre-BLA meeting, will recognize all its US FDA BLA for PV related personnel cost, service consultant cost, and other directly attributable costs, based on IAS 38. Test an intangible asset under development stage for impairment annually and amortize over the period of expected future useful period while an intangible asset available for use.

On November 12, 2021 (US time), the Group officially received notice from the U.S. Food and Drug Administration (FDA) that the Company's Besremi® (Ropeginterferon alfa-2b, namely P1101) had obtained FDA approval for the treatment of adults with Polycythemia Vera (PV). The Company reclassified intangible assets in development to other intangible assets and started to amortize since then.

D. Please refer to Note 9 for further information with the Group patent restrictions due to unsettled international arbitration. The carrying value of related restricted patent was amounted to $1,902 thousand as of December 31, 2021.

(9) Current borrowings

	As of December 31,	
	2021	2020
Unsecured bank loans	$20,000	$20,000
Secured bank loans	-	30,000
Total	$20,000	$50,000
Unused credit	$40,000	$68,529
Interest Rates	1.16%	1.60%~1.97%

Please refer to Note 8 for more details on assets pledged as security for current borrowings.

(10) Other payables

	As of December 31,	
	2021	2020
Salaries and bonus payable	$129,160	$95,081
Commissioned research and clinical trial payable	68,664	48,093
Service expenses payable	207,383	131,628
Payable on machinery and equipment	2,382	2,708
Other payables – others (Note 1)	2,915	52,915
Others (Note2)	85,133	68,674
Total	$495,637	$399,099

Note1: Represented other payables from business combination of Panco Healthcare Co., Ltd. during the second quarter of the year 2020.

Note2: Individual payables amount not exceeded $10,000 thousand were aggregated as others.

(11) Long-term borrowings

A. Details of long-term borrowings as of December 31, 2021 and 2020 were as follows:

Creditor	As of December 31, 2021	Interest Rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$74,724	2.06878%	The period of the loan is from June 3, 2014 to June 2, 2034. After receiving the loan 1 month later, the principal should be repaid monthly in 240 installments.
Taiwan Cooperative Bank – Secured loan	3,840	1.845%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Taiwan Cooperative Bank – Secured loan	20,578	1.845%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Subtotal	99,142		
Less: current portion	(12,052)		
Total	$87,090		

Creditor	As of December 31, 2020	Interest Rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan (Note)	$80,702	2.06889%	The period of the loan is from June 3, 2014 to June 2, 2034. After receiving the loan 1 month later, the principal should be repaid monthly in 240 installments.
Taiwan Cooperative Bank – Secured loan	4,000	0.155%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.

Creditor	As of December 31, 2020	Interest Rate (%)	Maturity date and terms of repayments
Taiwan Cooperative Bank – Secured loan	$21,000	1.00%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Subtotal	105,702		
Less: current portion	(6,499)		
Total	$99,203		

Note: In July 2020, the Company received Mega International Commercial Bank's supplemental agreement providing the means for the Company's payments #73 to #77 (from July 3 to November 3, 2020) principal deadline periods and based on specific conditions the reduction of interest rate by 0.81% for a period as long as one year.

B. The Group' s unused credit of long-term borrowings was $0 thousand as of December 31, 2021 and 2020.

C. Please refer to Note 8 for more details on assets pledged as security for long-term borrowings.

(12) Post-employment benefits

A. Defined contribution plan

The Company and domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were $23,578 thousand and $14,385 thousand, respectively.

B. Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute $251 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The duration of the defined benefits plan obligation as of December 31, 2021 and 2020 were year of 2024 and 2024, respectively.

Pension costs recognized in profit or loss were as follows:

	For the years ended December 31,	
	2021	2020
Current service cost	$-	$-
Net interest on the net defined benefit liabilities (assets)	8	24
Total	$8	$24

Changes in the defined benefit obligation and fair value of plan assets were as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligation	$7,890	$7,652	$7,858
Plan assets at fair value	(3,940)	(3,624)	(3,736)
Net defined benefit liability, non-current recognized on the balance sheets	$3,950	$4,028	$4,122

Reconciliations of liabilities (assets) of the defined benefit plan were as follows:

	Defined benefit obligation	Plan assets at fair value	Benefit liabilities (assets)
As of January 1, 2020	$7,858	$(3,736)	$4,122
Current period service cost	-	-	-
Interest expense (income)	47	(23)	24
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	47	(23)	24
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	63	-	63
Experience adjustments	200	(128)	72
Remeasurements of the defined benefit assets	-	-	-
Subtotal	263	(128)	135
Payments from the plan	(516)	516	-
Contribution by employer	-	(253)	(253)
As of December 31, 2020	7,652	(3,624)	4,028
Current period service cost	-	-	-
Interest expense (income)	15	(7)	8
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	15	(7)	8
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	2	-	2
Actuarial gains and losses arising from changes in financial assumptions	(47)	-	(47)
Experience adjustments	268	(59)	209
Remeasurements of the defined benefit assets	-	-	-
Subtotal	223	(59)	164
Payments from the plan	-	-	-
Contribution by employer	-	(250)	(250)
As of December 31, 2021	$7,890	$(3,940)	$3,950

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.50%	0.20%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption was shown below:

	For the years ended December 31,			
	2021		2020	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	$-	$36	$-	$40
Discount rate decrease by 0.25%	37	-	-	-
Future salary increase by 0.25%	32	-	36	-
Future salary decrease by 0.25%	-	31	-	35

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(13) Equity

A. Common stock

As of January 1, 2020, the Company's authorized capital was $4,000,000 thousand and the issued capital was $2,250,438 thousand divided into 225,044 thousand shares, each at a par value of $10.

The Company issued employee share options in May 2013, January 2018 and September 2018. For the years ended December 31, 2020 and 2021, 390 thousand shares and 253 thousand shares of employee share options were converted to common shares and the registration was completed. Please refer to Note 6(14) for more details on employee share options.

On December 24, 2019 the Company's board of directors resolved to issue 5,668 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $86 per share, the capital increase date was set as December 30, 2019 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on January 13, 2020.

On June 11, 2020 the Company's interim board of directors resolved to issue 16,725 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $93.8 per share, the capital increase date was set as June 24, 2020 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on July 8, 2020.

On February 19, 2020 the Company's board of directors resolved to issue 22,000 thousand ordinary shares with a par value of $10 through for cash. The issuing of shares was approved by competent authority in May 2020. The new shares issued by cash were at a premium of $102 per share, the capital increase date was set as August 7, 2020 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on August 25, 2020.

The Company and its former employee's stock rights litigation, Taiwan Supreme Court Case, Year 106, Civil Case No. 1019, affirmed that the former employee's shares of the Company, totaling 741 thousand total shares, be transferred and registered to the Company. On July 1, 2020, the foregoing shares were deposited into the treasury shares account, and on August 11, 2020, the Board of Directors resolved to retire the treasury shares, effective August 12, 2020. The aforementioned capital reduction was approved and registered by competent authority on September 1, 2020.

On December 3, 2021, the Company's board of directors resolved to issue 6,602 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $177 per share, the capital increase date was set as December 13, 2021 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on December 22, 2021.

On December 23, 2021, the Company's board of directors resolved to issue 6,631 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $235 per share, the capital increase date was set as December 30, 2021 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on January 11, 2022.

As of December 31, 2021 and 2020, the Company's authorized capital was both $4,000,000 thousand and the issued capital was $2,769,036 thousand and $2,634,183 thousand, respectively, which was divided into 276,904 thousand shares and 263,418 thousand shares, respectively, each at a par value of $10.

B. Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital arising from ordinary share	$3,964,932	$3,473,517
Employee share options	731,996	253,252
Restricted stock	460	460
Total	$4,697,388	$3,727,229

According to the Company Act, the capital surplus shall not be used except for offsetting the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury shares

The Board of Directors of the Company had passed resolutions to purchase the Company's share for 3,200 thousand shares and 1,500 thousand shares on October 28, 2020 and January 6, 2021, respectively. Purchase period were during October 29, 2020 to December 27, 2020 and January 7, 2021 to March 5, 2021, respectively; and the purchase price interval were $57 to $126 and $64 to $112, respectively.

As of December 31, 2021 and 2020, the treasury shares held by the Company were $344,741 thousand and $257,239 thousand; the number of treasury shares held by the Company was 3,839 thousand shares and 2,935 thousand shares, respectively.

Please refer to Note 6(14)(A) for further information on share-based payment plan for employees of the Company.

D. Retained earnings and dividend policy

According to the Company Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order: Payment of all taxes and dues; Offset prior years' deficits; set aside 10% of the remaining amount after deducting items mentioned above as legal reserve; set aside or reverse special reserve in accordance with law and regulations; and the distribution of the remaining portion, if any, will be distributed according to the distribution plan proposed by the Board of Directors and resolved in the shareholders' meeting.

Considering the industry environment and the growth of the Company, it will take into account the Company's future capital expenditure budget and funding needs when distributing earnings to keep in line with the business development and expansion. As of the current period, no less than 10% of current distributable earnings (by cash or issuing new shares) shall be distributed as bonus, and no less than 10% of the total dividend shall be cash.

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

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The Company resolved by the shareholders' meeting on August 5, 2021 and May 27, 2020 to cover accumulated deficit by capital surplus – additional paid-in capital of $2,144,028 thousand and $647,761 thousand, respectively.

The Company had accumulated deficit for the years ended December 31, 2021 and 2020, therefore the Company had resolved by the board of directors and by the shareholders' meeting on March 1, 2022 and August 5, 2021, respectively, that there was no earnings distribution for the year of 2021 and 2020.

Please refer to Note 6(16) for further details on employees' compensation and remuneration to directors and supervisors.

(14) Share-based payment plan

A. Related to employee transactions

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

(a) Share-based payment plan for employees of the Company

On May 8, 2013, August 11, 2017 and March 26, 2021, the Company passed the resolution in the board of directors meeting to issue employee share options with a total number of 8,400 thousand units (Share-based payments plan A), 4,400 thousand units (Share-based payments plan B) and 3,000 thousand units (Share-based payments plan C), respectively. Each unit entitles an optionee to subscribe for 1 share of the Company's common share. The relevant details of aforementioned share-based payments plan were as follows:

Share-based payments plan A
The exercise price of the option was set $10 per share. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 3 months from the grant date. The aforementioned option has been expired in May 2020 due to maturity.

Share-based payments plan B
The exercise price of the option was set not less than 50% of the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

Share-based payments plan C
The exercise price of the option was set not less than 50% of the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

The contractual terms of each option granted are 7 years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

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

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (NT$)
May 30, 2013	8,400	$10
January 12, 2018	2,166	$74
September 18, 2018	2,234	$88
June 24, 2021	3,000	$45

The following table lists the inputs to the model used for the plan granted during the year of 2018 and 2021:

	Year of 2018	Year of 2021
Dividend yield (%)	0%	0%
Expected volatility (%)	44.54% and 43.03%	39.43%
Risk-free interest rate (%)	0.73% and 0.72%	0.30%
Expected option life (years)	4.88years	4.88years
Weighted average share price (NT$)	$146.50 and $175	$90
Option pricing model	Black-Scholes Model	Black-Scholes Model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The further details on the aforementioned share-based payment plans were as follows:

	For the years ended December 31,			
	2021		2020	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	3,352	$81	4,154	$79
Granted	3,000	45	-	-
Forfeited	(209)	81	(412)	80
Exercised (Note)	(252)	82	(390)	76
Expired	-	-	-	-
Outstanding at end of period	5,891	$63	3,352	$81
Exercisable at end of period	2,053	$81	1,526	$81
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)		$52		$-

Note: The weighted average price at the implementation date of those options for the years ended December 31, 2021 and 2020 was $115 and $102, respectively.

The information on the outstanding share options was as follows:

	Range of exercise price	Weighted average remaining contractual life (years)
As of December 31, 2021		
Share options outstanding at the end of the period	$74, $88 and $45	3.08、3.72 and 6.5
As of December 31, 2020		
Share options outstanding at the end of the period	$74 and $88	4.08 and 4.72

(b) Restricted stocks plan for employees of the Company

The Company passed the resolution in the board of directors meeting to issue restricted stocks during June 2016 in the amount of 2,468 thousand shares in total. The price at grant date was $164 per share and the capital increase case had been completed in amendment of registration. Employees may not sell, pledge, transfer, grant, set guarantee, or disposal with other ways before reaching the established condition. The voting rights of shareholders' meeting and the rights of dividend is the same as other common shares, but the dividends need to be delivered to the trust. If the employees receiving the grant of restricted stocks terminate employment, retire, temporary leave without salary, have parental leave, dead, unable to continue to work due to physical disability caused by occupational accident, or transfer, etc. within the vesting period, the restricted stocks not reaching the established condition would be purchased by the Company at the original issue price and cancellation. If employees reach the established condition after acquired new issued restricted stocks, the trust can be cancelled and reclaim the shares on the agreed date.

Unearned compensation as a deduction of equity amounted to $25 thousand as of January 1, 2020 was fully recognized as salaries expenses during the year of 2020.

(c) Treasury shares transferred to employees of the parent entity

To motivate the employees and retain the best talent, a resolution of repurchasing and transferring shares to the employees was approved through the board of directors' meeting held on October 28, 2020 and January 6, 2021. The number of shares to be repurchased was 3,200 thousand shares and 1,500 thousand shares, respectively. The repurchasing period has been expired and the Company has repurchased for 2,935 thousand shares and 904 thousand shares, respectively, but has not yet transferred the shares to employees as of the date this financial report was authorized for issue.

The Company passed the resolution in the board of directors meeting on December 3, 2021 to transfer treasury shares to employees and the details were as follows:

Agreement type	Date of grant	Shares (in thousands)	Contract period	Vested condition	Date of transferring
Treasury shares transferred to employees	December 3,2021	2,935	-	Vested immediately	January 7, 2022

The fair value of treasury shares transferred to employees was as follow:

Agreement type	Date of grant	Stock price	Exercise price	Fair value (per unit)
Treasury shares transferred to employees	December 3, 2021	$243.50	$87.48	$156.02

(d) Expenses incurred on share-based payment transactions were shown as follows:

	For the years ended December 31,	
	2021	2020
Total expense arising from equity-settled share-based payment transactions	$501,518	$53,764

B. Related to non-employee transactions

The Company entered a joint venture agreement with Luck Shine Enterprises, Limited (LSE as short) in January 2014, for the purpose of conducting P1101 clinical trials and its marketing after obtaining drug license in China. According to the joint venture agreement, the Company should provide the PharmaEssentia Asia (Hong Kong) Limited's stock options for LSE successively based on the completion of each milestones. Thus, if the milestones mentioned above can be all completed on schedule, LSE would get 2,000 thousand shares (approximately 25% of total shares) of PharmaEssentia Asia (Hong Kong) Limited. Even if the option is exercised, the Company would still have the majority rights in Board meeting and significant operational and financial decisions would still be made by the Company. Due to the arrangement of the agreement framework and time schedule, the agreement was arranged in December 2015. As of December 31, 2021, the Company haven't exercised the share option yet, application of share-based payment is not used. In addition, although the execution schedule has been adjusted, LSE continued to perform agreed milestone. Because of this the Company evaluate that the share option could have great possibility to be exercised, therefore, it is optimal estimates to be recognized as liability. The total recognized liabilities as of December 31, 2021 and 2020 were $1,367 thousand and $1,407 thousand, respectively, it was putted under the other current liabilities-other account.

(15) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	$633,149	$547,439
Revenue arising from rendering of services	23,357	9,818
Total	$656,506	$557,257

A. The Group is a single operating department. The revenue from contracts with customers for the years ended December 31, 2021 and 2020 were sale of goods and recognized as revenue at a point in time; revenue arising from rendering of services was recognized based on the scope of the services performed and the rights to the completed services are enforceable.

B. Contract liabilities – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sale of goods	$-	$-	$68

The Group's contract liabilities as of December 31, 2019 were transferred to revenue during the year ended December 31, 2020.

C. Transaction price allocated to unsatisfied performance obligations

No such circumstances.

D. Assets recognized from costs to fulfill a contract

No such circumstances.

(16) Summary statement of employee benefits, depreciation and amortization expenses by function

A. Summary statement of employee benefits, depreciation and amortization expenses by function was as follows:

By function / By feature	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Wages and salaries	$327,268	$1,076,695	$1,403,963	$114,078	$508,661	$622,739
Labor and health insurance	9,787	14,176	23,963	8,439	10,720	19,159
Pension	5,602	17,984	23,586	5,120	9,289	14,409
Other employee benefits expense	5,075	32,843	37,918	4,673	10,118	14,791
Depreciation	113,921	107,252	221,173	100,066	70,564	170,630
Amortization	1,814	4,094	5,908	383	3,768	4,151

B. According to the Articles of Incorporation of the Company, no lower than 1% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated deficit shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the years ended December 31, 2021 and 2020 because of the net loss before tax, there was no estimated amounts of the employees' compensation and remuneration to directors.

(17) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	$4,458	$7,170
Interest income from financial assets measured at amortized cost	127	270
Other interest income	46	52
Total	$4,631	$7,492

B. Other income

	For the years ended December 31,	
	2021	2020
Others (Note)	$24,667	$41,546

Note: The Group received government relief subsidy revenue (including rent concession) amounted to $14,570 thousand and $22,560 thousand due to Novel Coronavirus (COVID-19) for the years ended December 31, 2021 and 2020.

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Gain (loss) on disposal of property, plant and equipment	$(70)	$17
Foreign exchange gains (losses), net	(1,845)	9,815
Profit from lease modification	18	1,150
Other losses	(6,011)	(283,928)
Total	$(7,908)	$(272,946)

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expenses of borrowings from bank	$2,411	$1,415
Interest on lease liabilities	7,559	6,841
Total	$9,970	$8,256

(18) Components of other comprehensive income

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Gains (losses) on remeasurement of defined benefit plans	$(164)	$-	$(164)	$-	$(164)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,215)	-	(3,215)	-	(3,215)
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	(16,500)	-	(16,500)	-	(16,500)
Total	$(19,879)	$-	$(19,879)	$-	$(19,879)

For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Gains (losses) on remeasurement of defined benefit plans	$(135)	$-	$(135)	$-	$(135)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(6,909)	-	(6,909)	-	(6,909)
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	(6,045)	-	(6,045)	-	(6,045)
Total	$(13,089)	$-	$(13,089)	$-	$(13,089)

The Group has great amount of accumulated deficit deductible for use, therefore the other comprehensive income would not cause deferred income tax effect.

(19) Income tax

A. The Company recognized current tax expense and deferred tax expense for both $0 thousand for the years ended December 31, 2021 and 2020.

B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the years ended December 31,	
	2021	2020
Accounting loss before tax from continuing operations	$(2,810,988)	$(1,948,016)
The Company's income tax expense at the statutory income tax rate	$(562,198)	$(389,603)
Tax effect of deferred tax assets/liabilities	562,198	389,629
Others	-	100
Total income tax expense	$-	$126

C. The following table contains information of the unused tax losses of the Group:

		Unused tax losses as of December 31,		
Year	Tax losses for the period	2021	2020	Expiration year
2011	$174,390	$-	$174,390	2021
2012	227,847	227,847	227,847	2022
2013	576,215	576,215	576,215	2023
2014	833,819	833,819	833,819	2024
2015	661,054	661,054	661,054	2025
2016	983,636	983,636	983,636	2026
2017	848,158	848,158	848,158	2027
2018	867,392	867,392	863,361	2028
2019	653,000	653,000	653,000	2029
2020 (Filed)	1,093,535	1,093,535	1,077,058	2030
2021(Estimated)	1,388,567	1,388,567	-	2031
Subsidiaries	1,924,983	1,924,983	588,032	Note
		$10,058,206	$7,486,570	

Note: The unused tax losses of subsidiaries applies its individual location regulation for expiration year.

The differences of unused amount as of December 31, 2021 and 2020 were due to filed amount and approved amount and also between estimated filed amount and actual filed amount.

D. The following table contains information of the unused investment tax credit of the Company:

Regulations of compliance	Item	Year	Unused investment tax credit as of December 31, 2021	Unused investment tax credit as of December 31, 2020	Expiration year
Act for the development of biotech and new pharmaceuticals industry	Funds invested in Research and development and personnel training	2011	$21,249	$21,249	Note
〃	〃	2012	28,943	28,943	〃
〃	〃	2013	123,805	123,805	〃
〃	〃	2014	92,808	92,808	〃
〃	〃	2015	61,436	61,436	〃
〃	〃	2016	69,605	69,605	〃
〃	〃	2017	83,953	83,953	〃
〃	〃	2018	102,374	102,374	〃
〃	〃	2019	39,769	58,910	〃
〃	〃	2020 (Filed)	34,329	35,967	〃
〃	〃	2021(Estimated)	170,223	-	〃
			$828,494	$679,050	

Note: For a period of five years from the time it is subject to corporate income tax, enjoy a reduction in its corporate income tax payable.

The differences of unused amount as of December 31, 2021 and 2020 were due to filed amount and approved amount and also between estimated filed amount and actual filed amount.

E. As of December 31, 2021 and 2020, the Group had not recognized deferred tax assets as follows:

	As of December 31,	
	2021	2020
Deductible temporary difference	$2,823,687	$1,369,479
Unused tax losses	10,058,206	7,486,570
Unused tax credits	828,494	679,050
Total	$13,710,387	$9,535,099

G. The assessment of the income tax returns of the Company and its subsidiaries in Taiwan were as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019
Panco Healthcare Co., Ltd	Assessed and approved up to 2019

(20) Earnings per share

Basic earnings (losses) per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

	For the years ended December 31,	
	2021	2020
A. Basic earnings (losses) per share		
Loss attributable to ordinary equity holders of the Company (in thousands of NTD)	$(2,810,988)	$(1,948,142)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	260,166	242,254
Basic earnings (losses) per share (NTD)	$(10.80)	$(8.04)

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

C. For the years ended December 31, 2021 and 2020 were both loss after tax which caused the potential ordinary shares into anti-dilutive. Therefore, the Company only disclosed basic losses per share.

(21) Leases

A. Group as a lessee

The Group leases various properties, including real estate (such as land, buildings and structures), machinery equipment and transportation equipment. The lease terms range from 1 to 20 years.

The Group’s leases effect on the financial position, financial performance and cash flows were as follows:

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Land	$299,702	$317,671
Buildings and structures	105,266	164,968
Transportation equipment	421	796
Total	$405,389	$483,435

During the years ended December 31, 2021 and 2020, the Group had additions to right-of-use assets amounted to $33,700 thousand and $249,842 thousand, respectively.

ii. Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	$417,096	$491,028
Current	$78,591	$90,273
Non-current	$338,505	$400,755

Please refer to Note 6(17)D for the interest expense on lease liabilities recognized for the years ended December 31, 2021 and 2020, and refer to Note 12(5) liquidity risk management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Land	$17,969	$14,534
Buildings and structures	88,128	64,604
Transportation equipment	309	186
Total	$106,406	$79,324

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to short-term leases	$-	$39
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	452	470
The expenses relating to variable lease payments not included in the measurement of lease liabilities	683	1,306
Total	$1,135	$1,815

For the rent concession arising as a direct consequence of the COVID-19 pandemic, the Group recognized in other income for the years ended December 31, 2021 and 2020 amounted to $1,611 thousand and $1,866 thousand to reflect changes in lease payments that arise from such rent concessions to which the Group has applied the practical expedient.

(d) Cash outflow relating to leasing activities

During for the years ended December 31, 2021 and 2020, the Group's total cash outflows for leases amounted to $110,803 thousand and $85,131 thousand, respectively.

(e) Other information relating to leasing activities

Extension and termination options

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

(22) Business acquisitions

In May 2020, the Company acquired 100% of the shares and obtained control of Panco Healthcare Co., Ltd. (hereinafter referred to as "Panco") through capital acquisition by cash. The main reason to acquire Panco is considering the marketing for future new drug application and to integrate warehouse logistics system.

A. Calculation of fair value of the identifiable assets and liabilities at the date of acquisition

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	$10,769
Accounts receivable, net	313,725
Current inventories	1,986
Prepayments	1,654
Other current assets	12
Property, plant and equipment	5,047
Other non-current assets	1,703
Liabilities	
Accounts payable	(123,762)
Other payables	(197,455)
Current tax liabilities	(1,148)
Other current liabilities	(31)
Identifiable net assets	$12,500

B. Calculation of Goodwill

Purchase consideration	$12,500
Less: identifiable net assets at fair value	(12,500)
Goodwill	$-

C. Cash flows on acquisition

Net cash acquired with the subsidiary	$10,769
Transaction costs of the acquisition	(12,500)
Net cash flow on acquisition	$(1,731)

D. In accordance with share purchase agreement entered into between the Company and Panco, prior to the settlement date, the receivables, payables and earnings on Panco's books belonged to Panco original shareholders. Thus, both parties agreed that after Panco collects related receivables, Panco should pay off the third parties payables and then pay the remaining balance to the original shareholders. Therefore, Panco recognized other payables in the amount of $193,552 thousand on the day of acquisition, and the Company will repay the abovementioned payables to original shareholders. During the years of 2021 and 2020, the Group has repaid for $50,000 thousand and $140,637 thousand, respectively.

7. Related party transactions

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

(1) Name and relationship of related parties

Name of the related parties	Relationship with the Group
Ching-Leou, Teng	Key management personnel
Ko-Chung, Lin	Key management personnel
Sage Advisors, LLC	Other related party (the Company's key management personnel is the Company's substantive related party)

(2) Significant transactions with the related parties

A. The Group's purchase of services

	For the years ended December 31,	
	2021	2020
Sage Advisors, LLC	$3,580	$3,067

Above purchase of services were separately recorded as operating expenses of $3,089 thousand and $1,577 thousand; recorded as intangible assets of $491 thousand and $1,490 thousand for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the above transaction which had not been paid was recorded as other payables to related parties amounted to $296 thousand and $565 thousand, respectively.

B. Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	$117,250	$97,092
Post-employment benefits	1,985	1,236
Share-based payment	65,201	26,948
Total	$184,436	$125,276

C. The Company's Chairman and Chief Executive Officer act as joint guarantor for the borrowings from bank.

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

	Carrying amount as of December 31,		
Assets pledged for security	2021	2020	Secured liabilities
Financial assets at amortized cost	$27,085	$39,040	Current borrowings, performance bonds
Property, plant and equipment – land and buildings, net	109,933	111,536	Current borrowings, long-term borrowings
Total	$137,018	$150,576	

9. Significant contingencies and unrecognized contractual commitments

Other than unsettled litigation, endorsement and guarantee, the Group discloses contract amount over NTD 50,000 thousand as of December 31, 2021 as below:

(1) As of December 31, 2021, the Group provided endorsement and guarantee to subsidiaries were amounted to USD 382 thousand.

(2) The Company and Luck Shine Enterprises Limited signed a joint venture agreement to proceed into the conduct of clinical trials, obtaining marketing authorization, post marketing sales work, etc. for P1101 in China. Please refer to Note 6(14) for more details.

(3) The Company and Athenex, Inc. signed a license agreement for the trial and development of novel, oral cancer drug in Taiwan, Singapore and Vietnam. The payable license fees are USD 11,050 thousand, which the Company will pay at each stage in installments based on the agreement. In the future, based on the sales situation, certain percentages should be paid as license fees. As of December 31, 2021, the Company has paid USD 3,550 thousand in license fees.

(4) The Company and Athenex, Inc. signed a license agreement for the trial and development of an ointment preparation for psoriasis (KX01) in Taiwan, China (including Hong Kong and Macau), Singapore, and Malaysia. The payable license fees are USD 1,640 thousand and USD 13,500 thousand, which the Company will pay at each stage in installments based on the agreement. In the future, based on the sales situation, certain percentages should be paid as license fees. As of December 31, 2021, the Company has paid USD 40 thousand and USD 500 thousand, respectively.

(5) The Company and a Taiwan contract research organization (CRO) signed a contract research agreement which includes commissioning this CRO to conduct P1101 hepatitis C virus genotype 2 phase III clinical trials in Taiwan and South Korea, and KX01 psoriasis phase I/II clinical trial in Taiwan related work. The payable commissioned service fees total $225,655 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2021, the Company has paid $128,705 thousand.

(6) The Company and a Hong Kong contract research organization (CRO) signed a contract research agreement which includes commissioning this CRO to conduct the P1101 treatment of Hepatitis C virus genome type 2 phase III clinical trials related work in China. The payable commissioned research fees total $89,735 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2021, the Company has paid $49,718 thousand and CNY 1,352 thousand.

(7) The Company and a Taiwan pharmaceutical science company signed a contract research agreement that covers the conduct of comparing the efficacy of P1101 versus anagrelide for the treatment of essential thrombocythemia (ET) in a Phase III clinical trial. The payable commissioned research fees total USD 9,364 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2021, the Company has paid USD 3,669 thousand.

(8) The Company and a German drug product contract manufacturer signed a fill finish line change agreement, with an agreement cost totaling EUR 3,432 thousand. As of December 31, 2021, the Company has paid related costs of EUR 125 thousand.

(9) The Company's US subsidiary and a US consulting company signed a service agreement which includes commissioning this consulting company to provide human resources, sales & marketing, and training plans. Commissioned service fees are estimated at USD 10,762 thousand. This consulting company's commissioned service payments and related incurred expenses will be invoiced to the Company based on actual amounts. As of December 31, 2021, the Company's US subsidiary has paid related amounts of USD 7,160 thousand.

(10) In 2009, the Company and company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP) entered into an agreement with promises as to certain license, territory, and data sharing rights, where the Company provided chemistry, manufacturing, and controls (CMC) data to AOP, and AOP provided clinical development data to the Company. However, AOP failed to provide the clinical development data pursuant to the contractual provisions. According to the contract, if any party did not provide data within 30 days, then such would form the basis for contract termination. Therefore, in November 2017, the Company retained German lawyers to send a notice letter to AOP, that if AOP did not cure its material breach, then the license agreement would be terminated. However, in late March 2018, AOP brought International Chamber of Commerce ("ICC") arbitration claims, asserting that because the Company did not assist in providing CMC data, it caused AOP's inability to receive a marketing authorization and financial loss,

and that if the Company continued to breach the agreement, it might cause an EU marketing authorization result of a negative opinion or a stop to the pending application review. In April 2018, the Company received notice of the foregoing. In June 2018, the Company's Board of Directors resolved that, in the same arbitration proceedings, to raise an arbitration counterclaim for confirmation of effectiveness of termination of the license agreement.

On October 21, 2020, the Company received the arbitral award, set forth as follows:

(1) The License Agreement and the Manufacture Agreement between the Company and AOP were still in effect;
(2) The Company should pay to AOP an amount of EUR 142,221 thousand plus interest at a rate of 5% above the base interest rate (calculated from August 14, 2019);
(3) The Company should pay to AOP its costs of the arbitration of EUR 1,354 thousand. Such costs based on AOP bearing 40%, and the Company bearing 60% ratio calculation net results;
(4) All other requests of both parties are denied.

To protect the Company's interests, the Company retained counsel to file an application to set aside the arbitral award. On February 15, 2022, by notification from its German counsel, received the resulting decision of the German Federal Court of Justice (BGH), as to that certain original final award content of Items (2) the Company's liability of EUR 142,221 thousand to compensate for damages, and (3) the Company's liability of EUR 1,354 thousand for arbitration and related costs, should be formally set aside. The Company, in the same arbitration proceedings, assertions against AOP of arbitration counterclaims of license agreement termination, were rejected. As of the date this financial report was authorized for issue, both of the foregoing disputes have reached a definitive end.

Due to the judicial immediacy of the German Federal Court of Justice decision, the foregoing compensation amount has been rendered ineffective. The Company has already considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter.

Company Patent Restrictions

(1) During the case pendency of the application to set aside proceeding, AOP asserted the arbitral award, up until an amount of EUR 10 million has been reached, with the Austria District Court Leopoldstadt to attach the Company's EU patent EP 2010836693 Austrian patent right, preventing the Company from transferring such patent. The Company, through Austrian legal counsel, made appeals against enforceability and requests for suspension of enforcement. On September 17, 2021, the Company's Austrian counsel informed us that the Austrian court had dismissed the appeal as well as the request to suspend the proceedings. The Company has duly sought appellate judicial review for all unfavorable court rulings on or before October 15, 2021. As of the date this financial report was authorized for issue, the foregoing described application is still pending before the court.

(2) AOP initiated an enforcement proceeding in the United States District Court for the District of Massachusetts with regards to the Company's patents (US 8,143,214 B2, US 8,106,160 B2, US 8,617,532 B2) and patent application (US 2017/0326206 A1). After receiving communication on March 2, 2021 from the United States District Court for the District of Massachusetts, Baker & McKenzie, Chicago office, counsel was promptly retained for filings as to lack of personal jurisdiction, insufficient service of process, adjournment pursuant to Article VI of the New York Convention, and directed at AOP's motion for equitable attachment. On April 29, 2021 (US time) the United States District Court for the District of Massachusetts held a hearing as to whether there is personal jurisdiction. On May 4, 2021 (US time) the Company filed a supplemental brief, including an affidavit, arguing lack of personal jurisdiction (including general jurisdiction, specific jurisdiction, and jurisdiction pursuant to Rule 4(k)(2)). In June 2021, the Company was notified by its counsel that in an order from the United States District Court for the District of Massachusetts, such Court held that while there was no specific jurisdiction over the Company, it would allow AOP’s motion for leave to obtain jurisdictional discovery as to general jurisdiction. On November 9, 2021 (US time), with its US attorney’s full discussion and complete consideration of every factor, the Company decided to accept the recommendation of its US attorneys and waive its claim that the Court lacks personal jurisdiction concerning it, as well as agree to the Court’s ruling the Company should pay procedural related costs and attorneys’ fess related to the procedural dispute. Subsequently, with respect to the issue of AOP’s motion for production of the confidential information of the US subsidiary and that the Company must pay a daily sanctions amount, the Court decided on January 29, 2022 that such motion had no legal basis, and therefore formally ordered denial.

(3) In July 2021 the Company received notice, via its patent representative, related to the German Patent and Trade Mark Office (DPMA), that AOP, through an attachment order from the District Court in Munich, applied to restrict the Company from transferring to third parties certain patents such as DE: 60 2010 063 092.7, etc.

(4) In the Switzerland debt collection proceedings, AOP requested a payment order and attachment deed, but a Switzerland Debt Collection Office used a publication method for service of process, constituting a serious procedural defect, and on August 19, 2021, the Company retained Switzerland legal counsel to object to the payment order with the Switzerland Debt Collection Office. On August 26, 2021, an opposition to the attachment was filed with the Bern-Mitelland District Court, and at the same time a complaint, as to the publication of the attachment deed and payment order, was filed with the Supervisory Authority of the Debt Collection Office. On January 21, 2022, the Company was notified by its Switzerland counsel, that with respect to the case of AOP's enforcement proceedings against the Company's patents, the Switzerland court had formally ruled the enforcement proceedings had material procedural defects, the service of process of related orders was not legitimate. Based on the results of such formal ruling, domestic media reports, that the Company's Switzerland patents had been auctioned prior to the date of the financial statement, were clearly serious misunderstandings and mistaken reports.

Based on the foregoing, due to the judicial immediacy of the German Federal Court of Justice decision, the Company may apply, in accordance with the law, in other countries for the revocation of provisional attachments.

(11) The Company, in order to protect the rights of shareholders, separately on November 18, 2020 and December 22, 2020, filed arbitration damages claims with the ICC Court that AOP's delay in providing clinical trial data caused delay damages during the Company's US BLA process, and that AOP's violation of the license agreement in not initiating clinical trials for three other clinical indications caused the Company losses.

The Company has considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter. The Company, in accordance with the rules of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), paragraph 92, is not disclosing normally required information under such rules, because disclosure of this information may affect the results of the foregoing matter.

(12) In November 2019, the Company's former employee Mr. Wei brought civil litigation against the company (Shihlin District Court (Taiwan District Court (109) Zhong Lao Zi No. 10, Taiwan High Court-Civil Appeals (Taiwan High Court (109) Lao Shang Yi Zi No. 145) demanding the Company make payment of technology shares. After case review by the Shihlin District Court and the Taiwan High Court, the entire case, as of November 3, 2021, has ended in a judgment overturning the original judgment ordering the appellant to pay principal and interest of more than $375 thousand, and the announcement of the provisional execution, as well as the litigation costs, except for confirmed parts. With the judicial resolution of the dispute between the two parties, Mr. Wei Jun's original attachment of $1,566 thousand at the Company's Yuanta Bank, Zhongzheng branch, based on the results of the judicial resolution and negotiation between the two parties, Mr. Wei Jun should return $1,148 thousand to the Company. On January 22, 2022, Mr. Wei Jun issued a check of sufficient amount and the Company has already cashed the full amount.

10. Losses due to major disasters

No such circumstances.

11. Significant subsequent events

On December 17, 2020, the Company filed an application to set aside an arbitral award, and on February 15, 2022, by notification from its German counsel, received the resulting decision of the German Federal Court of Justice (BGH). For details, please refer to Note 9(10).

12. Others

(1) Financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets at fair value through other comprehensive income (include non-current)	$39,220	$17,435
Financial assets at amortized cost		
Cash and cash equivalents (exclude cash on hand)	3,452,664	3,199,445
Receivables	466,044	450,597
Other receivables	26,788	2,358
Financial assets at amortized cost (including non-current)	27,085	89,791
Subtotal	3,972,581	3,742,191
Total	$4,011,801	$3,759,626

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Current borrowings	$20,000	$50,000
Notes and accounts payable	176,375	177,065
Other payables (including related parties)	495,933	399,664
Long-term borrowings (including current portion)	99,142	105,702
Lease liabilities (including non-current)	417,096	491,028
Total	$1,208,546	$1,223,459

(2) Financial risk management objectives and policies

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

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk.

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

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency).

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates. The information of the sensitivity analysis, please refer to Note 12(9).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments at variable interest rates and bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. As at the end of the reporting period, an increase or a decrease of 10 basis points of interest rate cause the loss for the years ended December 31, 2021 and 2020 to increase/decrease and decrease/increase by $111 thousand and $2,046 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for receivables) and from its financing activities (primarily for cash in banks).

The Group only trades with third parties whom have already approved and with good credit rating. The Group's policy also requires conducting credit confirmation procedures before open account transaction, and continuously assesses the collection of receivables.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

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

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

(5) Liquidity risk management

The Group maintains a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	Later than 5 years	Total
As of December 31, 2021					
Current borrowings (including interest to be paid)	$20,196	$-	$-	$-	$20,196
Payables (including other payables)	672,308	-	-	-	672,308
Long-term borrowings (including interest to be paid)	13,977	27,611	20,107	51,748	113,443
Lease liabilities (including non-current)	84,043	40,360	94,295	246,351	465,049

	Less than 1 year	2 to 3 years	4 to 5 years	Later than 5 years	Total
As of December 31, 2020					
Current borrowings (including interest to be paid)	$50,731	$-	$-	$-	$50,731
Payables (including other payables)	576,729	-	-	-	576,729
Long-term borrowings (including interest to be paid)	8,385	27,793	26,558	55,788	118,524
Lease liabilities (including non-current)	98,168	66,718	79,798	300,271	544,955

(6) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2021:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	$50,000	$105,702	$491,028	$646,730
Cash flows	(30,000)	(6,560)	(109,668)	(146,228)
Non-cash changes	-	-	35,736	35,736
As of December 31, 2021	$20,000	$99,142	$417,096	$536,238

For the year ended December 31, 2020:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$-	$84,100	$340,380	$424,480
Cash flows	50,000	21,602	(83,316)	(11,714)
Non-cash changes	-	-	233,964	233,964
As of December 31, 2020	$50,000	$105,702	$491,028	$646,730

(7) Fair values of financial instruments

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

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

(a) The carrying amount of cash and cash equivalents, receivables, payables and other payables approximate their fair value due to their short maturities.

(b) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(c) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments at amortized cost

Among the Group's financial assets and financial liabilities measured at amortized cost, the carrying amount approximate their fair value.

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

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

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

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

As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$39,220	$39,220

As of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$17,435	$17,435

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

During the years ended December 31, 2021 and 2020, there were no movements of fair value measurements in Level 3 of the fair value hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy movements during the period was as follows:

	At fair value through other comprehensive income
	Stocks
As of January 1, 2021	$17,435
Total gains (losses) recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(3,215)
Acquisition for the year ended December 31, 2021	25,000
As of December 31, 2021	$39,220

	At fair value through other comprehensive income
	Stocks
As of January 1, 2020	$24,344
Total gains (losses) recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(6,909)
As of December 31, 2020	$17,435

Information on significant unobservable inputs to valuation

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

As of December 31, 2021：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by $488 thousand

As of December 31, 2020：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease / increase in the Group's equity by $249 thousand

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

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

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

As of December 31, 2021：

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Financial assets measured at amortized cost				
Time deposits	$-	$27,085	$-	$27,085
Cash in banks	-	-	-	-
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including current portion)	-	99,142	-	99,142

As of December 31, 2020：

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Financial assets at amortised cost				
Time deposits	$-	$39,040	$-	$39,040
Cash in banks	-	50,751	-	50,751
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including currents portion)	-	105,702	-	105,702

(9) Significant assets and liabilities denominated in foreign currencies

(In thousands)

	As of December 31, 2021				
			Carrying	Sensitivity analysis	
	Foreign currencies	Exchange rate	amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
EUR	$11,994	31.3200	$375,649	1%	$3,756
USD	2,405	27.8000	66,861	1%	669
CNY	7,433	4.3630	32,428	1%	324
JPY	173,934	0.2445	42,527	1%	425
HKD	1,818	3.5620	6,475	1%	65
Financial liabilities					
Monetary items					
EUR	3,643	31.3200	114,110	1%	1,141
USD	1,251	27.8000	34,786	1%	348
CNY	290	4.3630	1,263	1%	13
JPY	97,484	0.2445	23,835	1%	238
HKD	3,984	3.5620	14,191	1%	142

(In thousands)

	As of December 31, 2020				
			Carrying	Sensitivity analysis	
	Foreign currencies	Exchange rate	amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
EUR	$4,834	34.5000	$166,773	1%	$1,668
USD	1,160	28.4300	32,966	1%	330
CNY	14,508	4.3480	63,080	1%	631
Financial liabilities					
Monetary items					
EUR	3,006	34.5000	103,720	1%	1,037
USD	817	28.4300	23,240	1%	232
CNY	500	4.3480	2,174	1%	22

The Group's foreign currency transactions were denominated in multiple currencies; therefore, the information of the foreign exchange gains (losses) of monetary assets and liabilities denominated by each currency was not applicable for disclosure. For the years ended December 31, 2021 and 2020 the Group's incurred foreign exchange gains (losses) were $(1,845) thousand and $9,815 thousand, respectively.

The above information was disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares.

(11) Other

A. The impact from the COVID-19 outbreak

Due to the impact from the COVID-19 outbreak in the year of 2020, some countries where the Group's subsidiaries are located in the locations that in implemented lockdowns to slow down the spread of the pandemic. However, because the main research and development and manufacturing center of the Group are located in Taiwan, the pandemic caused no material impact on the Group's operations.

Governments released relief packages to deal with the significant economic uncertainty due to the pandemic. These packages are expected to narrow the scale and magnitude of the economic impacts. Please refer to Note 6(17) for more details of the Group's subsidy received from the government (including rent concession), as of December 31, 2021. In addition, the Group's American subsidiary applied for the Paycheck Protection Program (PPP) which was provided by the local government and received a loan of USD 127 thousand during the year of 2020 and the second quarter of 2021, respectively. In accordance with the terms defined in PPP, the enterprises are allowed to apply for loan forgiveness if they use the loan to pay for expenditures in line with the loan forgiveness terms and no lay-offs or pay-cut within the 8 weeks following receipt of the loans. According to abovementioned forgiveness, US subsidiary of the Group has completed the application and recognized previously accounted for the liability as other current liability – temporary received to other revenues during March 2021. Loan of USD 127 thousand which was received in the second quarter of 2021 was accounted for other current liabilities – temporary receipts as of the financial statement date. The temporary receipts will be reversed according to the future developments in subsequent period.

B. Transaction Change for Securities Trading

Taipei Exchange announced on August 27, 2021, based on the *Taipei Exchange Rules Governing Securities on the TPEx, Article 12, paragraph 1, subparagraph 20*, the security of the Company is placed under the altered trading method. This was because the Company did not control the status of the arbitration dispute with company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP) appropriately, improper control over disclosure of material information of the Company, and unable to explain the current internal control system's ability to deal with legal risk.

13. Other disclosure

(1) Information at significant transactions

A. Financings provided to others, please refer to table 1 for more details.

B. Endorsements/guarantees provided to others, please refer to table 2 for more details.

C. Marketable securities held (not including subsidiaries, associates and joint ventures), please refer to table 3 for more details.

D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20 percent of the capital stock, please refer to table 4 for more details.

E. Acquisition of individual real estate properties at costs of at least NTD 300 million or 20 percent of the paid-in capital, no such circumstances.

F. Disposal of individual real estate properties at costs of at least NTD 300 million or 20 percent of the paid-in capital, no such circumstances.

G. Total purchases from or sales to related parties of at least NTD 100 million or 20 percent of the paid-in capital, please refer to table 5 for more details.

H. Receivables due from related parities amounting to at least NTD 100 million or 20 percent of the paid-in capital, please refer to table 6 for more details.

I. Derivative instruments transactions, no such circumstances.

J. Significant intercompany transactions between consolidated entities, please refer to table 7 for more details.

(2) Information on investees

A. The Company had directly or indirectly significant influence or control on the invested company which shall disclose relevant information, please refer to table 8 for more details.

B. The Company had directly or indirectly control on the invested company which shall disclose relevant information of the above (1) A~I, except for above (1) G and H, refer to table 5 and table 6, there were no such circumstances for above (1) A~F and I.

(3) Information on investments in Mainland China

Please refer to table 9 for more details.

(4) Information on major shareholders：

Shares / Name of major shareholder	Shareholdings	Percentage of ownership (%)
National Development Fund, Executive Yuan	22,066,296 shares	8.35%

14. Segment information

(1) Industrial information

The Group primarily engages in medicine research and development. The decision maker of the Group reviews the operating outcome based on a single operating department to determine its resource policy and assesses overall performance of the Company. Therefore, the Group does not distinguish departments and aggregate to a single operating department and prepare financial statement in the same basis as the summary of the important accounting policies described in Note 4.

(2) Geographical information

Revenue from external customer:

	For the years ended December 31,	
	2021	2020
Taiwan	$342,980	$282,152
Asia (excluded Taiwan)	35,915	6,229
Europe	205,239	268,876
America	72,372	-
Total	$656,506	$557,257

The Group categorized revenue from external customer by the regions where the clients are.

Non-current assets: The Group had no significant non-current assets located at any single foreign country.

(3) Information about major customer

Customers that contribute revenues exceeding 10% of total revenues for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,			
	2021		2020	
	Sales Amount	%	Sales Amount	%
Company A	$231,168	35.21%	$142,907	25.64%
Company B	205,239	31.26%	268,876	48.25%
Company C	66,706	10.16%	76,172	13.67%

Table 1: Financings provided to others

(Unit: thousands of NTD/foreign currency)

No. <Note1>	Financing Company	Counter party	Financial Statement Account	Related Party	Maximum Balance for the period <Note2>	Ending Balance <Note3>	Amount Acutally Drawn	Interest rate	Nature of Financing <Note4>	Transaction Amounts for business <Note5>	Reason for short-term Financing <Note6>	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company <Note7>	Financing Company's Total Financing Amount Limits <Note8>
													Item	Value		
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	Other receivables due from related parties	Y	USD 6,835 ($190,000)	USD 6,835 ($190,000)	USD 6,500 ($180,700)	2.25%	2	$-	Operating Capital	$-	-	-	$425,038	$1,700,152
0	PharmaEssentia Corp.	PharmaEssentia Japan KK	〃	Y	JPY 777,096 (190,000)	JPY 777,096 (190,000)	- -	-	-	-	-	-	-	-	425,038	1,700,152
0	PharmaEssentia Corp.	PharmaEssentia Korea Corporation	〃	Y	KRW 8,085,106 (190,000)	KRW 8,085,106 (190,000)	- -	-	-	-	-	-	-	-	425,038	1,700,152
0	PharmaEssentia Corp.	PharmaEssentia Asia (Hong Kong) Limited	〃	Y	HKD 53,341 (190,000)	HKD 53,341 (190,000)	- -	-	-	-	-	-	-	-	425,038	1,700,152

<Note1> The numbers filled in for the financings provided by the group or subsidiaries are as follows:

1. The Company is "0".

2. The subsidiaries are numbered in order starting from "1".

<Note2> The maximum balance for the period.

<Note3> Resolved by the Board of Directors.

<Note4> The codes represent the nature of financing activities as follows:

1. Trading partner is "1".

2. Short-term financing is "2".

<Note5> For trading partners, disclose the accumulated trading amount for the period ended to financial statement date.

<Note6> For short-term financing, disclose the reason and use of funds.

<Note7> Financing limits for each borrowing companies are as follows:

1. Trading Partners: The maximum of total financing is highter of the transaction amount for procurment or sales during current year.

2. Short-term financing: The maximum of total financing is 10% of the Company's net worth.

3. Subsidiaries 100% held by the Company or the abovemention susidiaries finance to the Company: The maximum of total financing is 10% of the financing company's net worth.

<Note8> Financing company's total financing amount limits are as follows:

1. Trading Partners: The maximum of financing total amount is 40% of the financing company's net worth.

2. Short-term financing: The maximum of financing total amount is 40% of the financing company's net worth.

3. Subsidiaries 100% held by the Company or the abovemention susidiaries finance to the Company: The maximum of financing total amount is 40% of the financing company's net worth.

<Note9> Ending amount in this table were disclosed in NTD. Amount related to foreign currency were translated to NTD by rate of financial statement date. The related exchange rate was as follow:

USD:NTD 1:27.8000

JPY:NTD 1:0.2445

KRW:NTD 1:0.0235

HKD:NTD 1:3.5620

Table 2: Endorsements/guarantees provided to others (Unit: thousands of NTD/foreign currency)

No. <Note1>	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement / Guarantee Amount Provided to Each Guaranteed Party <Note3>	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amounts of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement / Guarantee Amount Allowable <Note3>	Guarantee Provided by Parent Company <Note4>	Guarantee Provided by A Subsidiary <Note4>	Guanantee Provided to Subsidiaries in Mainland China <Note4>
		Name	Nature of relationship <Note2>										
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	2	$850,076	USD 382 ($10,620)	USD 382 ($10,620)	$-	$-	0.25%	$1,700,152	Y	-	-

<Note1> The numbers filled in for the endorsements/guarantees provided by the group or subsidiaries are as follows:

1. The Company is "0".
2. The subsidiaries are numbered in order starting from "1".

<Note2> The following code represents the relationship with the company:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90 percent or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

<Note3> The amount of limits on endorsement/guarantee amount provided to each guaranteed party shall not exceed 20% of the net equity per latest financial statements of the Company; the amount of accumulated endorsement/guarantee shall not exceed 40% of net equity per latest financial statements.

<Note4> Guarantee provided by listed parent company to subsidiaries , guarantee provided by a subsidiary to listed parent company and guanantee provided to entities registered in mainland china were recorded "Y".

<Note5> Ending amount in this table were disclosed in NTD. Amount related to foreign currency were translated to NTD by rate of financial statement date. The related exchange rate was as follow:

USD:NTD 1:27.8000

Table 3: Marketable securities held (not including subsidiaries, associates and joint ventures) (Unit: thousands of NTD/share)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	As of December 31, 2021				Remark
				Share / Units	Carrying Value	Percentage of ownership	Fair Value	
PharmaEssentia Corp.	Mithra Biotechnology Inc.	—	Financial assets at fair value through other comprehensive income	980	$-	4.00%	$-	
PharmaEssentia Corp.	IIH Biomedical Venture Fund I Co., Ltd.	—	Financial assets at fair value through other comprehensive income	5,000	39,220	8.08%	39,220	

Table 4: Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more (Unit: thousands of NTD/share)

Company Name	Type and Name of Marketable Securities <Note1>	Financial Statement Account	Counter-party <Note2>	Nature of Relationship <Note2>	Beginning Balance		Acquisition<Note3>		Disposal<Note3>				Ending Balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/ Units	Amount
PharmaEssentia Corp.	Stocks	Investments accounted for using equity method	PharmaEssentia USA Corporation	Parent company and subsidiary	$2,900	$856,308	2,700	$761,618	-	$-	-	-	5,600	$1,617,926

<Note1> Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

<Note2> Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

<Note3> Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach 300 million or 20% of paid-in capital or more.

<Note4> Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Table 5: Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD/ foreign currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction Terms Different From Regular Transactions		Notes/Accounts Receivable (Payable)		Remark
			Purchase /Sales	Amount	% to Total <Note>	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total <Note>	
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Operating expenses	$118,527	7.34%	About 60 days	Similar to general terms and conditions	About 60 days	$(118,527)	32.45%	
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Service revenue	USD 4,264	62.27%	About 60 days	Similar to general terms and conditions	About 60 days	USD 4,264	59.26%	

<Note> Percentage to total operatin expenses (sales)and other account payables (accounts receivable).

Table 6: Receivables due from related parites amounting to at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD/foreign currency)

Company Name	Related Party	Nature of Relationship	Financial Statement Account	Ending Balance	Turover Ratio	The reaosn that trade terms different from general transactions		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amout	Procedure		
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Other receivables due from related parties	$181,014	-	$-	-	$-	$-
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Accounts receivable due from related parties	USD 4,264	-	-	-	-	-

Table 7: Significant intercompany transactions between consolidated entities (Unit: thousands of NTD)

No. <Note1>	Company Name	Counter-party	Nature of Relationship <Note2>	Intercompany Transactions			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets <Note3>
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Accounts receivable	$58,287	Similar to general terms and conditions	0.94%
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Sales revenue	58,245	Similar to general terms and conditions	8.87%
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Other receivables	181,014	Similar to general terms and conditions	2.92%
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Other payables	118,527	Similar to general terms and conditions	1.91%
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Operating expenses	118,527	Similar to general terms and conditions	18.05%

<Note1> The numbers filled in represent:

1. The company is "0".
2. The subsidiaries are numbered in order starting from "1".

<Note2> The following lists the three types of intercompany transactions (one transaction between parent company and subsidiary or between subsidiaries could be disclosed only once.)

1. Transactions from parent company to subsidiary is "1".
2. Transactions from subsidiary to parent company is "2".
3. Transactions between subsidiaries is "3".

<Note3> The percentage is divided by:

1. Consolidated total assets if the transaction account belongs to balance sheet.
2. Consolidated net revenue if the transaction account belongs to comprehensive income statement.

<Note4> We included only the intercompany transactions with amount larger than $50 millions in this table.

Table 8: Related informations (except to investments in Mainland China) about investee company, located, etc.: (Unit: thousands of NTD/share)

Invester Company	Investee Company	Location	Main Business	Original Investment Amount		Balance at The End of Period			Net Income (Losses) of The Investee	Share of Profits (Losses) of Investee	Remark
				Ending balance	Beginning balance	Shares	Percentage of Ownership	Carrying Value			
PharmaEssentia Corp.	PharmaEssentia Asia (Hong Kong) Limited	Hong Kong	Biotechnology service, etc.	$91,344	$77,337	6,200	100%	$5,537	$(31,572)	$(31,572)	<Note1>
PharmaEssentia Corp.	PharmaEssentia (Hong Kong) Limited	〃	〃	-	-	-	-	-	-	-	<Note2>
PharmaEssentia Corp.	PharmaEssentia Japan KK	Japan	〃	451,990	227,760	33,630	100%	54,305	(168,878)	(168,878)	<Note1>
PharmaEssentia Corp.	PharmaEssentia USA Corporation	USA	〃	1,617,926	856,308	5,600	100%	(199,571)	(1,092,404)	(1,092,404)	<Note1>
PharmaEssentia Corp.	PharmaEssentia Korea Corporation	Korea	〃	58,700	30,710	451	100%	2,032	(37,855)	(37,855)	<Note1>
PharmaEssentia Corp.	Panco Healthcare Co., Ltd.	Taiwan	〃	102,500	102,500	10,000	100%	77,859	(35,901)	(35,901)	<Note1>
PharmaEssentia Corp.	PharmaEssentia Singapore Pte. Ltd.	Singapore	〃	1,394	-	68	1	1,388	13	13	<Note1, 3>

<Note1> Eliminated by preparing consolidated financial statements.

<Note2> In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in 2013.
However, as of December 31, 2021, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

<Note3> According to operation plan, the Company registered and established a wholly owned PharmaEssentia Singapore Pte. Ltd. with 100% share in September, 2021.

Table 9: Informations on investments in Mainland China

(Unit: thousands of NTD/ foreign currency)

Investee Company	Main Business and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
PharmaEssentia Biotechnology (Beijing) Limited	Biotechnology service, etc.	$55,600 (USD 2,000)	<Note1(2)>	$41,700 (USD 1,500)	$13,900 (USD 500)	$-	$55,600 (USD 2,000)	$(19,374) (CNY -4,459)	100.00%	$(19,374) (CNY -4,459) <Note1(2) ii>	$4,267 (CNY 978)	$-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit of Investment (60% of the Company's net worth)
$55,600 (USD 2,000)	$55,600 (USD 2,000)	$2,550,229

<Note1> Method of investment was classified as the following three types:

1.The investments in Mainland China directly.

2. Re-invest in Mainland China through the third regional company (the invester company in the third regional was PharmaEssentia Asia (Hong Kong) Co., Ltd.).

3. Others.

<Note2> In the shared profits/losses column:

1. The investments that are in preparation and thus haven't generated any profits/losses should be specified.

2. The resources of shared profits/losses should be specified as one of the three below:

(1) Financial report audited by international audit firm that has partnership with audit firm in Taiwan.

(2) Financial report audited by CPA who audits the parent company in Taiwan.

(3) Others. (Financial statements of certain subsidiaries were not reviewed by independent accountants)

<Note3> The figures in this table are presented in NTD. The exchange rate on the financial reporting date used for translating the amount of investment in foreign currency is as following:

1. Ending investment balance as of reporting date were translated using the exchange rates as follows:

USD:NTD 1: 27.800

CNY:NTD 1: 4.3630

2. Investment gains or losses were translated using the average rates for the year ended December 31, 2021 as follows:

USD:NTD 1: 28.0075

CNY:NTD 1: 4.3449

安永聯合會計師事務所

11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.

Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/taiwan

English Translation of Auditors' Report Originally Issued in Chinese

Independent Auditors' Report

To PharmaEssentia Corp.

Opinion

We have audited the accompanying parent company only balance sheets of PharmaEssentia Corp. (the "Company") as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies (collectively referred to "the financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – International Arbitration

Please refer to Note9(9), on October 21, 2020, the Company received the arbitral award which was raised by AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP) bringing to International Chamber of Commerce (hereinafter referred

to as "ICC"). By October 28, 2020 resolution of the board of directors, an application to set aside was filed on December 17, 2020, initiating proceedings that challenged the award as having significant errors and procedural defects, including violations of public policy and the Company's right to be heard. On February 15, 2022, by notification from its German counsel, the Company received the resulting decision of the German Federal Court of Justice (BGH), as to that certain original final award content of Items (1) the Company's liability of EUR 142,221 thousand to compensate for damages, and (2) the Company's liability of EUR 1,354 thousand for arbitration and related costs, should be formally set aside. As of December 31, 2021, the Company had considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter. Our opinion is not modified accordingly.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit for the year of 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment for indicator of impairment of non-financial assets

As of December 31, 2021, the total net amount of property, plant and equipment, right-of-use assets and intangible assets of the Company was NTD 896,041 thousand, constituting 16% of the total assets. The Company are engaged in medicine discovery and new drug patten developments. The Company is still at loss position in the year of 2021 because the Company is still investing in new drugs development. As of the balance sheet date, the Company based on the external and internal sources to assess whether there is any indication of impairment in property, plant and equipment, right of use and intangible assets. If there is indication of impairment, the recoverable amount should be estimated. The evaluation of indicator of impairment of property, plant and equipment, right of use and intangible assets rely on management judgement on various external and internal sources of information. The result of impairment evaluation is significant to the financial statements. Therefore, we consider impairment assessment as a key audit matter.

We have conducted audit procedures including but not limited to understanding the technical, market, economic or legal environment, consider whether there are any major changes that are detrimental to the Company, and whether it has lost its competitiveness in the market. Understand the latest progress of research and development of major new drug projects and presence of significant delay happens, also through observe whether property, plant and equipment are operated normally and not obsoleted or damaged. We also evaluate whether the total market value of the Company as of the balance sheet date is greater than the net book value, to evaluate whether the management's judgement on impairment of non-financial assets is reasonable. In Note 4 and 5 of the parent company only financial statements to assess the appropriateness of the accounting policies and disclosures relating to the impairment of non-financial assets.

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Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain investments accounted for using equity method whose statements are based solely on the reports of other auditors. These investments accounted for using equity method amounted to NTD (199,571) thousand, constituting (3)% of total assets as of December 31, 2021. The related share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method amounted to NTD (1,092,404) thousand, constituting 39% of the net loss before tax for the year ended December 31, 2021, and the related share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method amounted to NTD (6,514) thousand, constituting 33% of the other comprehensive income for the year ended December 31, 2021.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit year of 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yu, Chien-Ju

Lin, Li-Huang

Ernst & Young, Taiwan
March 1, 2022

Taipei, Taiwan
Republic of China

Notice to Readers

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

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

ENGLISH TRANSLATION OF PARENT COMPANY ONLY FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31,			
		2021		2020	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6	$3,260,873	56	$2,979,340	58
Accounts receivable, net	4,5,6	173,743	3	188,636	4
Accounts receivable due from related parties, net	4,6,7	58,287	1	-	-
Other receivables	4	18,447	-	-	-
Other receivables due from related parties	4,7	181,014	3	-	-
Current tax assets	4	383	-	379	-
Current inventories	4,5,6	819,130	14	384,005	8
Prepayments	6	52,320	1	28,652	1
Other current assets		39,635	-	41,199	-
Total current assets		4,603,832	78	3,622,211	71
Non-current assets					
Non-current financial assets at fair value through other comprehensive income	4,6	39,220	1	17,435	-
Non-current financial assets at amortised cost	4,6,8	21,398	-	21,224	-
Investments accounted for using equity method	4,6	141,121	2	301,528	6
Property, plant and equipment	4,6,8	335,136	6	396,553	8
Right-of-use assets	4,6	334,588	6	385,345	8
Intangible assets	4,5,6,7	226,317	4	199,864	4
Prepayments for business facilities		13,255	-	7,415	-
Other non-current assets, others	6	159,256	3	153,447	3
Total non-current assets		1,270,291	22	1,482,811	29
Total assets		$5,874,123	100	$5,105,022	100

The accompanying notes are an integral part of financial statements.

ENGLISH TRANSLATION OF PARENT COMPANY ONLY FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP.

PARENT COMPANY ONLY BALANCE SHEETS (CONTINUED)

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of December 31,			
		2021		2020	
		Amount	%	Amount	%
Current liabilities					
Notes payable		$75	-	$75	-
Accounts payable		21,744	-	23,301	-
Other payables	6	245,534	4	170,135	4
Other payables to related parties	7	119,762	2	166,004	3
Current lease liabilities	4,6	47,615	1	60,917	1
Long-term borrowings, current portion	6,8	5,978	-	5,978	-
Other current liabilities, others	5,6,9	619,374	11	353,690	7
Total current liabilities		1,060,082	18	780,100	15
Non-current liabilities					
Non-current portion of non-current borrowings	6,8	68,746	1	74,724	2
Non-current lease liabilities	4,6	291,393	5	326,460	6
Net defined benefit liability, non-current	4,5,6	3,950	-	4,028	-
Other non-current liabilities, others	4,6	199,571	4	-	-
Total non-current liabilities		563,660	10	405,212	8
Total liabilities		1,623,742	28	1,185,312	23
Equity attributable to owners of parent	4,6				
Share capital					
Ordinary share		2,769,036	47	2,634,183	52
Total share capital		2,769,036	47	2,634,183	52
Capital surplus					
Additional paid-in capital arising from ordinary share		3,964,932	68	3,473,517	68
Employee share options		731,996	12	253,252	5
Restricted stock		460	-	460	-
Total capital surplus		4,697,388	80	3,727,229	73
Retained earnings					
Accumulated deficit		(2,811,152)	(48)	(2,144,028)	(42)
Total retained earnings		(2,811,152)	(48)	(2,144,028)	(42)
Other equity interest		(60,150)	(1)	(40,435)	(1)
Treasury shares		(344,741)	(6)	(257,239)	(5)
Total equity		4,250,381	72	3,919,710	77
Total liabilities and equity		$5,874,123	100	$5,105,022	100

The accompanying notes are an integral part of financial statements.

ENGLISH TRANSLATION OF PARENT COMPANY ONLY FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	For the years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
Operating revenue	4,6,7	$311,309	100	$280,363	100
Operating costs	4,6,7	(132,040)	(42)	(127,424)	(45)
Gross profit from operations		179,269	58	152,939	55
Unrealized profit from sales		(24,218)	(8)	-	-
Realized profit from sales		-	-	-	-
Gross profit from operations		155,051	50	152,939	55
Operating expenses	6,7				
Selling expenses		(44,139)	(14)	(19,929)	(7)
Administrative expenses		(529,046)	(170)	(352,650)	(126)
Research and development expenses		(1,040,675)	(335)	(903,065)	(322)
Total operating expenses		(1,613,860)	(519)	(1,275,644)	(455)
Net operating loss		(1,458,809)	(469)	(1,122,705)	(400)
Non-operating income and expenses	4,6,7,9				
Interest income		4,907	2	7,412	3
Other income		21,392	7	40,465	14
Other gains and losses, net		(4,008)	(1)	(271,726)	(97)
Finance costs, net		(7,873)	(3)	(6,865)	(3)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(1,366,597)	(439)	(594,723)	(212)
Total non-operating income and expenses		(1,352,179)	(434)	(825,437)	(295)
Loss before tax		(2,810,988)	(903)	(1,948,142)	(695)
Total tax expense	4,6	-	-	-	-
Loss		(2,810,988)	(903)	(1,948,142)	(695)
Other comprehensive income	4,6				
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans		(164)	-	(135)	-
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(3,215)	(1)	(6,909)	(2)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(16,500)	(5)	(6,045)	(2)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-
Other comprehensive income, net		(19,879)	(6)	(13,089)	(4)
Total comprehensive income		$(2,830,867)	(909)	$(1,961,231)	(699)
Earnings per share (in NTD)	6				
Basic loss per share		$(10.80)		$(8.04)	

The accompanying notes are an integral part of financial statements.

ENGLISH TRANSLATION OF PARENT COMPANY ONLY FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Summary	Share capital	Capital surplus			Retained earnings	Other equity interest			Treasury shares	Total equity
	Ordinary share	Additional paid-in capital arising from ordinary share	Employee share options	Restricted stock	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation		
Balance on January 1, 2020	$2,250,438	$647,761	$227,435	$460	$(843,512)	$1,175	$(28,656)	$(25)	$-	$2,255,076
Other changes in capital surplus:										
Capital surplus used to offset accumulated deficits	-	(647,761)	-	-	647,761	-	-	-	-	-
Loss for the year ended December 31, 2020	-	-	-	-	(1,948,142)	-	-	-	-	(1,948,142)
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(135)	(6,045)	(6,909)	-	-	(13,089)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	(1,948,277)	(6,045)	(6,909)	-	-	(1,961,231)
Issue of shares	387,249	3,425,551	-	-	-	-	-	-	-	3,812,800
Share-based payments	3,903	47,966	25,817	-	-	-	-	25	-	77,711
Purchase of treasury shares	-	-	-	-	-	-	-	-	(264,646)	(264,646)
Retirement of treasury share	(7,407)	-	-	-	-	-	-	-	7,407	-
Balance on December 31, 2020	$2,634,183	$3,473,517	$253,252	$460	$(2,144,028)	$(4,870)	$(35,565)	$-	$(257,239)	$3,919,710
Balance on January 1, 2021	$2,634,183	$3,473,517	$253,252	$460	$(2,144,028)	$(4,870)	$(35,565)	$-	$(257,239)	$3,919,710
Other changes in capital surplus:										
Capital surplus used to offset accumulated deficits	-	(2,144,028)	-	-	2,144,028	-	-	-	-	-
Loss for the year ended December 31, 2021	-	-	-	-	(2,810,988)	-	-	-	-	(2,810,988)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(164)	(16,500)	(3,215)	-	-	(19,879)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	(2,811,152)	(16,500)	(3,215)	-	-	(2,830,867)
Issue of shares	132,330	2,594,509	-	-	-	-	-	-	-	2,726,839
Share-based payments	2,523	40,934	478,744	-	-	-	-	-	-	522,201
Purchase of treasury shares	-	-	-	-	-	-	-	-	(87,502)	(87,502)
Balance on December 31, 2021	$2,769,036	$3,964,932	$731,996	$460	$(2,811,152)	$(21,370)	$(38,780)	$-	$(344,741)	$4,250,381

The accompanying notes are an integral part of financial statements.

ENGLISH TRANSLATION OF PARENT COMPANY ONLY FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIACORP.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,	
	2021	2020
Cash flows from (used in) operating activities:		
Loss before tax	$(2,810,988)	$(1,948,142)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	186,922	150,040
Amortization expense	5,507	3,861
Interest expense	7,873	6,865
Interest income	(4,907)	(7,412)
Share-based payments	483,420	53,764
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	1,366,597	594,723
Loss (gain) on disposal of property, plant and equipment	47	(17)
Unrealized profit from sales	24,218	-
Other adjustments to reconcile profit (loss)	(18)	(8,555)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	14,893	10,726
Decrease (increase) in accounts receivable due from related parties	(58,287)	-
Decrease (increase) in other receivables	(19,668)	-
Decrease (increase) in other receivables due from related parties	(181,014)	-
Decrease (increase) in inventories	(435,125)	(128,665)
Decrease (increase) in prepayments	(26,710)	21,727
Decrease (increase) in other current assets	1,564	(31,255)
Increase (decrease) in contract liabilities	-	(68)
Increase (decrease) in notes payable	-	25
Increase (decrease) in accounts payable	(1,557)	(8,009)
Increase (decrease) in other payables	75,399	5,610
Increase (decrease) in other payable to related parties	(46,242)	165,529
Increase (decrease) in other current liabilities	(31,698)	285,504
Increase (decrease) in net defined benefit liability	(242)	(229)
Cash inflow (outflow) generated from operations:	(1,450,016)	(833,978)
Interest received	6,128	6,560
Income taxes paid	(4)	(49)
Net cash flows from (used in) operating activities	(1,443,892)	(827,467)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	(174)	(8,294)
Acquisition of financial assets at fair value through other comprehensive income	(25,000)	-
Acquisition of investments accounted for using equity method	(1,029,239)	(848,996)
Acquisition of property, plant and equipment	(45,584)	(67,555)
Proceeds from disposal of property, plant and equipment	-	230
Acquisition of intangible assets	(27,543)	(122,787)
Increase in prepayments for business facilities	(6,238)	(7,243)
Increase in other non-current assets, others	(9,608)	(13,627)
Net cash flows from (used in) investing activities	(1,143,386)	(1,068,272)
Cash flows from (used in) financing activities:		
Repayments of long-term debt (including current portion)	(5,978)	(3,398)
Payments of lease liabilities	(80,893)	(64,487)
Proceeds from issuing shares	2,726,839	3,812,800
Exercise of employee share options	318,065	23,947
Payments to acquire treasury shares	(87,502)	(257,239)
Interests paid	(1,720)	(1,269)
Net cash flows from (used in) financing activities	2,868,811	3,510,354
Net increase (decrease) in cash and cash equivalents	281,533	1,614,615
Cash and cash equivalents at the beginning of period	2,979,340	1,364,725
Cash and cash equivalents at the end of period	$3,260,873	$2,979,340

The accompanying notes are an integral part of financial statements.

English translation of financial statements originally issued in Chinese

PHARMAESSENTIA CORP.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. History and organization

PharmaEssentia Corp. (the "Company"), was established on May 9, 2000. The Company primarily engages in medicine discovery, supplements in developing specialty pharmaceutical reagents, API and new drug patterns developments. The Company commenced business since October 2003.

In a board of directors meeting held in February 2012, the Company resolved to build a plant for producing pharmaceutical protein medicine at Central Taiwan Science Park, which was completed and put into use in October 2012 for producing, for clinical trial, pegylated interferon (Ropeginterferon alfa-2b) (P1101). The pegylated interferon (Ropeginterferon alfa-2b) (P1101) produced by the plant has, as of January 2018, received GMP certifications from both the European Medicines Agency (EMA) and the Taiwan Ministry of Health and Welfare. These certifications demonstrate that the plant complies with Good Manufacturing Practice to produce medicine. This Company's product has also received certification of medicine exportation from the Ministry of Health and Welfare in March 2018. Ropeginterferon alfa-2b (proprietary name of Besremi®), licensed to the European company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP), received approval of EU marketing authorization application (MAA) for a medicinal product, announced February 19, 2019 on the EC (European Commission) website. In addition, the Company's Besremi 500 mcg/mL solution for injection in prefilled syringe was approved on April 30, 2020 by the Taiwan Ministry of Health and Welfare (hereinafter referred to as MoHW) new drug application review, MOHW-BM No. 000143. U.S. Food and Drug Administration (FDA) approved the Company's new drug Ropeginterferon alfa-2b (proprietary name of Besremi®) for the treatment of adults with Polycythemia Vera (PV).

The Company's shares have been listed on the Taipei Exchange since July 19, 2016. The Company's registered address and main operating site are located at 2F and 13F, No.3, Park St., Nangang Dist., Taipei City. The Company also set up its Taichung branch, located at 3F, No. 28, Keya W. Rd., Daya Dist., Taichung City.

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

The parent company only financial statements of PharmaEssentia Corp. for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors on March 1, 2022.

3. Newly issued or revised standards and interpretations

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The new standards and amendments had no material impact on the Company.

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

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

(A) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

(a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

(b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss in accordance with applicable Standards.

(c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

(d) Annual Improvements to IFRS Standards 2018 ~ 2020

Amendment to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41
The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The Company assessed that the aforementioned standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2023

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
D	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
E	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
F	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

A. *IFRS 10 "Consolidated Financial Statements"* and *IAS 28 "Investments in Associates and Joint Ventures"* – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

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

B. *IFRS 17 "Insurance Contracts"*

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

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

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

C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

D. Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

E. Definition of Accounting Estimates – Amendments to IAS 8

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

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (A) and (C)~(F), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars ("NTD") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency.

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

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

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

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

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. On partial disposal of an associate or a joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial Instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under *IFRS 9 Financial Instruments.*

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

Raw materials – Purchase cost on a weighted-average basis.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. The Company made such adjustments by debiting or crediting accounts such as investments accounted for using equity method, share of profit (loss) of associates and joint ventures accounted for using equity method, or share of other comprehensive income of associates and joint ventures accounted for using equity method, unrealized gains (losses), considering the accounting method used for the investments in subsidiaries in the consolidated financial statements in accordance with IFRS 10 Consolidated Financial Statements and the differences of application of IFRS between different consolidated entities.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments* in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets.*

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

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

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

Buildings	5～40 years
Machinery and equipment	5～10 years
Transportation equipment	5～6 years
Office equipment	3～6 years
Leasehold improvements	The shorter of lease terms or economic useful lives

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

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

(12) Leases

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

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

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

Company as a lessee

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

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

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

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

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

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

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

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

The Company applies *IAS 36 Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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

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

For the rent concession arising as a direct consequence of the COVID-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Company has applied the practical expedient to all rent concessions that meet the conditions for it.

Company as a lessor

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

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

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

(13) Intangible assets

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

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

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

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

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

Research and development costs

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

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

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

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

	Intangible assets under development	Other intangible assets	Patents	Trademarks and Licences	Computer software
Useful lives	Finite	Finite	Finite (10~11years)	Finite (10~12 years)	Finite (3~6 years)
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight-line basis over the shorter of the period of the patent or estimated useful life	Amortized on a straight-line basis over the shorter of the period of legal life or estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Internally generated	Internally generated	Acquired	Acquired	Acquired

(14) Impairment of non-financial assets

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

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

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

(15) Provisions

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

<u>Provisions for legal matters</u>

Provisions for legal matters have been recognized for estimated legal obligations and relevant cost based on past experience. If the existing obligation is mostly likely to incur and the amount may be reasonably estimated, the provisions for legal matters are to be recognized.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is drug and revenue is recognized based on the consideration stated in the contract.

The credit period of the Company's sale of goods is from 30 to 180 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide goods subsequently; according, these amounts are recognized as contract liabilities.

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

Rendering of services

The Company mainly provides the experimental research service, recognizes revenue based on the scope of services performed and enforceable rights to payments for completed services.

Most of the contractual considerations of the Company are collected evenly throughout the contract period. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

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

Royalty revenue

The Company's royalty revenue contains contract fee and milestone royalty based on contracts entered with other pharmaceutical factory or cooperative partner about the intellectual property rights of the new drug. After the new drugs obtain the approval, the Company would require a sales-based royalty. The foregoing revenue is recognized based by the contract, it would be recognized when the performance obligation has very high possibility to be satisfied and has not expected to have large revised amount. Thus, the royalty amount would be counted by sales-base and would be recognized only when (or as) the later of the following events occurs:

A. the subsequent sale or usage occurs; and
B. the performance obligation to which some or all usage-based royalty has been allocated has been satisfied).

The royalties of intellectual property rights which provided rights for clients to use are recognized as revenue on a straight-line basis throughout the licensing period.

(17) Government grants

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

(18) Post-employment benefits

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company and related to employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model. Share-based payment transactions related to non-employees is measured based on the fair value of the service provided. If the fair value of service could not be measured reasonably, it will be measured based on the fair value of the equity instruments granted while the entity receives merchandise or counterparty provides service.

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

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

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

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

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

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

(21)Business combinations and goodwill

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

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

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

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

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

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

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

5. Significant accounting judgments, estimates and assumptions

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

(1) Judgment

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the parent company only financial statements:

A. Impairment of non-financial assets

When the Company assessed whether non-financial assets were impairment, it was based on the external and internal information (including major new development market, industry profile and developing of each new drug' s competitiveness, project planning and progress).

B. Intangible assets under development－Development costs

The Company assessed that intangible assets under development met recognition requirements of intangible assets under development – development costs. Based on the fact and circumstances of marketing authorization application for new drug, the Company capitalized development costs which can be directly attributed to the development of new drug.

(2) Estimates and assumptions

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

A. Receivables – estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

B. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, changes of the future salary etc. Please refer to Note 6 for more details.

D. Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6. Thus, the Company estimated the number of expected vesting equity instruments based on the vesting conditions success possibility and historical employee turnover rate.

E. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax asset of the Company as of December 31, 2021.

F. Recognition and measurement for contingent liabilities

Provision for unsettled litigation is recognized when it is probable that it will result in unfavorable effect and the amount can be reasonably estimated. While the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand / petty cash	$981	$933
Cash in banks	3,251,402	776,465
Time deposits	8,490	2,201,942
Total	$3,260,873	$2,979,340

Please refer to Note 12 for more details on credit risk.

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

	As of December 31,	
	2021	2020
Equity instrument investments measured at fair value through other comprehensive income – non-current:		
Unlisted company stocks	$39,220	$17,435

A. Please refer to Table 3 of Note 13 for more details on the relevant information of unlisted company stocks held by the Company.

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

(3) Financial assets at amortized cost

	As of December 31,	
	2021	2020
Cash in banks	$21,398	$21,224
Less: loss allowance	-	-
Total	$21,398	$21,224
Current	$-	$-
Non-current	21,398	21,224
Total	$21,398	$21,224

A. The credit risk of financial assets at amortized cost is low based on evaluation (same as the initial assessment) as of December 31, 2021 and 2020; therefore, there should be no significant expected credit losses.

B. The Company classified certain financial assets as financial assets at amortized cost. Please refer to Note 8 for more details on financial assets at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Accounts receivable and accounts receivables due from related parties

	As of December 31,	
	2021	2020
Accounts receivable	$173,743	$188,636
Less: loss allowance	-	-
Subtotal	173,743	188,636
Accounts receivable due from related parties	58,287	-
Less: loss allowance	-	-
Subtotal	58,287	-
Total	$232,030	$188,636

A. Accounts receivable were not pledged.

B. Accounts receivable credit terms are generally from 30 to 180 days. The total carrying amount as of December 31, 2021 and 2020 was $232,030 thousand and $188,636 thousand, respectively. Please refer to Note 12 for more details on credit risk.

C. The Company measures the allowance of its receivables at an amount equal to lifetime expected credit losses. The historical credit loss experience shows that different customer segments do not have significantly different loss patterns. Therefore, the loss allowance is measured at an amount equal to lifetime expected credit losses and with no distinction between groups. In addition, based on the historical default rate and subsequent collections, the Company assesses that receivables which are not overdue or overdue within 90 days from customers with great credit ratings, or the counterparties are domestic hospitals, foundation and government agencies, were no material impairment loss incurred. The relevant information of provision matrix as of December 31, 2021 and 2020, was as follows:

	As of December 31, 2021					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$61,473	$-	$-	$-	$170,557	$232,030
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-
Carrying amount	$61,473	$-	$-	$-	$170,557	$232,030

	As of December 31, 2020					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$188,636	$-	$-	$-	$-	$188,636
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$188,636	$-	$-	$-	$-	$188,636

As of December 31, 2021 and 2020, allowance of the Company was both $0 thousand; there was no movement of allowance during the years ended December 31, 2021 and 2020, respectively.

D. The Company has an unsettled international arbitration event with counterparty – AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP). As of December 31, 2021, accounts receivable due from the counterparty was overdue for 91 days. Please refer to Note 9 for more details of such arbitration event. The Company has recognized related provision for overdue receivable according to phase of arbitration.

(5) Inventories

	As of December 31,	
	2021	2020
Raw materials	$8,827	$9,104
Supplies	40,481	33,351
Work in progress	59,725	87,007
Finished goods	698,693	245,608
Purchased merchandise inventory	11,404	8,935
Total	$819,130	$384,005

A. Expense and loss incurred on inventories were as follows:

	For the years ended December 31,	
	2021	2020
Cost of inventories sold	$103,875	$92,292
Expense recognized from inventory write-down to net realizable value	26,781	1,201
Others	1,384	33,929
Total	$132,040	$127,422

B. Inventories were not pledged.

(6) Prepayments

	As of December 31,	
	2021	2020
Current:		
Prepaid expenses (Note 1)	$33,457	$16,785
Other prepayments (Note 1)	18,863	11,867
Subtotal	52,320	28,652
Non-current:		
Excess business tax paid	115,277	111,295
Prepaid application patent fees and others	9,169	8,384
Subtotal (Note 2)	124,446	119,679
Total	$176,766	$148,331

Note 1: Prepaid expenses and other prepayments were mainly prepaid for operating expenses such as arbitration and commissioned trial expenses.

Note 2: Accounting for other non-current assets, other.

(7) Investments accounted for using equity method

	As of December 31,			
	2021		2020	
Investee companies	Carrying amount	% of ownership	Carrying amount	% of ownership
Subsidiaries				
PharmaEssentia (Hong Kong) Limited	$-	-%	$-	-%
PharmaEssentia Asia (Hong Kong) Limited	5,537	100%	22,964	100%
PharmaEssentia Japan KK	54,305	100%	6,475	100%
PharmaEssentia USA Corporation	(199,571)	100%	161,947	100%
PharmaEssentia Korea Corporation	2,032	100%	14,480	100%
Panco Healthcare Co., Ltd.	77,859	100%	95,662	100%
PharmaEssentia Singapore Pte. Ltd. (Note1)	1,388	100%	-	-%
Net of investments accounted for using equity method	$(58,450)		$301,528	
Investments accounted for using equity method	$141,121		$301,528	
Less: Credit balance of investments accounted for using equity method (Note 2)	(199,571)		-	
Net of investments accounted for using equity method	$(58,450)		$301,528	

Note 1: According to operation plan, the Company invested in PharmaEssentia Singapore Pte. Ltd. with 100% shares in September 2021 and included it in the consolidated financial statements since then.

Note 2: Accounted for other non-current liabilities, others.

A. Investments in subsidiaries is represented as “Investments accounted for using equity method” and adjusted for the valuation if necessary.

B. In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in 2013. However, as of December 31, 2021, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

(8) Property, plant and equipment

A. Movements of property, plant and equipment of the Company for the years ended December 31, 2021 and 2020 were as follows:

	Land	Buildings and structures	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost:								
As of January 1, 2021	$58,241	$69,639	$410,980	$3,295	$18,561	$297,448	$42,561	$900,725
Additions	-	-	24,062	-	6,148	12,568	2,806	45,584
Disposals	-	-	(1,439)	(986)	(8)	-	-	(2,433)
Other changes (Note)	-	-	-	-	-	11,700	(8,878)	2,822
As of December 31, 2021	$58,241	$69,639	$433,603	$2,309	$24,701	$321,716	$36,489	$946,698
As of January 1, 2020	$58,241	$69,639	$389,111	$3,295	$11,044	$270,919	$9,047	$811,296
Additions	-	-	23,437	-	7,517	23,812	12,789	67,555
Disposals	-	-	(1,568)	-	-	-	-	(1,568)
Other changes (Note)	-	-	-	-	-	2,717	20,725	23,442
As of December 31, 2020	$58,241	$69,639	$410,980	$3,295	$18,561	$297,448	$42,561	$900,725
Accumulated depreciation and impairment:								
As of January 1, 2021	$-	$15,442	$267,214	$2,809	$11,571	$207,136	$-	$504,172
Depreciation	-	1,876	32,970	146	3,159	71,625	-	109,776
Disposals	-	-	(1,392)	(986)	(8)	-	-	(2,386)
Other changes (Note)	-	-	-	-	-	-	-	-
As of December 31, 2021	$-	$17,318	$298,792	$1,969	$14,722	$278,761	$-	$611,562
As of January 1, 2020	$-	$13,406	$239,713	$2,663	$9,940	$151,456	$-	$417,178
Depreciation	-	2,036	28,856	146	1,631	55,680	-	88,349
Disposals	-	-	(1,355)	-	-	-	-	(1,355)
Other changes (Note)	-	-	-	-	-	-	-	-
As of December 31, 2020	$-	$15,442	$267,214	$2,809	$11,571	$207,136	$-	$504,172
Net carrying amount as of:								
December 31, 2021	$58,241	$52,321	$134,811	$340	$9,979	$42,955	$36,489	$335,136
December 31, 2020	$58,241	$54,197	$143,766	$486	$6,990	$90,312	$42,561	$396,553

Note: Other changes included reclassifications from prepaid equipment, transfer out by nature, and exchange rate impacts.

B. There was no capitalization on interest expense to property, plant and equipment for the years ended December 31, 2021 and 2020.

C. Please refer to Note 8 for more details on property, plant and equipment under pledge.

(9) Intangible assets

A. Movements of the intangible assets of the Company for the years ended December 31, 2021 and 2020 were as follows:

	Trademarks	Patents	Computer software	Other intangible assets	Intangible assets in development	Total
Cost						
As of January 1, 2021	$4,306	$35,894	$11,450	$-	$185,505	$237,155
Additions－generated internally	-	-	-	-	24,900	24,900
Additions－acquired separately	-	-	2,643	-	-	2,643
Other changes (Note)	819	2,980	618	210,405	(210,405)	4,417
As of December 31, 2021	$5,125	$38,874	$14,711	$210,405	$-	$269,115
As of January 1, 2020	$3,166	$33,718	$10,569	$-	$66,915	$114,368
Additions－generated internally	-	-	-	-	118,590	118,590
Additions－acquired separately	1,140	2,176	881	-	-	4,197
As of December 31, 2020	$4,306	$35,894	$11,450	$-	$185,505	$237,155
Accumulated Amortization and Impairment:						
As of January 1, 2021	$1,057	$25,611	$10,623	$-	$-	$37,291
Amortization	626	2,730	776	1,375	-	5,507
As of December 31, 2021	$1,683	$28,341	$11,399	$1,375	$-	$42,798
As of January 1, 2020	$507	$22,935	$9,988	$-	$-	$33,430
Amortization	550	2,676	635	-	-	3,861
As of December 31, 2020	$1,057	$25,611	$10,623	$-	$-	$37,291
Net carrying amount as of:						
December 31, 2021	$3,442	$10,533	$3,312	$209,030	$-	$226,317
December 31, 2020	$3,249	$10,283	$827	$-	$185,505	$199,864

Note: Other changes included reclassifications by nature.

B. Amortization expense of intangible assets was stated as follows:

	For the years ended December 31,	
	2021	2020
Operating costs	$1,814	$383
Selling expenses	626	550
Administrative expenses	338	117
Research and development expenses	2,729	2,811
Total	$5,507	$3,861

C. In February 2019, the Company received marketing authorization in the EU for its Polycythemia Vera (PV) medicine. Moreover, in August and September 2019, the Company's pre-BLA (Biologics License Application) meetings with the US FDA confirmed that the data results of the clinical trials for the EU marketing authorization would be sufficient for the US PV application (i.e., US FDA BLA for PV). Therefore, the Company, after the pre-BLA meeting, will recognize all its US FDA BLA for PV related personnel cost, service consultant cost, and other directly attributable costs, based on IAS 38. Test an intangible asset under development stage for impairment annually and amortize over the period of expected future useful period while an intangible asset available for use.

On November 12, 2021 (US time), the Company officially received notice from the U.S. Food and Drug Administration (FDA) that the Company's Besremi® (Ropeginterferon alfa-2b, namely P1101) had obtained FDA approval for the treatment of adults with Polycythemia Vera (PV). The Company reclassified intangible assets in development to other intangible assets and started to amortize since then.

D. Please refer to Note 9 for further information with the Company patent restrictions due to unsettled international arbitration. The carrying value of related restricted patent was $1,902 thousand as of December 31, 2021.

(10) Other payables

	As of December 31,	
	2021	2020
Salaries and bonus payable	$56,920	$50,395
Commissioned research and clinical trial payable	68,664	48,093
Service expenses payable	95,003	55,382
Payable on machinery and equipment	2,382	2,708
Others (Note1)	22,565	13,557
Total	$245,534	$170,135

Note1: Individual payables amount not exceeded $10,000 thousand were aggregated as others.

(11) Long-term borrowings

A. Details of long-term borrowings as of December 31, 2021 and 2020 were as follows:

Creditor	As of December 31, 2021	Interest Rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$74,724	2.06878%	The period of the loan is from June 3, 2014 to June 2, 2034. After receiving the loan 1 month later, the principal should be repaid monthly in 240 installments.
Subtotal	74,724		
Less: current portion	(5,978)		
Total	$68,746		

Creditor	As of December 31, 2020	Interest Rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan (Note)	$80,702	2.06889%	The period of the loan is from June 3, 2014 to June 2, 2034. After receiving the loan 1 month later, the principal should be repaid monthly in 240 installments.
Subtotal	80,702		
Less: current portion	(5,978)		
Total	$74,724		

Note: In July 2020, the Company received Mega International Commercial Bank's supplemental agreement providing the means for the Company's payments #73 to #77 (from July 3 to November 3, 2020) principal deadline periods and based on specific conditions the reduction of interest rate by 0.81% for a period as long as one year.

B. The Company' s unused credit of long-term borrowings was $0 thousand as of December 31, 2021 and 2020.

C. Please refer to Note 8 for more details on assets pledged as security for long-term borrowings.

(12) Post-employment benefits

A. Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were $11,693 thousand and $10,445 thousand, respectively.

B. Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute $251 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The duration of the defined benefits plan obligation as of December 31, 2021 and 2020 were year of 2024 and 2024, respectively.

Pension costs recognized in profit or loss were as follows:

	For the years ended December 31,	
	2021	2020
Current service cost	$-	$-
Net interest on the net defined benefit liabilities (assets)	8	24
Total	$8	$24

Changes in the defined benefit obligation and fair value of plan assets were as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligation	$7,890	$7,652	$7,858
Plan assets at fair value	(3,940)	(3,624)	(3,736)
Net defined benefit liability, non-current recognized on the balance sheets	$3,950	$4,028	$4,122

Reconciliations of liabilities (assets) of the defined benefit plan were as follows:

	Defined benefit obligation	Plan assets at fair value	Benefit liabilities (assets)
As of January 1, 2020	$7,858	$(3,736)	$4,122
Current period service cost	-	-	-
Interest expense (income)	47	(23)	24
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	47	(23)	24
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	63	-	63
Experience adjustments	200	(128)	72
Remeasurements of the defined benefit assets	-	-	-
Subtotal	263	(128)	135
Payments from the plan	(516)	516	-
Contribution by employer	-	(253)	(253)
As of December 31, 2020	7,652	(3,624)	4,028
Current period service cost	-	-	-
Interest expense (income)	15	(7)	8
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	15	(7)	8
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	2	-	2
Actuarial gains and losses arising from changes in financial assumptions	(47)	-	(47)
Experience adjustments	268	(59)	209
Remeasurements of the defined benefit assets	-	-	-
Subtotal	223	(59)	164
Payments from the plan	-	-	-
Contribution by employer	-	(250)	(250)
As of December 31, 2021	$7,890	$(3,940)	$3,950

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.50%	0.20%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption was shown below:

	For the years ended December 31,			
	2021		2020	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	$-	$36	$-	$40
Discount rate decrease by 0.25%	37	-	-	-
Future salary increase by 0.25%	32	-	36	-
Future salary decrease by 0.25%	-	31	-	35

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(13) Equity

A. Common stock

As of January 1, 2020, the Company's authorized capital was $4,000,000 thousand and the issued capital was $2,250,438 thousand divided into 225,044 thousand shares, each at a par value of $10.

The Company issued employee share options in May 2013, January 2018 and September 2018. For the years ended December 31, 2020 and 2021, 390 thousand shares and 253 thousand shares of employee share options were converted to common shares and the registration was completed. Please refer to Note 6(14) for more details on employee share options.

On December 24, 2019 the Company's board of directors resolved to issue 5,668 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $86 per share, the capital increase date was set as December 30, 2019 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on January 13, 2020.

On June 11, 2020 the Company's interim board of directors resolved to issue 16,725 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $93.8 per share, the capital increase date was set as June 24, 2020 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on July 8, 2020.

On February 19, 2020 the Company's board of directors resolved to issue 22,000 thousand ordinary shares with a par value of $10 through for cash. The issuing of shares was approved by competent authority in May 2020. The new shares issued by cash were at a premium of $102 per share, the capital increase date was set as August 7, 2020 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on August 25, 2020.

The Company and its former employee's stock rights litigation, Taiwan Supreme Court Case, Year 106, Civil Case No. 1019, affirmed that the former employee's shares of the Company, totaling 741 thousand total shares, be transferred and registered to the Company. On July 1, 2020, the foregoing shares were deposited into the treasury shares account, and on August 11, 2020, the Board of Directors resolved to retire the treasury shares, effective August 12, 2020. The aforementioned capital reduction was approved and registered by competent authority on September 1, 2020.

On December 3, 2021, the Company's board of directors resolved to issue 6,602 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $177 per share, the capital increase date was set as December 13, 2021 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on December 22, 2021.

On December 23, 2021, the Company's board of directors resolved to issue 6,631 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $235 per share, the capital increase date was set as December 30, 2021 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on January 11, 2022.

As of December 31, 2021 and 2020, the Company's authorized capital was both $4,000,000 thousand and the issued capital was $2,769,036 thousand and $2,634,183 thousand, respectively, which was divided into 276,904 thousand shares and 263,418 thousand shares, respectively, each at a par value of $10.

B. Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital arising from ordinary share	$3,964,932	$3,473,517
Employee share options	731,996	253,252
Restricted stock	460	460
Total	$4,697,388	$3,727,229

According to the Company Act, the capital surplus shall not be used except for offsetting the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury shares

The Board of Directors of the Company had passed resolutions to purchase the Company's share for 3,200 thousand shares and 1,500 thousand shares on October 28, 2020 and January 6, 2021, respectively. Purchase period were during October 29, 2020 to December 27, 2020 and January 7, 2021 to March 5, 2021, respectively; and the purchase price interval were $57 to $126 and $64 to $112, respectively.

As of December 31, 2021 and 2020, the treasury shares held by the Company were $344,741 thousand and $257,239 thousand; the number of treasury shares held by the Company was 3,839 thousand shares and 2,935 thousand shares, respectively.

Please refer to Note 6(14)(A) for further information on share-based payment plan for employees of the Company.

D. Retained earnings and dividend policy

According to the Company Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order: Payment of all taxes and dues; Offset prior years' deficits; set aside 10% of the remaining amount after deducting items mentioned above as legal reserve; set aside or reverse special reserve in accordance with law and regulations; and the distribution of the remaining portion, if any, will be distributed according to the distribution plan proposed by the Board of Directors and resolved in the shareholders' meeting.

Considering the industry environment and the growth of the Company, it will take into account the Company's future capital expenditure budget and funding needs when distributing earnings to keep in line with the business development and expansion. As of the current period, no less than 10% of current distributable earnings (by cash or issuing new shares) shall be distributed as bonus, and no less than 10% of the total dividend shall be cash.

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

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The Company resolved by the shareholders' meeting on August 5, 2021 and May 27, 2020 to cover accumulated deficit by capital surplus – additional paid-in capital of $2,144,028 thousand and $647,761 thousand, respectively.

The Company had accumulated deficit for the years ended December 31, 2021 and 2020, therefore the Company had resolved by the board of directors and by the shareholders' meeting on March 1, 2022 and August 5, 2021, respectively, that there was no earnings distribution for the year of 2021 and 2020.

Please refer to Note 6(16) for further details on employees' compensation and remuneration to directors and supervisors.

(14) Share-based payment plan

A. Related to employee transactions

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

(a) Share-based payment plan for employees of the Company

On May 8, 2013, August 11, 2017 and March 26, 2021, the Company passed the resolution in the board of directors meeting to issue employee share options with a total number of 8,400 thousand units (Share-based payments plan A), 4,400 thousand units (Share-based payments plan B) and 3,000 thousand units (Share-based payments plan C), respectively. Each unit entitles an optionee to subscribe for 1 share of the Company's common share. The relevant details of aforementioned share-based payments plan were as follows:

Share-based payments plan A
The exercise price of the option was set $10 per share. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 3 months from the grant date. The aforementioned option has been expired in May 2020 due to maturity.

Share-based payments plan B
The exercise price of the option was set not less than 50% of the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

Share-based payments plan C
The exercise price of the option was set not less than 50% of the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

The contractual terms of each option granted are 7 years. There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these employee share options.

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

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (NT$)
May 30, 2013	8,400	$10
January 12, 2018	2,166	$74
September 18, 2018	2,234	$88
June 24, 2021	3,000	$45

The following table lists the inputs to the model used for the plan granted during the year of 2018 and 2021:

	Year of 2018	Year of 2021
Dividend yield (%)	0%	0%
Expected volatility (%)	44.54%及43.03%	39.43%
Risk-free interest rate (%)	0.73%及0.72%	0.30%
Expected option life (years)	4.88年	4.88年
Weighted average share price (NT$)	$146.50及$175	$90
Option pricing model	Black-Scholes Model	Black-Scholes Model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The further details on the aforementioned share-based payment plans were as follows:

	For the years ended December 31,			
	2021		2020	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	3,352	$81	4,154	$79
Granted	3,000	45	-	-
Forfeited	(209)	81	(412)	80
Exercised (Note)	(252)	82	(390)	76
Expired	-	-	-	-
Outstanding at end of period	5,891	$63	3,352	$81
Exercisable at end of period	2,053	$81	1,526	$81
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)		$52		$-

Note: The weighted average price at the implementation date of those options for the years ended December 31, 2021 and 2020 was $115 and $102, respectively.

The information on the outstanding share options was as follows:

	Range of exercise price	Weighted average remaining contractual life (years)
As of December 31, 2021		
Share options outstanding at the end of the period	$74, $88 and $45	3.08、3.72 and 6.5
As of December 31, 2020		
Share options outstanding at the end of the period	$74 and $88	4.08 and 4.72

(b) Restricted stocks plan for employees of the Company

The Company passed the resolution in the board of directors meeting to issue restricted stocks during June 2016 in the amount of 2,468 thousand shares in total. The price at grant date was $164 per share and the capital increase case had been completed in amendment of registration. Employees may not sell, pledge, transfer, grant, set guarantee, or disposal with other ways before reaching the established condition. The voting rights of shareholders' meeting and the rights of dividend is the same as other common shares, but the dividends need to be delivered to the trust. If the employees receiving the grant of restricted stocks terminate employment, retire, temporary leave without salary, have parental leave, dead, unable to continue to work due to physical disability caused by occupational accident, or transfer, etc. within the vesting period, the restricted stocks not reaching the established condition would be purchased by the Company at the original issue price and cancellation. If employees reach the established condition after acquired new issued restricted stocks, the trust can be cancelled and reclaim the shares on the agreed date.

Unearned compensation as a deduction of equity amounted to $25 thousand as of January 1, 2020 was fully recognized as salaries expenses during the year of 2020.

(c) Treasury shares transferred to employees of the parent entity

To motivate the employees and retain the best talent, a resolution of repurchasing and transferring shares to the employees was approved through the board of directors' meeting held on October 28, 2020 and January 6, 2021. The number of shares to be repurchased was 3,200 thousand shares and 1,500 thousand shares, respectively. The repurchasing period has been expired and the Company has repurchased for 2,935 thousand shares and 904 thousand shares, respectively, but has not yet transferred the shares to employees as of the date this financial report was authorized for issue.

The Company passed the resolution in the board of directors meeting on December 3, 2021 to transfer treasury shares to employees and the details were as follows:

Agreement type	Date of grant	Shares (in thousands)	Contract period	Vested condition	Date of transferring
Treasury shares transferred to employees	December 3,2021	2,935	-	Vested immediately	January 7, 2022

The fair value of treasury shares transferred to employees was as follow:

Agreement type	Date of grant	Stock price	Exercise price	Fair value (per unit)
Treasury shares transferred to employees	December 3, 2021	$243.50	$87.48	$156.02

(d) Expenses incurred on share-based payment transactions were shown as follows:

	For the years ended December 31,	
	2021	2020
Total expense arising from equity-settled share-based payment transactions	$483,420	$53,764

B. Related to non-employee transactions

The Company entered a joint venture agreement with Luck Shine Enterprises, Limited (LSE as short) in January 2014, for the purpose of conducting P1101 clinical trials and its marketing after obtaining drug license in China. According to the joint venture agreement, the Company should provide the PharmaEssentia Asia (Hong Kong) Limited's stock options for LSE successively based on the completion of each milestones. Thus, if the milestones mentioned above can be all completed on schedule, LSE would get 2,000 thousand shares (approximately 25% of total shares) of PharmaEssentia Asia (Hong Kong) Limited. Even if the option is exercised, the Company would still have the majority rights in Board meeting and significant operational and financial decisions would still be made by the Company. Due to the arrangement of the agreement framework and time schedule, the agreement was arranged in December 2015. As of December 31, 2021, the Company haven't exercised the share option yet, application of share-based payment is not used. In addition, although the execution schedule has been adjusted, LSE continued to perform agreed milestone. Because of this the Company evaluate that the share option could have great possibility to be exercised, therefore, it is optimal estimates to be recognized as liability. The total recognized liabilities as of December 31, 2021 and 2020 were $1,367 thousand and $1,407 thousand, respectively, it was putted under the other current liabilities-other account.

(15) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	$290,543	$274,029
Revenue arising from rendering of services	20,766	6,334
Total	$311,309	$280,363

A. The Company is a single operating department. The revenue from contracts with customers for the years ended December 31, 2021 and 2020 were sale of goods and recognized as revenue at a point in time; revenue arising from rendering of services was recognized based on the scope of the services performed and the rights to the completed services are enforceable.

B. Contract liabilities – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sale of goods	$-	$-	$68

The Company's contract liabilities as of December 31, 2019 were transferred to revenue during the year ended December 31, 2020.

C. Transaction price allocated to unsatisfied performance obligations

No such circumstances.

D. Assets recognized from costs to fulfill a contract

No such circumstances.

(16) Summary statement of employee benefits, depreciation and amortization expenses by function

A. Summary statement of employee benefits, depreciation and amortization expenses by function was as follows:

By function / By feature	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Wages and salaries	$327,268	$429,857	$757,125	$114,078	$183,568	$297,646
Labor and health insurance	9,787	10,975	20,762	8,439	8,921	17,360
Pension	5,602	6,099	11,701	5,120	5,349	10,469
Remuneration to directors	-	3,192	3,192	-	3,420	3,420
Other employee benefits expense	4,771	5,532	10,303	4,673	3,900	8,573
Depreciation	113,921	73,001	186,922	100,066	49,974	150,040
Amortization	1,814	3,693	5,507	383	3,478	3,861

B. As of December 31, 2021 and 2020, the Company had 225 and 210 employees, respectively. There were 8 and 9 non-employee directors for each year.

C. Employee benefits and salaries

	For the years ended December 31,	
	2021	2020
Average employee benefits (Note1)	$3,662	$1,662
Average employee salaries (Note 2)	3,489	1,481
Adjustment the movement of average employee salary cost (Note 3)(Note 4)	135.62%	(16.86)%

Note 1: (Total employee benefits for the year - total directors' remuneration for the year)/(number of employees for the year - number of directors who are not employees)

Note 2: Total wages and salaries expenses for the current year/(number of employees for the current year - number of directors who are not concurrently employees)

Note 3: (Current year average employee salary expense - prior year average employee salary expense)/prior year average employee salary expense

Note 4: The massive variation for the current year due to the Company transferred its treasury shares to employees generating related expenses.

D. Salary remuneration of the Company is ruled by the Company's Management Measures for Employee Remuneration and Remuneration Committee Charter. Wages and salaries are determined on the basis of the Company's salary structure and the Company also assesses the employee's education, experience and working performance. According to the yearly target achievement rate of the Company, salary adjustment rate of government, consumer price index, salary level in market and demand of human resource, human resource department recommends an adjustment of salary and submit to general manager and chairperson for approval and implementation.

Remuneration policy for the Company's general manager, vice president and position of management equivalent is considered by the Company's operation strategy, profitability, performance and the contribution and also referred to industry standards. Compensation Committee proposes a resolution to the Board of Directors for approval and implementation.

E. According to the Articles of Incorporation of the Company, no lower than 1% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated deficit shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the years ended December 31, 2021 and 2020 because of the net loss before tax, there was no estimated amounts of the employees' compensation and remuneration to directors.

(17) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	$4,423	$7,090
Interest income from financial assets measured at amortized cost	127	270
Other interest income	357	52
Total	$4,907	$7,412

B. Other income

	For the years ended December 31,	
	2021	2020
Others (Note)	$21,392	$40,465

Note: The Company received government relief subsidy revenue (including rent concession) amounted to $14,228 thousand and $21,819 thousand due to Novel Coronavirus (COVID-19) for the years ended December 31, 2021 and 2020.

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Gain (loss) on disposal of property, plant and equipment	$(47)	$17
Foreign exchange gains (losses), net	(2,240)	9,855
Profit from lease modification	18	1,150
Other losses	(1,739)	(282,748)
Total	$(4,008)	$(271,726)

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expenses of borrowings from bank	$1,720	$1,269
Interest on lease liabilities	6,153	5,596
Total	$7,873	$6,865

(18) Components of other comprehensive income

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Gains (losses) on remeasurement of defined benefit plans	$(164)	$-	$(164)	$-	$(164)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,215)	-	(3,215)	-	(3,215)
Will be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(16,500)	-	(16,500)	-	(16,500)
Total	$(19,879)	$-	$(19,879)	$-	$(19,879)

For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Gains (losses) on remeasurement of defined benefit plans	$(135)	$-	$(135)	$-	$(135)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(6,909)	-	(6,909)	-	(6,909)
Will be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(6,045)	-	(6,045)	-	(6,045)
Total	$(13,089)	$-	$(13,089)	$-	$(13,089)

The Company has great amount of accumulated deficit deductible for use, therefore the other comprehensive income would not cause deferred income tax effect.

(19) Income tax

A. The Company recognized current tax expense and deferred tax expense for both $0 thousand for the years ended December 31, 2021 and 2020.

B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the years ended December 31,	
	2021	2020
Accounting loss before tax from continuing operations	$(2,881,190)	$(1,948,142)
The Company's income tax expense at the statutory income tax rate	$(576,238)	$(389,628)
Tax effect of deferred tax assets/liabilities	576,238	389,628
Total income tax expense	$-	$-

C. The following table contains information of the unused tax losses of the Company:

		Unused tax losses as of December 31,		
Year	Tax losses for the period	2021	2020	Expiration year
2011	$174,390	$-	$174,390	2021
2012	227,847	227,847	227,847	2022
2013	576,215	576,215	576,215	2023
2014	833,819	833,819	833,819	2024
2015	661,054	661,054	661,054	2025
2016	983,636	983,636	983,636	2026
2017	848,158	848,158	848,158	2027
2018	867,392	867,392	863,361	2028
2019	653,000	653,000	653,000	2029
2020 (Filed)	1,093,535	1,093,535	1,077,058	2030
2021(Estimated)	1,388,567	1,388,567	-	2031
		$8,133,223	$6,898,538	

The differences of unused amount as of December 31, 2021 and 2020 were due to filed amount and approved amount and also between estimated filed amount and actual filed amount.

D. The following table contains information of the unused investment tax credit of the Company:

Regulations of compliance	Item	Year	Unused investment tax credit as of December 31, 2021	Unused investment tax credit as of December 31, 2020	Expiration year
Act for the development of biotech and new pharmaceuticals industry	Funds invested in Research and development and personnel training	2011	$21,249	$21,249	Note
〃	〃	2012	28,943	28,943	〃
〃	〃	2013	123,805	123,805	〃
〃	〃	2014	92,808	92,808	〃
〃	〃	2015	61,436	61,436	〃
〃	〃	2016	69,605	69,605	〃
〃	〃	2017	83,953	83,953	〃
〃	〃	2018	102,374	102,374	〃
〃	〃	2019	39,769	58,910	〃
〃	〃	2020 (Filed)	34,329	35,967	〃
		2021(Estimated)	170,223	-	〃
			$828,494	$679,050	

Note: For a period of five years from the time it is subject to corporate income tax, enjoy a reduction in its corporate income tax payable.

The differences of unused amount as of December 31, 2021 and 2020 were due to filed amount and approved amount and also between estimated filed amount and actual filed amount.

E. As of December 31, 2021 and 2020, the Company had not recognized deferred tax assets as follows:

	As of December 31,	
	2021	2020
Deductible temporary difference	$2,823,687	$1,369,479
Unused tax losses	8,133,223	6,898,538
Unused tax credits	828,494	679,050
Total	$11,785,404	$8,947,067

G. The assessment of income tax returns of the Company before 2019 (including) was approved by the tax collection office.

(20) Earnings per share

Basic earnings (losses) per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

	For the years ended December 31,	
	2021	2020
A. Basic earnings (losses) per share		
Loss attributable to ordinary equity holders of the Company (in thousands of NTD)	$(2,810,988)	$(1,948,142)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	260,166	242,254
Basic earnings (losses) per share (NTD)	$(10.80)	$(8.04)

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

C. For the years ended December 31, 2021 and 2020 were both loss after tax which caused the potential ordinary shares into anti-dilutive. Therefore, the Company only disclosed basic losses per share.

(21) Leases

A. Company as a lessee

The Company leases various properties, including real estate (such as land, buildings and structures). The lease terms range from 1 to 20 years.

The Company's leases effect on the financial position, financial performance and cash flows were as follows:

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Land	$299,702	$317,671
Buildings and structures	34,886	67,674
Total	$334,588	$385,345

During the years ended December 31, 2021 and 2020, the Company had additions to right-of-use assets amounted to $26,478 thousand and $194,184 thousand, respectively.

ii. Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	$339,008	$387,377
Current	$47,615	$60,917
Non-current	$291,393	$326,460

Please refer to Note 6(17)D for the interest expense on lease liabilities recognized for the years ended December 31, 2021 and 2020, and refer to Note 12(5) liquidity risk management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Land	$17,969	$14,535
Buildings and structures	59,177	47,156
Total	$77,146	$61,691

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to short-term leases	$-	$39
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	452	470
The expenses relating to variable lease payments not included in the measurement of lease liabilities	683	1,306
Total	$1,135	$1,815

For the rent concession arising as a direct consequence of the COVID-19 pandemic, the Company recognized in other income for the years ended December 31, 2021 and 2020 amounted to $1,611 thousand and $1,866 thousand to reflect changes in lease payments that arise from such rent concessions to which the Company has applied the practical expedient.

(d) Cash outflow relating to leasing activities

During for the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounted to $82,028 thousand and $66,302 thousand, respectively.

(e) Other information relating to leasing activities

Extension and termination options

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

B. Company as a lessor

The Company entered property, plant and equipment as operating leases, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2021 and 2020 are as follow:

	For the years ended December 31,	
	2021	2020
Not later than one year	$1,440,000	$-

(22) Business acquisitions

In May 2020, the Company acquired 100% of the shares and obtained control of Panco Healthcare Co., Ltd. (hereinafter referred to as "Panco") through capital acquisition by cash. The main reason to acquire Panco is considering the marketing for future new drug application and to integrate warehouse logistics system.

A. Calculation of fair value of the identifiable assets and liabilities at the date of acquisition

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	$10,769
Accounts receivable, net	313,725
Current inventories	1,986
Prepayments	1,654
Other current assets	12
Property, plant and equipment	5,047
Other non-current assets	1,703
Liabilities	
Accounts payable	(123,762)
Other payables	(197,455)
Current tax liabilities	(1,148)
Other current liabilities	(31)
Identifiable net assets	$12,500

B. Calculation of Goodwill

Purchase consideration	$12,500
Less: identifiable net assets at fair value	(12,500)
Goodwill	$-

C. Cash flows on acquisition

Net cash acquired with the subsidiary	$10,769
Transaction costs of the acquisition	(12,500)
Net cash flow on acquisition	$(1,731)

D. In accordance with share purchase agreement entered into between the Company and Panco, prior to the settlement date, the receivables, payables and earnings on Panco's books belonged to Panco original shareholders. Thus, both parties agreed that after Panco collects related receivables, Panco should pay off the third parties payables and then pay the remaining balance to the original shareholders. Therefore, Panco recognized other payables in the amount of $193,552 thousand on the day of acquisition, and the Company will repay the abovementioned payables to original shareholders. During the years of 2021 and 2020, the Company has repaid for $50,000 thousand and $140,637 thousand, respectively.

7. Related party transactions

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

(1) Name and relationship of related parties

Name of the related parties	Relationship with the Company
Panco Healthcare Co., Ltd. (PANCO)	Subsidiary of the Company
PharmaEssentia Japan KK (PEC (Japan))	Subsidiary of the Company
PharmaEssentia USA Corporation (PEC (USA))	Subsidiary of the Company
Ching-Leou, Teng	Key management personnel
Ko-Chung, Lin	Key management personnel
Sage Advisors, LLC	Other related party (the Company's key management personnel is the Company's substantive related party)

(2) Significant transactions with the related parties

A. Sales

	For the years ended December 31,	
	2021	2020
PEC (USA)	$58,245	$-

The terms for sales to related parties were not significantly different from those of sales to third parties. The collection period was about 30 to 90 days after sales.

B. The Company's purchase of services

	For the years ended December 31,	
	2021	2020
PEC (USA)	$118,527	$164,152
PANCO	3,867	2,857
PEC (Japan)	134	150
Sage Advisors, LLC	3,580	3,067
Total	$126,108	$170,226

Above purchase of services were separately recorded as operating expenses of $125,617 thousand and $168,736 thousand; recorded as intangible assets of $491 thousand and $1,490 thousand for the years ended December 31, 2021 and 2020.

C. Accounts receivable

	For the years ended December 31,	
	2021	2020
PEC (USA)	$58,287	$-

D. Other receivables

	For the years ended December 31,	
	2021	2020
PEC (USA)	$181,014	$-

Please refer to Note 13 for more details of the Company financings provided to related parties.

E. Other payables

	For the years ended December 31,	
	2021	2020
PEC (USA)	$118,527	$164,152
PANCO	805	1,137
PEC (Japan)	134	150
Sage Advisors, LLC	296	565
Total	$119,762	$166,004

F. Interest revenue

	For the years ended December 31,	
	2021	2020
PEC (USA)	$314	$-

G. Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	$38,375	$40,470
Post-employment benefits	263	328
Share-based payment	61,300	26,948
Total	$99,938	$67,746

H. The Company's Chairman and Chief Executive Officer act as joint guarantor for the borrowings from bank.

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

	Carrying amount as of December 31,		
Assets pledged for security	2021	2020	Secured liabilities
Financial assets at amortized cost	$21,398	$21,224	Performance bonds
Property, plant and equipment – land and buildings, net	109,933	111,536	Long-term borrowings
Total	$131,331	$132,760	

9. Significant contingencies and unrecognized contractual commitments

Other than unsettled litigation, endorsement and guarantee, the Company discloses contract amount over NTD 50,000 thousand as of December 31, 2021 as below:

(1) As of December 31, 2021, the Company provided endorsement and guarantee to subsidiaries were amounted to USD 382 thousand.

(2) The Company and Luck Shine Enterprises Limited signed a joint venture agreement to proceed into the conduct of clinical trials, obtaining marketing authorization, post marketing sales work, etc. for P1101 in China. Please refer to Note 6(14) for more details.

(3) The Company and Athenex, Inc. signed a license agreement for the trial and development of novel, oral cancer drug in Taiwan, Singapore and Vietnam. The payable license fees are USD 11,050 thousand, which the Company will pay at each stage in installments based on the agreement. In the future, based on the sales situation, certain percentages should be paid as license fees. As of December 31, 2021, the Company has paid USD 3,550 thousand in license fees.

(4) The Company and Athenex, Inc. signed a license agreement for the trial and development of an ointment preparation for psoriasis (KX01) in Taiwan, China (including Hong Kong and Macau), Singapore, and Malaysia. The payable license fees are USD 1,640 thousand and USD 13,500 thousand, which the Company will pay at each stage in installments based on the agreement. In the future, based on the sales situation, certain percentages should be paid as license fees. As of December 31, 2021, the Company has paid USD 40 thousand and USD 500 thousand, respectively.

(5) The Company and a Taiwan contract research organization (CRO) signed a contract research agreement which includes commissioning this CRO to conduct P1101 hepatitis C virus genotype 2 phase III clinical trials in Taiwan and South Korea, and KX01 psoriasis phase I/II clinical trial in Taiwan related work. The payable commissioned service fees total $225,655 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2021, the Company has paid $128,705 thousand.

(6) The Company and a Hong Kong contract research organization (CRO) signed a contract research agreement which includes commissioning this CRO to conduct the P1101 treatment of Hepatitis C virus genome type 2 phase III clinical trials related work in China. The payable commissioned research fees total $89,735 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2021, the Company has paid $49,718 thousand and CNY 1,352 thousand.

(7) The Company and a Taiwan pharmaceutical science company signed a contract research agreement that covers the conduct of comparing the efficacy of P1101 versus anagrelide for the treatment of essential thrombocythemia (ET) in a Phase III clinical trial. The payable commissioned research fees total USD 9,364 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2021, the Company has paid USD 3,669 thousand.

(8) The Company and a German drug product contract manufacturer signed a fill finish line change agreement, with an agreement cost totaling EUR 3,432 thousand. As of December 31, 2021, the Company has paid related costs of EUR 125 thousand.

(9) In 2009, the Company and company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP) entered into an agreement with promises as to certain license, territory, and data sharing rights, where the Company provided chemistry, manufacturing, and controls (CMC) data to AOP, and AOP provided clinical development data to the Company. However, AOP failed to provide the clinical development data pursuant to the contractual provisions. According to the contract, if any party did not provide data within 30 days, then such would form the basis for contract termination. Therefore, in November 2017, the Company retained German lawyers to send a notice letter to AOP, that if AOP did not cure its material breach, then the license agreement would be terminated. However, in late March 2018, AOP brought International Chamber of Commerce ("ICC") arbitration claims, asserting that because the Company did not assist in providing CMC data, it caused AOP's inability to receive a marketing authorization and financial loss, and that if the Company continued to breach the agreement, it might cause an EU marketing authorization result of a negative opinion or a stop to the pending application review. In April 2018, the Company received notice of the foregoing. In June 2018, the Company's Board of Directors resolved that, in the same arbitration proceedings, to raise an arbitration counterclaim for confirmation of effectiveness of termination of the license agreement.

On October 21, 2020, the Company received the arbitral award, set forth as follows:

(1) The License Agreement and the Manufacture Agreement between the Company and AOP were still in effect;
(2) The Company should pay to AOP an amount of EUR 142,221 thousand plus interest at a rate of 5% above the base interest rate (calculated from August 14, 2019);
(3) The Company should pay to AOP its costs of the arbitration of EUR 1,354 thousand. Such costs based on AOP bearing 40%, and the Company bearing 60% ratio calculation net results;
(4) All other requests of both parties are denied.

To protect the Company's interests, the Company retained counsel to file an application to set aside the arbitral award. On February 15, 2022, by notification from its German counsel, received the resulting decision of the German Federal Court of Justice (BGH), as to that certain original final award content of Items (2) the Company's liability of EUR 142,221 thousand to compensate for damages, and (3) the Company's liability of EUR 1,354 thousand for arbitration and related costs, should be formally set aside. The Company, in the same arbitration proceedings, assertions against AOP of arbitration counterclaims of license agreement termination, were rejected. As of the date this financial report was authorized for issue, both of the foregoing disputes have reached a definitive end.

Due to the judicial immediacy of the German Federal Court of Justice decision, the foregoing compensation amount has been rendered ineffective. The Company has already considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter.

Company Patent Restrictions

(1) During the case pendency of the application to set aside proceeding, AOP asserted the arbitral award, up until an amount of EUR 10 million has been reached, with the Austria District Court Leopoldstadt to attach the Company’s EU patent EP 2010836693 Austrian patent right, preventing the Company from transferring such patent. The Company, through Austrian legal counsel, made appeals against enforceability and requests for suspension of enforcement. On September 17, 2021, the Company’s Austrian counsel informed us that the Austrian court had dismissed the appeal as well as the request to suspend the proceedings. The Company has duly sought appellate judicial review for all unfavorable court rulings on or before October 15, 2021. As of the date this financial report was authorized for issue, the foregoing described application is still pending before the court.

(2) AOP initiated an enforcement proceeding in the United States District Court for the District of Massachusetts with regards to the Company's patents (US 8,143,214 B2, US 8,106,160 B2, US 8,617,532 B2) and patent application (US 2017/0326206 A1). After receiving communication on March 2, 2021 from the United States District Court for the District of Massachusetts, Baker & McKenzie, Chicago office, counsel was promptly retained for filings as to lack of personal jurisdiction, insufficient service of process, adjournment pursuant to Article VI of the New York Convention, and directed at AOP's motion for equitable attachment. On April 29, 2021 (US time) the United States District Court for the District of Massachusetts held a hearing as to whether there is personal jurisdiction. On May 4, 2021 (US time) the Company filed a supplemental brief, including an affidavit, arguing lack of personal jurisdiction (including general jurisdiction, specific jurisdiction, and jurisdiction pursuant to Rule 4(k)(2)). In June 2021, the Company was notified by its counsel that in an order from the United States District Court for the District of Massachusetts, such Court held that while there was no specific jurisdiction over the Company, it would allow AOP’s motion for leave to obtain jurisdictional discovery as to general jurisdiction. On November 9, 2021 (US time), with its US attorney’s full discussion and complete consideration of every factor, the Company decided to accept the recommendation of its US attorneys and waive its claim that the Court lacks personal jurisdiction concerning it, as well as agree to the Court’s ruling the Company should pay procedural related costs and attorneys’ fess related to the procedural dispute. Subsequently, with respect to the issue of AOP’s motion for production of the confidential information of the US subsidiary and that the Company must pay a daily sanctions amount, the Court decided on January 29, 2022 that such motion had no legal basis, and therefore formally ordered denial.

(3) In July 2021 the Company received notice, via its patent representative, related to the German Patent and Trade Mark Office (DPMA), that AOP, through an attachment order from the District Court in Munich, applied to restrict the Company from transferring to third parties certain patents such as DE: 60 2010 063 092.7, etc.

(4) In the Switzerland debt collection proceedings, AOP requested a payment order and attachment deed, but a Switzerland Debt Collection Office used a publication method for service of process, constituting a serious procedural defect, and on August 19, 2021, the Company retained Switzerland legal counsel to object to the payment order with the Switzerland Debt Collection Office. On August 26, 2021, an opposition to the attachment was filed with the Bern-Mitelland District Court, and at the same time a complaint, as to the publication of the attachment deed and payment order, was filed with the Supervisory Authority of the Debt Collection Office. On January 21, 2022, the Company was notified by its Switzerland counsel, that with respect to the case of AOP's enforcement proceedings against the Company's patents, the Switzerland court had formally ruled the enforcement proceedings had material procedural defects, the service of process of related orders was not legitimate. Based on the results of such formal ruling, domestic media reports, that the Company's Switzerland patents had been auctioned prior to the date of the financial statement, were clearly serious misunderstandings and mistaken reports.

Based on the foregoing, due to the judicial immediacy of the German Federal Court of Justice decision, the Company may apply, in accordance with the law, in other countries for the revocation of provisional attachments.

(10) The Company, in order to protect the rights of shareholders, separately on November 18, 2020 and December 22, 2020, filed arbitration damages claims with the ICC Court that AOP's delay in providing clinical trial data caused delay damages during the Company's US BLA process, and that AOP's violation of the license agreement in not initiating clinical trials for three other clinical indications caused the Company losses.

The Company has considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter. The Company, in accordance with the rules of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), paragraph 92, is not disclosing normally required information under such rules, because disclosure of this information may affect the results of the foregoing matter.

(11) In November 2019, the Company's former employee Mr. Wei brought civil litigation against the Company (Shihlin District Court (Taiwan District Court (109) Zhong Lao Zi No. 10, Taiwan High Court-Civil Appeals (Taiwan High Court (109) Lao Shang Yi Zi No. 145) demanding the Company make payment of technology shares. After case review by the Shihlin District Court and the Taiwan High Court, the entire case, as of November 3, 2021, has ended in a judgment overturning the original judgment ordering the appellant to pay principal and interest of more than $375 thousand, and the announcement of the provisional execution, as well as the litigation costs, except for confirmed parts. With the judicial resolution of the dispute between the two parties, Mr. Wei Jun's original attachment of $1,566 thousand at the Company's Yuanta Bank, Zhongzheng branch, based on the results of the judicial resolution and negotiation between the two parties, Mr. Wei Jun should return $1,148 thousand to the Company. On January 22, 2022, Mr. Wei Jun issued a check of sufficient amount and the Company has already cashed the full amount.

10. Losses due to major disasters

No such circumstances.

11. Significant subsequent events

On December 17, 2020, the Company filed an application to set aside an arbitral award, and on February 15, 2022, by notification from its German counsel, received the resulting decision of the German Federal Court of Justice (BGH). For details, please refer to Note 9(9).

12. Others

(1) Financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets at fair value through other comprehensive income (include non-current)	$39,220	$17,435
Financial assets at amortized cost		
Cash and cash equivalents (exclude cash on hand)	3,259,892	2,978,407
Receivables (including to related parties)	232,030	188,636
Other receivables (including to related parties)	199,461	-
Financial assets at amortized cost (including non-current)	21,398	21,224
Subtotal	3,712,781	3,188,267
Total	$3,752,001	$3,205,702

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Notes and accounts payable	$21,819	$23,376
Other payables (including related parties)	365,296	336,139
Long-term borrowings (including current portion)	74,724	80,702
Lease liabilities (including non-current)	339,008	387,377
Total	$800,847	$827,594

(2) Financial risk management objectives and policies

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk.

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

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates. The information of the sensitivity analysis, please refer to Note 12(9).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investments at variable interest rates and bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. As at the end of the reporting period, an increase or a decrease of 10 basis points of interest rate cause the loss for the years ended December 31, 2021 and 2020 to increase/decrease and decrease/increase by $66 thousand and $2,121 thousand, respectively.

Equity price risk

The fair value of the Company's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for receivables) and from its financing activities (primarily for cash in banks).

The Company only trades with third parties whom have already approved and with good credit rating. The Company's policy also requires conducting credit confirmation procedures before open account transaction, and continuously assesses the collection of receivables.

Credit risk from balances with banks and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

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

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

(5) Liquidity risk management

The Company maintains a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	Later than 5 years	Total
As of December 31, 2021					
Payables (including other payables)	$387,115	$-	$-	$-	$387,115
Long-term borrowings (including interest to be paid)	7,520	14,680	14,181	51,748	88,129
Lease liabilities (including non-current)	52,002	23,532	62,791	246,351	384,676

	Less than 1 year	2 to 3 years	4 to 5 years	Later than 5 years	Total
As of December 31, 2020					
Payables (including other payables)	$359,515	$-	$-	$-	$359,515
Long-term borrowings (including interest to be paid)	7,648	14,924	14,433	55,788	92,793
Lease liabilities (including non-current)	68,138	38,140	39,651	293,023	438,952

(6) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2021:

	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	$80,702	$387,377	$468,079
Cash flows	(5,978)	(80,893)	(86,871)
Non-cash changes	-	32,524	32,524
As of December 31, 2021	$74,724	$339,008	$413,732

For the year ended December 31, 2020:

	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$84,100	$270,718	$354,818
Cash flows	(3,398)	(64,487)	(67,885)
Non-cash changes	-	181,146	181,146
As of December 31, 2020	$80,702	$387,377	$468,079

(7) Fair values of financial instruments

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

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

(a) The carrying amount of cash and cash equivalents, receivables, payables and other payables approximate their fair value due to their short maturities.

(b) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(c) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments at amortized cost

Among the Company's financial assets and financial liabilities measured at amortized cost, the carrying amount approximate their fair value.

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

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

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

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

As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$39,220	$39,220

As of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$17,435	$17,435

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

During the years ended December 31, 2021 and 2020, there were no movements of fair value measurements in Level 3 of the fair value hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy movements during the period was as follows:

	At fair value through other comprehensive income
	Stocks
As of January 1, 2021	$17,435
Total gains (losses) recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(3,215)
Acquisition for the year ended December 31, 2021	25,000
As of December 31, 2021	$39,220

	At fair value through other comprehensive income
	Stocks
As of January 1, 2020	$24,344
Total gains (losses) recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(6,909)
As of December 31, 2020	$17,435

Information on significant unobservable inputs to valuation

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

As of December 31, 2021：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Company's equity by $488 thousand

As of December 31, 2020：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease / increase in the Company's equity by $249 thousand

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

The Company's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

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

As of December 31, 2021：

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Financial assets measured at amortized cost				
Time deposits	$-	21,398	$-	$21,398
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including current portion)	-	74,724	-	74,724

As of December 31, 2020：

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Financial assets at amortised cost				
Time deposits	$-	$21,224	$-	$21,224
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including currents portion)	-	80,702	-	80,702

(9) Significant assets and liabilities denominated in foreign currencies

(In thousands)

	As of December 31, 2021				
				Sensitivity analysis	
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Fluctuation	Effect on income (equity)
Financial assets					
Monetary items					
EUR	$11,994	31.3200	$375,649	1%	$3,756
USD	10,772	27.8000	299,453	1%	2,995
CNY	7,433	4.3630	32,428	1%	324
HKD	1,818	3.5620	6,475	1%	65
Non-monetary items					
HKD	1,554	3.5620	5,537	1%	55
JPY	221,202	0.2445	54,305	1%	543
KRW	86,652	0.02345	2,032	1%	20
SGD	68	20.3200	1,388	1%	14
Financial liabilities					
Monetary items					
EUR	3,643	31.3200	114,110	1%	1,141
USD	5,515	27.8000	153,313	1%	1,533
CNY	289	4.3630	1,263	1%	13
JPY	98,033	0.2445	23,969	1%	240
HKD	3,984	3.5620	14,191	1%	142
Non-monetary items					
USD	7,179	27.8000	199,571	1%	1,996

(In thousands)

	As of December 31, 2020				
				Sensitivity analysis	
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Fluctuation	Effect on income (equity)
Financial assets					
Monetary items					
EUR	$10,280	34.5000	$354,648	1%	$3,546
USD	352	28.4300	10,001	1%	100
CNY	14,508	4.3480	63,080	1%	631
Non-monetary items					
HKD	6,262	3.6670	22,964	1%	230
USD	5,696	28.4300	161,947	1%	1,619
JPY	23,691	0.2733	6,475	1%	65
KRW	556,588	0.0260	14,480	1%	145
Financial liabilities					
Monetary items					
EUR	3,006	34.5000	103,720	1%	1,037
USD	6,317	28.4300	179,598	1%	1,796
CNY	500	4.3480	2,174	1%	22

The Company's foreign currency transactions were denominated in multiple currencies; therefore, the information of the foreign exchange gains (losses) of monetary assets and liabilities denominated by each currency was not applicable for disclosure. For the years ended December 31, 2021 and 2020 the Company's incurred foreign exchange gains (losses) were $(2,240) thousand and $9,855 thousand, respectively.

The above information was disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares.

(11)Other

A. The impact from the COVID-19 outbreak

Due to the main research and development and manufacturing center of the Company are located in Taiwan, the COVID-19 outbreak caused no material impact on the Company's operations.

Please refer to Note 6(17) for more details of the Company's subsidy received from the government (including rent concession) as of December 31, 2021.

B. Transaction Change for Securities Trading

Taipei Exchange announced on August 27, 2021, based on the *Taipei Exchange Rules Governing Securities on the TPEx, Article 12, paragraph 1, subparagraph 20*, the security of the Company is placed under the altered trading method. This was because the Company did not control the status of the arbitration dispute with company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP) appropriately, improper control over disclosure of material information of the Company, and unable to explain the current internal control system's ability to deal with legal risk.

13. Other disclosure

(1) Information at significant transactions

A. Financings provided to others, please refer to table 1 for more details.

B. Endorsements/guarantees provided to others, please refer to table 2 for more details.

C. Marketable securities held (not including subsidiaries, associates and joint ventures), please refer to table 3 for more details.

D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20 percent of the capital stock, please refer to table 4 for more details.

E. Acquisition of individual real estate properties at costs of at least NTD 300 million or 20 percent of the paid-in capital, no such circumstances.

F. Disposal of individual real estate properties at costs of at least NTD 300 million or 20 percent of the paid-in capital, no such circumstances.

G. Total purchases from or sales to related parties of at least NTD 100 million or 20 percent of the paid-in capital, please refer to table 5 for more details.

H. Receivables due from related parities amounting to at least NTD 100 million or 20 percent of the paid-in capital, please refer to table 6 for more details.

I. Derivative instruments transactions, no such circumstances.

(2) Information on investees

A. The Company had directly or indirectly significant influence or control on the invested company which shall disclose relevant information, please refer to table 7 for more details.

B. The Company had directly or indirectly control on the invested company which shall disclose relevant information of the above (1) A~I, except for above (1) G and H, refer to table 5 and table 6, there were no such circumstances for above (1) A~F and I.

(3) Information on investments in Mainland China

Please refer to table 8 for more details.

(4) Information on major shareholders：

Shares / Name of major shareholder	Shareholdings	Percentage of ownership (%)
National Development Fund, Executive Yuan	22,066,296 shares	8.35%

Table 1: Financings provided to others

(Unit: thousands of NTD/foreign currency)

No. <Note1>	Financing Company	Counter party	Financial Statement Account	Related Party	Maximum Balance for the period <Note2>	Ending Balance <Note3>	Amount Acutally Drawn	Interest rate	Nature of Financing <Note4>	Transaction Amounts for business <Note5>	Reason for short-term Financing <Note6>	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company <Note7>	Financing Company's Total Financing Amount Limits <Note8>
													Item	Value		
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	Other receivables due from related parties	Y	USD 6,835 ($190,000)	USD 6,835 ($190,000)	USD 6,500 ($180,700)	2.25%	2	$-	Operating Capital	$-	-	-	$425,038	$1,700,152
0	PharmaEssentia Corp.	PharmaEssentia Japan KK	〃	Y	JPY 777,096 (190,000)	JPY 777,096 (190,000)	- -	-	-	-	-	-	-	-	425,038	1,700,152
0	PharmaEssentia Corp.	PharmaEssentia Korea Corporation	〃	Y	KRW 8,085,106 (190,000)	KRW 8,085,106 (190,000)	- -	-	-	-	-	-	-	-	425,038	1,700,152
0	PharmaEssentia Corp.	PharmaEssentia Asia (Hong Kong) Limited	〃	Y	HKD 53,341 (190,000)	HKD 53,341 (190,000)	- -	-	-	-	-	-	-	-	425,038	1,700,152

<Note1> The numbers filled in for the financings provided by the company or subsidiaries are as follows:

1. The Company is "0".

2. The subsidiaries are numbered in order starting from "1".

<Note2> The maximum balance for the period.

<Note3> Resolved by the Board of Directors.

<Note4> The codes represent the nature of financing activities as follows:

1. Trading partner is "1".

2. Short-term financing is "2".

<Note5> For trading partners, disclose the accumulated trading amount for the period ended to financial statement date.

<Note6> For short-term financing, disclose the reason and use of funds.

<Note7> Financing limits for each borrowing companies are as follows:

1. Trading Partners: The maximum of total financing is highter of the transaction amount for procurment or sales during current year.

2. Short-term financing: The maximum of total financing is 10% of the Company's net worth.

3. Subsidiaries 100% held by the Company or the abovemention susidiaries finance to the Company: The maximum of total financing is 10% of the financing company's net worth.

<Note8> Financing company's total financing amount limits are as follows:

1. Trading Partners: The maximum of financing total amount is 40% of the financing company's net worth.

2. Short-term financing: The maximum of financing total amount is 40% of the financing company's net worth.

3. Subsidiaries 100% held by the Company or the abovemention susidiaries finance to the Company: The maximum of financing total amount is 40% of the financing company's net worth.

<Note9> Ending amount in this table were disclosed in NTD. Amount related to foreign currency were translated to NTD by rate of financial statement date. The related exchange rate was as follow:

USD:NTD 1:27.8000

JPY:NTD 1:0.2445

KRW:NTD 1:0.0235

HKD:NTD 1:3.5620

Table 2: Endorsements/guarantees provided to others (Unit: thousands of NTD/foreign currency)

No. <Note1>	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement / Guarantee Amount Provided to Each Guaranteed Party <Note3>	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amounts of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement / Guarantee Amount Allowable <Note3>	Guarantee Provided by Parent Company <Note4>	Guarantee Provided by A Subsidiary <Note4>	Guanantee Provided to Subsidiaries in Mainland China <Note4>
		Name	Nature of relationship <Note2>										
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	2	$850,076	USD 382 ($10,620)	USD 382 ($10,620)	$-	$-	0.25%	$1,700,152	Y	-	-

<Note1> The numbers filled in for the endorsements/guarantees provided by the company or subsidiaries are as follows:

1. The Company is "0".
2. The subsidiaries are numbered in order starting from "1".

<Note2> The following code represents the relationship with the company:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90 percent or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

<Note3> The amount of limits on endorsement/guarantee amount provided to each guaranteed party shall not exceed 20% of the net equity per latest financial statements of the Company; the amount of accumulated endorsement/guarantee shall not exceed 40% of net equity per latest financial statements.

<Note4> Guarantee provided by listed parent company to subsidiaries , guarantee provided by a subsidiary to listed parent company and guanantee provided to entities registered in mainland china were recorded "Y".

<Note5> Ending amount in this table were disclosed in NTD. Amount related to foreign currency were translated to NTD by rate of financial statement date. The related exchange rate was as follow:

USD:NTD 1:27.8000

Table 3: Marketable securities held (not including subsidiaries, associates and joint ventures) (Unit: thousands of NTD/share)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	As of December 31, 2021				Remark
				Share / Units	Carrying Value	Percentage of ownership	Fair Value	
PharmaEssentia Corp.	Mithra Biotechnology Inc.	—	Financial assets at fair value through other comprehensive income	980	$-	4.00%	$-	
PharmaEssentia Corp.	IIH Biomedical Venture Fund I Co., Ltd.	—	Financial assets at fair value through other comprehensive income	5,000	39,220	8.08%	39,220	

Table 4: Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more (Unit: thousands of NTD/share)

Company Name	Type and Name of Marketable Securities <Note1>	Financial Statement Account	Counter-party <Note2>	Nature of Relationship <Note2>	Beginning Balance		Acquisition<Note3>		Disposal<Note3>				Ending Balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/ Units	Amount
PharmaEssentia Corp.	Stocks	Investments accounted for using equity method	PharmaEssentia USA Corporation	Parent company and subsidiary	2,900	$856,308	2,700	$761,618	-	$-	-	-	5,600	$1,617,926

<Note1> Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

<Note2> Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

<Note3> Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach 300 million or 20% of paid-in capital or more.

<Note4> Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Table 5: Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD/ foreign currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction Terms Different From Regular Transactions		Notes/Accounts Receivable (Payable)		Remark
			Purchase /Sales	Amount	% to Total <Note>	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total <Note>	
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Operating expenses	$118,527	7.34%	About 60 days	Similar to general terms and conditions	About 60 days	$(118,527)	32.45%	
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Service revenue	USD 4,264	62.27%	About 60 days	Similar to general terms and conditions	About 60 days	USD 4,264	59.26%	

<Note> Percentage to total operatin expenses (sales)and other account payables (accounts receivable).

Table 6: Receivables due from related parites amounting to at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD/foreign currency)

Company Name	Related Party	Nature of Relationship	Financial Statement Account	Ending Balance	Turover Ratio	The reaosn that trade terms different from general transactions		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amout	Procedure		
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Other receivables due from related parties	$181,014	-	$-	-	$-	$-
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Accounts receivable due from related parties	USD 4,264	-	-	-	-	-

Table 7: Related informations (except to investments in Mainland China) about investee company, located, etc.: (Unit: thousands of NTD/share)

Invester Company	Investee Company	Location	Main Business	Original Investment Amount		Balance at The End of Period			Net Income (Losses) of The Investee	Share of Profits (Losses) of Investee	Remark
				Ending balance	Beginning balance	Shares	Percentage of Ownership	Carrying Value			
PharmaEssentia Corp.	PharmaEssentia Asia (Hong Kong) Limited	Hong Kong	Biotechnology service, etc.	$91,344	$77,337	6,200	100%	$5,537	$(31,572)	$(31,572)	
PharmaEssentia Corp.	PharmaEssentia (Hong Kong) Limited	〃	〃	-	-	-	-	-	-	-	<Note1>
PharmaEssentia Corp.	PharmaEssentia Japan KK	Japan	〃	451,990	227,760	33,630	100%	54,305	(168,878)	(168,878)	
PharmaEssentia Corp.	PharmaEssentia USA Corporation	USA	〃	1,617,926	856,308	5,600	100%	(199,571)	(1,092,404)	(1,092,404)	
PharmaEssentia Corp.	PharmaEssentia Korea Corporation	Korea	〃	58,700	30,710	451	100%	2,032	(37,855)	(37,855)	
PharmaEssentia Corp.	Panco Healthcare Co., Ltd.	Taiwan	〃	102,500	102,500	10,000	100%	77,859	(35,901)	(35,901)	
PharmaEssentia Corp.	PharmaEssentia Singapore Pte. Ltd.	Singapore	〃	1,394	-	68	100%	1,388	13	13	<Note2>

<Note1> In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in 2013.

However, as of December 31, 2021, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

<Note2> According to operation plan, the Company registered and established a wholly owned PharmaEssentia Singapore Pte. Ltd. with 100% share in September, 2021.

Table 8: Informations on investments in Mainland China

(Unit: thousands of NTD/ foreign currency)

Investee Company	Main Business and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
PharmaEssentia Biotechnology (Beijing) Limited	Biotechnology service, etc.	$55,600 (USD 2,000)	<Note1(2)>	$41,700 (USD 1,500)	$13,900 (USD 500)	$-	$55,600 (USD 2,000)	$(19,374) (CNY -4,459)	100.00%	$(19,374) (CNY -4,459) <Note1(2) ii>	$4,267 (CNY 978)	$-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit of Investment (60% of the Company's net worth)
$55,600 (USD 2,000)	$55,600 (USD 2,000)	$2,550,229

<Note1> Method of investment was classified as the following three types:

1.The investments in Mainland China directly.

2. Re-invest in Mainland China through the third regional company (the invester company in the third regional was PharmaEssentia Asia (Hong Kong) Co., Ltd.).

3. Others.

<Note2> In the shared profits/losses column:

1. The investments that are in preparation and thus haven't generated any profits/losses should be specified.

2. The resources of shared profits/losses should be specified as one of the three below:

(1) Financial report audited by international audit firm that has partnership with audit firm in Taiwan.

(2) Financial report audited by CPA who audits the parent company in Taiwan.

(3) Others. (Financial statements of certain subsidiaries were not reviewed by independent accountants)

<Note3> The figures in this table are presented in NTD. The exchange rate on the financial reporting date used for translating the amount of investment in foreign currency is as following:

1. Ending investment balance as of reporting date were translated using the exchange rates as follows:

USD:NTD 1: 27.800

CNY:NTD 1: 4.3630

2. Investment gains or losses were translated using the average rates for the year ended December 31, 2021 as follows:

USD:NTD 1: 28.0075

CNY:NTD 1: 4.3449

THE CONTENT OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

PHARMAESSENTIA CORP.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand / petty cash		$981	
Cash in banks			
	Check deposits	468	
	Demand deposits (Note)	3,250,934	
	Time deposits (Note)	8,490	
Total		$3,260,873	

Note: Significant foreign currencies of cash in banks were as follow:

Currency	Foreign currencies (in thousands)	Exchange rate	Carrying amount (NTD in thousands)
CNY	$7,433	4.3630	$32,428
USD	2,164	27.8000	60,153
EUR	6,307	31.3200	197,530

PHARMAESSENTIA CORP.

2.STATEMENT OF ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Clinet name	Description	Amount	Note
Related parties			
PharmaEssentia USA Corporation		$58,287	
Less: loss allowance		-	
Subtotal		58,287	
Non-related parties			
Company A		$170,557	
Others		3,186	(The amount is less than 5% of the account)
Less:loss allowance		-	
Subtotal		173,743	
Total		$232,030	

PHARMAESSENTIA CORP.

3.STATEMENT OF INVENTORIES

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Collateral	Cost	Net realizable value
Raw materials	No	$14,648	$8,827
Supplies	〃	49,952	40,481
Work in progress	〃	62,075	59,725
Finished goods	〃	778,356	698,693
Purchased merchandise inventory	〃	12,001	11,404
Subtotal		917,032	$819,130
Less: Allowance for inventory valuation losses		(97,902)	
Net Amount		$819,130	

PHARMAESSENTIA CORP.

4.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For The Year Ended December 31, 2021

(In Thousands Shares/In Thousands of New Taiwan Dollars)

Investees	Beginning Balance		Additions (Note 1)		Decrease (Note 1)		Ending Balance			Market value or Net Equity		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Per (dollar)	Total		
PharmaEssentia Asia (Hong Kong) Limited	5,200	$22,964	1,000	$14,008	-	$(31,435)	6,200	100%	$5,537	$0.89	$5,537	None	
PharmaEssentia (Hong Kong) Limited	-	-	-	-	-	-	-	-	-	-	-	None	Note 2
PharmaEssentia Japan KK	16,440	6,475	17,190	224,230	-	(176,400)	33,630	100%	54,305	1.61	54,305	None	
PharmaEssentia USA Corporation	2,900	161,947	2,700	761,618	-	(1,123,136)	5,600	100%	(199,571)	(35.64)	(199,571)	None	Note 3
PharmaEssentia Korea Corporation	235	14,480	216	27,990	-	(40,438)	451	100%	2,032	4.51	2,032	None	
Panco Healthcare Co., Ltd.	10,000	95,662	-	18,098	-	(35,901)	10,000	100%	77,859	8.08	80,774	None	
PharmaEssentia Singapore Pte. Ltd.	-	-	68	1,394		(6)	68	100%	1,388	20.41	1,388	None	Note 4
Total		$301,528		$1,047,338		$(1,407,316)			$(58,450)		$(55,535)		

Note 1: The net movements included increasing cash capital for $1,029,240 thousands, transferring treasury shares to employees and recognising capital surplus for $18,098 thousands, recognising share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method for $1,366,598 thousands, exchange differences on translation of foreign financial statements for $(16,500) thousands and unrealized profit from sales between affiliated companies for $(24,218) thousands.

Note 2: In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in October 2013. However, As of December 31, 2021, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

Note 3: Recognize under credit balance of investments accounted for using equity method

Note 4: According to operation plan, the Company registered and established a wholly owned PharmaEssentia Singapore Pte. Ltd. with 100% share in September, 2021.

PHARMAESSENTIA CORP.

5.STATEMENT OF CHANGES IN RIGHT-OF-USE-ASSETS, THE ACCUMULATED DEPRECIATION AND IMPAIRMENT

For The Year Ended December 31, 2021

(In Thousands Shares/In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Additions	Decrease	Ending Balance	Note
Cost					
Land	$342,853	$-	$-	$342,853	
Buildings and structures	123,245	26,478	(29,494)	120,229	
Subtotal	466,098	26,478	(29,494)	463,082	
Accumulated depreciation and impairment					
Land	(25,182)	(17,969)	-	(43,151)	
Buildings and structures	(55,571)	(59,177)	29,405	(85,343)	
Subtotal	(80,753)	(77,146)	29,405	(128,494)	
Net carrying amount	$385,345	$(50,668)	$(89)	$334,588	

PHARMAESSENTIA CORP.

6.STATEMENT OF CHANGES IN OTHER NON-CURRENT ASSETS

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Other non-current assets, others		
Excess business tax paid		$115,277
Prepaid application patent and trademark fees		9,169
Guarantee deposits paid	Plant deposits and office deposits, etc.	34,810
Total		$159,256

PHARMAESSENTIA CORP.

7.STATEMENT OF ACCOUNTS PAYABLE

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Supplier name	Amount	Note
Company A	$5,757	
Company B	3,239	
Company C	1,807	
Company D	1,469	
Others	9,472	(The amount is less than 5% of the account)
Total	$21,744	

PHARMAESSENTIA CORP.

8.STATEMENT OF OTHER CURRENT LIABILITIES, OTHERS

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Advance receipts	Receipts from employees exercising of employee share options	$299,685
Receipts under custody	Withholding taxes, health insurance and collecting pensions, etc.	4,874
Temporary credits		60,153
Others		254,662
Total		$619,374

PHARMAESSENTIA CORP.

9.STATEMENT OF LEASE LIABILITIES

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Lease Period	Discount Rate	Description	Ending Balance	Note
Land	From March 2018 to December 2039	1.68%	Current	$15,918	
		1.68%	Non-current	289,661	
			Subtotal	305,579	
Buildings and structures	From May 2017 to March 2023	1.68%	Current	31,697	
		1.68%	Non-current	1,732	
			Subtotal	33,429	
			Total	$339,008	

PHARMAESSENTIA CORP.

10.STATEMENT OF OPERATING COSTS

For The Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Direct material cost		
Beginning balance of raw materials and supplies	$51,318	
Add: Raw materials purchased (net)	56,872	
Less:Transfer to research and development expenses and others	(15,422)	
Ending balance of raw materials and supplies	(64,600)	
Inventory scrapped and gain (loss) on physical inventory	(253)	
Direct material usage		$27,915
Direct labor		113,746
Manufacturing overhead		507,646
Manufacturing overhead-processing cost		34,909
Manufacturing costs		684,216
Add:Beginning balance of work in process products		87,961
Less:Transfer to research and development expenses and others		(50,573)
Inventory scrapped and gain (loss) on physical inventory		(1,132)
Ending balance of work in process products		(62,075)
Cost for finished goods		658,397
Add:Beginning balance of finished products and merchandise inventory		315,847
Purchase of finished products and merchandise inventory		11,112
Less:Transfer to research and development expenses and others		(91,124)
Ending balance of finished products and merchandise inventory		(790,357)
Cost of goods sold		103,875
Other operating costs		
Inventory valuation and obsolescence losses	26,781	
Inventory scrapped and loss (gain) on physical inventory	1,384	28,165
Operating cost		$132,040

PHARMAESSENTIA CORP.

11.STATEMENT OF MANUFACTURING COSTS

For The Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Wages and salaries	$204,462	
Depreciation and depletion	113,920	
Consumables	58,094	
Other expenses	131,170	(The amount is less than 5% of the account)
Total	$507,646	

PHARMAESSENTIA CORP.

12.STATEMENT OF SELLING EXPENSES

For The Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Professional service	$3,995	
Advertising expense	23,486	
Royalty expense	14,180	
Other expenses	2,478	(The amount is less than 5% of the account)
Total	$44,139	

PHARMAESSENTIA CORP.

13.STATEMENT OF ADMINISTRATIVE EXPENSES

For The Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Wages and salaries	$224,911	
Professional service	242,272	
Depreciation expenses	27,277	
Other expenses	34,586	(The amount is less than 5% of the account)
Total	$529,046	

PHARMAESSENTIA CORP.

14.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For The Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Wages and salaries	$204,946	
Commissioned research fees	124,840	
Experimental research fees	482,186	
Consumables	95,363	
Other expenses	133,340	(The amount is less than 5% of the account)
Total	$1,040,675	