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PharmaEssentia Corp.

2023 Annual Report

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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, we would like to thank you for your support for PharmaEssentia Corporation over the past year. The year of 2023 is a meaningful year for PharmaEssentia Corporation. In addition to continue strengthening the marketing of the U.S. Market and promoting the optimized omnichannel marketing, we also made significant improvements in a number of clinical and research projects. For example, subject enrollment for the phase III global clinical trials of BESREMi® (Ropeginterferon alfa-2b, P1101) for the treatment of Essential Thrombocythemia (ET) had been completed by the end of this year, and we have officially submitted the IND application for the phase I clinical trial of sequential treatment of PD-1 inhibitor P1801 following P1101 in patients with advanced solid tumors to TFDA, which will both become the driving force for the company's continued growth in the future. In the future, we will continue to invest in promoting global marketing and research as well as look forward to promoting new treatments for patients with urgent medical needs with innovative science and forward-looking sustainable layout while creating maximum shareholder value. Following are the business achievements of Year 2023 and the business plan summary for Year 2024:

1. 2023 Operations Report

(1) Business plan results

The innovative long-acting interferon, P1101, developed and produced independently by PharmaEssentia, was officially granted a drug license for the treatment of polycythemia vera (PV) in adult patients by the European Medicines Agency (EMA) in February 2019. Thus far, BESREMi® has been approved for the treatment of PV in adult patients in Taiwan, Switzerland, Israel, South Korea, Macau, United States, Japan, Kingdom of Bahrain, Qatar and United Arab Emirates. Moreover, we have submitted the application for a drug license to treat PV in China, Hong Kong, Malaysia, and Singapore. As the number of countries that approves the listing of the drug increases around the world, P1101 international market will be gradually expanded in the future.

For PV in the U.S., P1101 is the first option approved by the U.S. Food and Drug Administration (FDA) for the treatment of adults with PV, regardless of whether the patient has received other treatments before. And P1101 is also the first interferon approved by the U.S. FDA for the treatment of PV. The latest treatment guidelines from the National Comprehensive Cancer Network (NCCN) continue to recommend our company's P1101 as the preferred drug for high- and low-risk PV patients. This adjustment also makes P1101 the only drug recommended as first-line treatment in both high and low-risk PV patients. Since the launch of BESREMi® in the United States at the end of 2021, PharmaEssentia has continued to strengthen the marketing promotion plan in the U.S. market. In addition to collaborating with local organizations, we also paid attention to promoting the optimized omnichannel marketing, including the use of the most advanced AI technology, social media, advocacy groups, clinic information, and specialized websites, to help physicians and patients get familiar with diseases and

treatment options, and we also got involved in various medical and disease communities to help patients receive all-around assistance. The revenue contribution of the U.S. subsidiary of PharmaEssentia Corporation in 2023 exhibited considerable growth compared with last year. As of December 2023, the combined cumulative revenue of PharmaEssentia reached NT$5,105,615 thousand, an annual increase of 77.2%.

In the market of Latin America, PharmaEssentia has signed a licensing contract with the international pharmaceutical company Pint-Pharma GmbH for P1101 in seven Latin American countries in early June this year and the authorized countries include Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru. The contract may further expand the sales of P1101 to Latin America, making the global sales layout more complete.

As for PV in Japan, PharmaEssentia received the approval granted by the Ministry of Health, Labour and Welfare, Japan on March 27, 2023 for use of P1101 in the treatment of PV. The subsidiary of PharmaEssentia, PharmaEssentia Japan KK, has officially launched the sales of P1101 in the Japanese market and carried out the marketing activities after drug launch in various locations in Japan as planned.

In China, an application for marketing approval for P1101 was submitted by PharmaEssentia on December 30, 2022, based on the indication of HU-resistance or Hu-intolerance. The review of this application is ongoing. Meanwhile, P1101 has been approved by the Hainan Drug Administration of China to be imported as an urgently needed drug, allowing some of the Chinese patients to apply for P1101 treatment through Boao Lecheng pilot zone of international medical tourism. PharmaEssentia will actively collaborate with local hospitals and clinics in accordance with relevant regulations and prepare as well as provide the drug for sale in the fastest way in the Boao Lecheng pilot zone and hope more patients will benefit from the drug.

In addition to its application in the treatment of PV, P1101 can be used in the treatment of ET. For the phase III clinical trials of P1101 for ET indications, participants are being recruited from various countries across the world, including the United States, Japan, Taiwan, South Korea, Hong Kong, China, Singapore, and Canada. The subject enrollment had been completed this year and a total of 174 subjects are enrolled. Data collection for the main efficacy indicators is expected to be completed in 2024, and the applications for ET drug license approval will be submitted afterwards in Taiwan, the United States, Japan, South Korea, and China.

P1101 can be used for multiple indications, and the license for treating PV has been approved in a number of countries. Other indications under planning include ET, and myelofibrosis (MF). PharmaEssentia continues to use P1101 as the platform for exploring new indications. For example, and the IND application for the phase I clinical trial of sequential treatment of P1801 following P1101 in patients with advanced solid tumors to improve the immune response in patients to help fight against various cancers by combining PD-1 monoclonal antibodies and P1101 was officially submitted to the TFDA this year.

(2) Budget Implementation Review

Unit: NT$1000

	Annual budget for 2023 (A)	Actual expenditure in 2023 (B)	Difference (B-A)
Operating revenue	9,965,044	5,105,615	(4,859,429)
Operating costs	(1,451,703)	(610,544)	841,159
Gross profit (loss)	8,513,341	4,495,071	(4,018,270)
Operating expenses	(7,530,974)	(6,408,465)	1,122,509
Net profit (loss)	982,367	(1,913,394)	(2,895,761)
Nonoperating revenue	(103,697)	926,460	1,030,157
Net profit (loss) before tax	878,670	(986,934)	(1,865,604)
Net profit (loss) this period	845,850	(623,835)	(1,469,685)
Other gains and losses	(1,915)	119,374	121,289
Total gains and losses this period	843,935	(504,461)	(1,348,396)

(3) Analysis of receipts, expenditures, and profitability

PharmaEssentia received its license for PV in Europe in 2020 and later received the license in the United States and Japan in November 2021 and March 2023, respectively. This successive launch of the products by PharmaEssentia has resulted in a considerable growth in its operating revenue year by year as various markets are developed. However, the US market is still in the stage of business expansion, leading to a variance between actual and budget expenditure. Also, the Company continues to invest significantly in expanding business operations and research and development of new drugs, resulting in an overall operating loss. For the year 2023, PharmaEssentia reported an operating revenue of NT$5,105,615 thousand, net operating loss of NT$623,835 thousand, and total comprehensive loss of NT$504,461 thousand, with a loss per share of NT$1.93.

(4) Research and development

A. 2023 annual R&D staffing and expenses

Unit: NT$1,000

Item/year		2023
R & D expenses	Operating revenue (A)	5,105,615
	R&D funds (B)	2,224,054
	Total staffing (C)	560
	Total R&D staffing (D)	142
	R&D funding as percentage of operating revenue (B/A)	43.56%
	R&D staff percentage (D/C)	25.36%

B. PharmaEssentia is a new biotechnology drug company, continuing to invest in Phase III clinical trials of P1101-ET in 8 countries including the United States, Taiwan, Japan, South Korea, and China, and develop new research projects such as Anti-PD1. With the market launch and sale of P1101 in the U.S. at the end of 2021, the revenue saw a significant growth, leading to a decrease in the percentage of R&D expenses to revenue.

C. Recent awards and R&D achievements

Year	Awards and R&D achievements
2018	➢ PharmaEssentia received GMP certification from the EMA and Taiwan's Ministry of Health and Welfare for its Taichung plant. ➢ PharmaEssentia received GMP certification from the EMA for pilot production in its Taipei laboratory.
2019	➢ BESREMi® was granted approval for its marketing authorization application by the EU's EMA.
2020	➢ PharmaEssentia received a Taipei Biotech Award under the category of "Go Global Award": Global business strategy of BESREMi®.
2021	➢ 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 USFDA.
2022	➢ BESREMi® was awarded the Industry Innovation Award by the U.S. National Organization for Rare Disorders (NORD®). ➢ BESREMi® was awarded the Taiwan BIO Awards Industrial Innovation of the Year. ➢ PharmaEssentia received the U.S. BioTech Breakthrough Award under the category of Therapeutics Solution of the Year. ➢ PharmaEssentia received the Enterprise Innovation Award at the 19th National Innovation Award under the category of Biotechnology Pharmacy and Precision Medicine.
2023	➢ PharmaEssentia received the Asia Pacific Enterprise Awards under the category of the 2023 Excellent Enterprise Management Award for the biotech and pharmaceutical industry. ➢ PharmaEssentia received the Silver Award of the Asia-Pacific Sustainability Action Awards (APSAA) and the Bronze Award of the Taiwan Sustainability Action Awards (TSAA) by promoting the core of MPN Asia. ➢ PharmaEssentia received the platinum award for the health care industry of the Taiwan Corporate Sustainability Awards and the bronze prize for Sustainability Reporting of the Global Corporate Sustainability Awards for Year 2023. ➢ PharmaEssentia received the Enterprise Team Award at the 25th Management of Technology Awards held by the Chinese Society for Management of Technology.

D. 2023 patent application outcomes

In order to enhance overall competitive advantages, protect company intellectual property rights from infringement, and promote sustainable development, the Company has established Intellectual Property Management Plan and the Intellectual Property Rights department reports annually to the board of directors on the implementation status of intellectual property management.

Patent issue date	Country	Patent title	Patent number
2023/1/24	United States	Dosage Regimen for PEGylated Interferon	11,559,567
2023/5/31	South Korea	Dosage Regimen for PEGylated Interferon	10-2540109
2023/10/4	European Patent Organization: Austria, Belgium, Bulgaria, Switzerland, Liechtenstein, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Iceland, Italy, Lithuania, Luxembourg, Latvia, Monaco, North Macedonia, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Sweden, Slovenia, Slovakia, Republic of San Marino, Turkey, and the United Kingdom	Dosage Regimen for PEGylated Interferon	EP3215193
2023/12/21	Republic of China	Use of isothiocyanate structurally modified compounds in preventing or treating liver diseases	I827310

2. Summary of the 2024 Business Plan

(1) Use of P1101 on treating rare hematological diseases

- P1101 as a treatment for PV

PharmaEssentia further expanded the clinical trial of PV to Asia and Latin America. In addition to submitting marketing license applications to the China National Medical Products Administration (NMPA), the Department of Health Hong Kong, the Malaysian National Medical Products Administration and the Health Sciences Authority of Singapore, the Company also signed a licensing contract with the international pharmaceutical company Pint-Pharma GmbH for P1101 in seven Latin American countries. Among which, PV is the initial indication, and the scope of authorization can be expanded to other indications in the field of myeloproliferative tumors in the future, making the global sales layout more complete. In addition, PharmaEssentia has conducted a trial of the accelerated titration regimen of P1101 for the treatment of PV. The main purpose of this trial is to compare the efficacy, safety, and tolerability of the accelerated titration regimen of P1101 and the existing package insert as PV treatments and the trial is expected to be completed by the end of 2024.

- P1101 as a treatment for ET

Subject enrollment for the Phase III clinical trials of P1101 for ET indications has been completed and data collection for the main efficacy indicators of the Phase III human trials is expected to be completed in 2024, after which applications for approval will be submitted in the Taiwan, United States, Japan, South Korea, and China. Meanwhile, in order to provide the supporting evidence for long-term therapeutic effects of P1101 in ET patients, PharmaEssentia has conducted another Phase III clinical trial of Exceed-ET in the United States and Canada to investigate the therapeutic effects for a period of 2 years after 12-month treatment and subject enrollment for this trial is ongoing.

- Use of P1101 for early and prefibrotic myeloid fibrosis (Early/pre-MF)

Currently, no widely recognized optimal treatment is available for patients with early and prefibrotic myeloid fibrosis or for those who score low or intermediate-1 on the Dynamic International Prognostic Scoring System (DIPSS, which categorizes risk of myeloid fibrosis). If left untreated, the patients' condition may progress to overt or high-risk myeloid fibrosis. The results of a Phase II clinical trial conducted by an academic study published in an international medical journal, Blood, in 2022, indicates that P1101 is a safe and well-tolerated treatment drug that can effectively reduce blood cell count and demonstrates molecular responses in patients with early or pre-MF. This study demonstrates that P1101 is a potential treatment option for patients with early/pre-MF or for those who score low or intermediate-1 on the DIPSS. This study provides reliable and scientific evidence from human clinical trials, indicating that P1101 successfully passed the Phase III clinical trials in early/pre-MF patients and therefore is expected to become a suitable and effective treatment option on the market in the future.

PharmaEssentia is currently planning a large-scale, multinational, multicenter, phase III clinical trial, which is anticipated to be conducted in the United States, Canada, Japan, South Korea, China, Hong Kong, Taiwan, and Singapore.

(2) P1101 for chronic hepatitis treatment:

- P1101 for treating Hepatitis B or D

A phase I clinical trial has been conducted to evaluate the safety and efficacy of administering P1101 followed by anti- PD1 drugs to patients with hepatitis B or hepatitis D who have not received interferon therapy. Currently, 10 patients have been selected, of which 1 has been treated. Subject enrollment is ongoing.

(3) Cancer

- Immune checkpoint inhibitors, anti-PD-1 antibodies:

The function of cancer immunotherapy is to strengthen the activity of autologous immune cells and the autoimmune function will then detect and remove cancer cells that should be eliminated to maintain normal body functions. Of which, the monoclonal antibodies of PD-1/PD-L1 have high efficacy and good safety and has attracted major pharmaceutical companies around the world to invest in key areas of research and development. Immunotherapy focuses on improving efficacy and reducing the side effects of surgeries to enhance the quality of life as well as survival of patients.

The side effects of P1101 produced by PharmaEssentia are very mild and temporary. In addition, the range of dosage adjustment of this drug is large, allowing physicians to prescribe the drug for different indications or treat patients based on the severity of their diseases within a more flexible range. Of which, the development of cancer immunotherapy provides a variety of new weapons to cope with diseases and also gradually changes the market of cancer treatment. PharmaEssentia plans to join the group of studying anti-PD-1 monoclonal antibodies by taking the advantages of production efficiency and quality control of biologics manufacturing with a hope that the immune response in patients can be enhanced to fight against various cancers by including P1101 in the treatment. Moreover, PharmaEssentia also will make a good use of this advantage to expand the scope of P1101 treatment and use the drug for treating the indications such as malignant melanoma, T-cell lymphoma, hairy cell leukemia and liver cancer.

- PharmaEssentia has submitted the IND application for the phase I clinical trial of sequential treatment of P1801, anti-PD-1 inhibitor monoclonal antibodies, following P1101 in patients with advanced solid tumors to the TFDA in 2023. Subject recruitment of this trial is expected to be completed in 2027.

(4) Novel long-acting therapeutic protein drugs

PharmaEssentia applies the unique PEGylation process and site-specific PEGylation, a patented PEGylation technology platform, to develop new protein drugs, and the direction of research of bio-better is to improve market drugs.

PharmaEssentia initially selected a few protein drugs, including erythropoietin (EPO) and long-acting PEGylated immuocytokines. It will use genetic recombination technology, proprietary PEG molecules, selective PEGylation technology, and protein production technology to create a unique development model for long-acting therapeutic protein drugs, and, hence improve such biological agents and make them into a new generation of drugs.

(5) T-cell receptor-transgenic T (TCR-T) cell therapy:

The TCR-T therapy, suitable for the treatment of various solid tumors, involves the modification of T-cell surface receptors to recognize specific antigens in cancer cells when combined with the major histocompatibility complex on the cancer cell surface. This treatment enables T-cell receptors to efficiently detect cancer cells and attack them, yielding a precise immune response. Our latest TCR-T cell therapy is highly effective in the treatment of solid tumors and overcomes the limitations of the traditional CAR-T cell therapy. TCR is an autologous TCR-T cell therapy that targets solid tumors. The good tissue practice (GTP) plant of PharmaEssentia has entered TCR-T production and the product will be used in clinical trials in 2024 after submitting the application to the TFDA.

(6) Expected quantity of sales and its basis

The estimation of a new drug's expected revenue involves several assumptions, including the estimated 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 estimation of the number of patients is based on various factors, including the population growth rate according to published official statistics, disease prevalence rate according to the statistics reported by professional hematological disease research institutions, diagnostic rate or cure rate according to 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 on the basis of the administration rate or medical compliance of patients in a country. The drug prices in the areas where the drug is to be sold are estimated by referencing the price range of similar drugs in the market and the drug pricing models and annual drug price variation patterns of the areas in question.

The markets and distribution channels for P1101 are planned based on its indications. P1101, primarily designed to treat rare hematological diseases, is mainly marketed in advanced countries, such as those in Europe and Northern America. The reason for targeting these regions for marketing is because the United States is the largest consumer of new drugs and solely accounts for the consumption of 42% of new drugs worldwide. Moreover, the United States, in combination with advanced countries in Europe, accounts for the consumption of 80% of new drugs in the market. Compared with other countries, European and Northern American countries exhibit greater willingness to adopt expensive new drugs. Moreover, these advanced countries

offer attention and benefits to orphan drugs, thereby allowing P1101 of PharmaEssentia to enjoy a strategic advantage in sales. In Asia, Japan's market accounts for nearly 20% of the global new drug market. Given the massive business opportunities presented by orphan drugs, we are striving to expand the clinical trials and sales of P1101 for the treatment of PV and ET in Japan and South Korea, in addition to the European and US markets.

(7) Key marketing and sales policies

- PharmaEssentia plans to facilitate applications for local drug licenses and government medical insurance subsidies by actively promoting the international visibility of BESREMi®, enhancing the deployment of talent across its subsidiaries in various regions, and utilizing appropriate resources to assess local regulations and medical needs. Furthermore, PharmaEssentia plans to maintain its strong relationships with important opinion leaders and physicians who specialize in treating blood cancer. The company also aims to obtain priority certification by submitting license applications for P1101 in various countries, with an aim to shorten licensing schedules and accelerate the release of products in each market.
- PharmaEssentia will continue to optimize and commercialize its new-generation process technologies to mass produce active pharmaceutical ingredients (API) and proteins in order to enhance productivity levels and reduce costs.
- PharmaEssentia plans to establish its Taichung injection plant, which will be operated in compliance with the Pharmaceutical Inspection Cooperation Scheme (PIC/S) GMP specifications for manufacturing injection products. This will help PharmaEssentia to effectively link upstream and downstream manufacturing and improve the comprehensiveness of its product line. This will also enable the direct manufacturing of P1101 injections and worldwide shipping from Taiwan in the future.
- PharmaEssentia plans to continually promote the marketing of BESREMi® and implement a comprehensive patient support plan that extends beyond treatment assistance and insurance applications. Furthermore, PharmaEssentia aims to waive the co-pay for privately insured patients to alleviate their financial burden related to medication costs.

3. Future Development Strategy

(1) Business Operation Planning

PharmaEssentia has obtained PV drug licenses for P1101 in South Korea and the United States in 2021 and plans to apply for PV drug licenses in countries around the world to drive further growth of its business. In terms of clinical trials, the subject enrollment for the phase III global clinical trial of P1101 for ET treatment has completed. In addition, PharmaEssentia also continues to conduct clinical trials of P1101 for the treatment of other indications, including rare myeloproliferative disorders, and plan to expand to other tumor diseases.

PharmaEssentia and its subsidiaries plan to steadily diversify their product lines to expand the indications for current product to target other relevant diseases and effectively address unmet needs. Meanwhile, the PharmaEssentia Innovation Research Center (PIRC) in Boston, United States, has recruited a number of local biotech talents and explored new research areas by taking advantages of innovative resources to support identification and development of new candidate treatment drugs.

(2) Marketing Planning

The overall operation of PharmaEssentia has officially entered the independent marketing phase from research, clinical and production. As mentioned above, P1101 of the Company has been approved to be used in adult patients with PV in European Union (E.U.), Taiwan, Switzerland, Israel, South Korea, U.S.A., and Japan. PharmaEssentia also aims to enhance its market and channel deployment by not only launching a patient service plan platform that proactively helps patients to obtain medicines and insurance subsidies but also continuous promoting the application of AI in the digital transformation project. The precision marketing of applying causal AI in patients with rare diseases will continue to improve the marketing sales.

4. Impact of external competition, legal, and overall business environments

Since its inception, PharmaEssentia's mission has been to remain patient-oriented, 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 aims to achieve the goal of developing and manufacturing new drugs entirely in Taiwan. Moreover, it aims to be updated with the global standards of clinical trials and sales. The development of new drugs is time-consuming and has a low success rate and the products may have to face competition after they are launched, but PharmaEssentia develops new drugs from the perspective of rare diseases and therefore there is less competition. Moreover, because advanced countries offer attention and benefits to orphan drugs, P1101 is likely to benefit from strategic advantage in sales.

In addition, the products developed by PharmaEssentia include drugs for treating hematological diseases, infectious diseases, and cancer, which are all rapidly expanding market sectors. The team members of PharmaEssentia have worked in various pharmaceutical companies and all have in-depth understanding of the new drug market in the U.S. to stay on top of the changes in the market needs, the research activities of various competitors as well as changes in regulations, which then will be used for planning of the research and development, clinical trials and business strategies for international marketing of the new drugs of PharmaEssentia and its subsidiaries to ensure the quality of clinical trials and compliance with local regulations.

Here we would like to express our sincere gratitude for your support and affirmation, so that PharmaEssentia may continue to exert our influence and resolve the unmet medical needs with all our efforts as well as to practice the core philosophy and commitment of “Better science, Better lives”.

We would like to wish all our shareholders

good health and the best of luck.

Chairperson of the Board of Directors:	Chief Executive Officer:	Manager:
ChingLeou Teng	KoChung Lin	ChanKou Hwang

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.
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).

Year	Important Milestones
	• 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.
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.

Year	Important Milestones
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).
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.

Year	Important Milestones
	• 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. • 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.

Year	Important Milestones
	• 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 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. • The Corporation's 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).

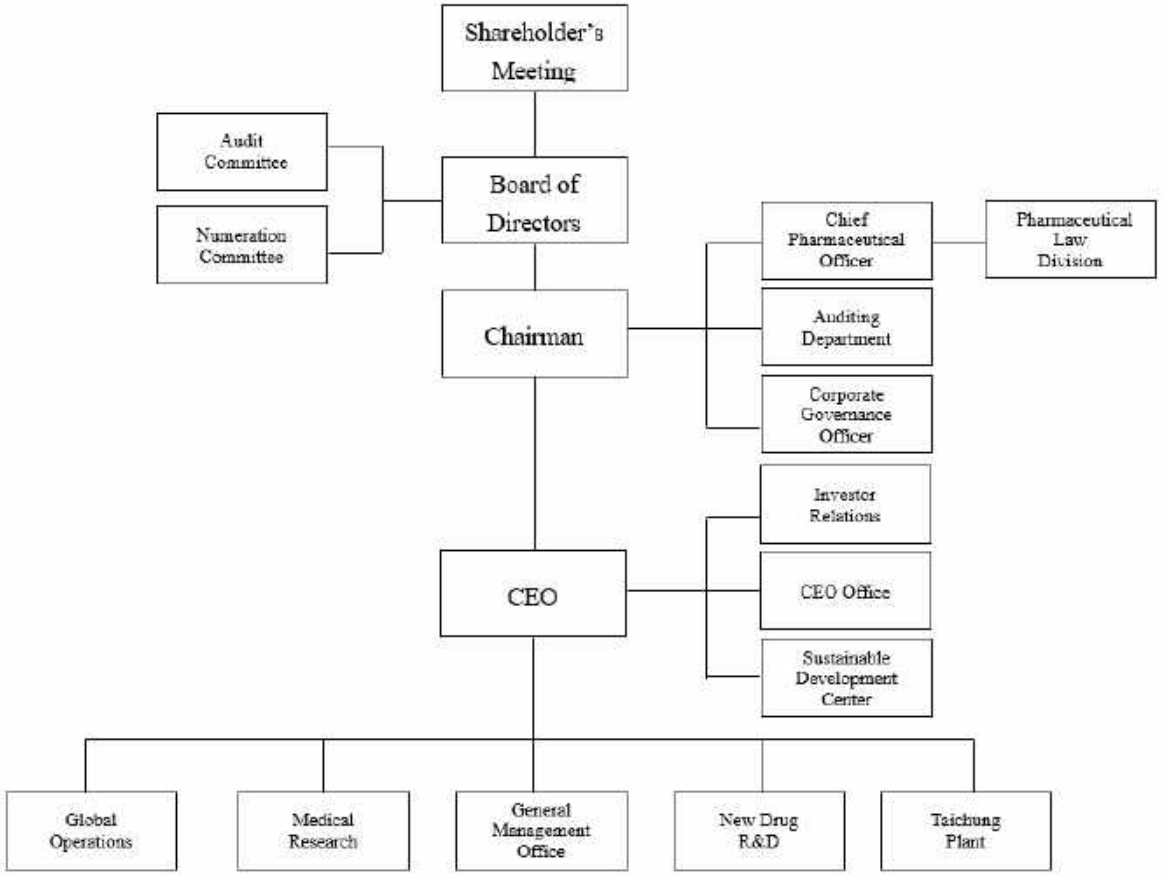
Year	Important Milestones
	• TFDA agreed and reviewed drug license for KX01 using a simplified review mechanism. • P1101 received marketing authorization from the Ministry of Food and Drug Safety (MFDS). • The phase III clinical trial report of the use of KX01 in Japan was approved by Pharmaceuticals 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
2022	• The National Comprehensive Cancer Network (NCCN) in the United States included BESREMi® as a treatment option for PV in its treatment guidelines released on February 28, 2022. BESREMi® is suitable for treating patients with high- and low-risk PV. • The Corporation's Japanese subsidiary, PharmaEssentia Japan KK, submitted a marketing authorization application in Japan on April 27, 2022, for the indication treatment of PV. • The Corporation submitted the marketing authorization application for P1101 in China on December 30, 2022 for the indication of PV with drug resistance or intolerance to HU. • Taiwan Ministry of Health and Welfare Approved the New Drug Application of KX01 (Tirbanibulin) for Actinic Keratosis (AK) • The Corporation Received "Prior Authorization for Import of Medicines" for P1101 in Macau • PharmaEssentia honored at the National Organization of Rare Disorders (NORD(R)) 2022 Rare Impact Awards for the Introduction of BESREMi(R) for PV. • PharmaEssentia honored "Outstanding Biotechnology Industry Award－Annual Industrial Innovation Award" at the Taiwan BIO Awards. • PharmaEssentia honored at the 19th National Innovation Award Enterprise Innovation Award" in the category of biotechnology, pharmaceuticals and precision medicine based on its "Taiwan's first comprehensive operation model of innovative biotechnology and new drugs - taking BESREMi® as an example, research and development, manufacturing, global clinical trials and marketing".
2023	• The Company has applied to the National Pharmaceutical Regulatory Agency (NPRA) of Malaysia on January 15 for the marketing authorization of the new drug P1101, indicated for PV. • The Company's P1101 has been approved by the Japanese Ministry of Health, Labor and Welfare (MHLW) for use in adult PV patients for whom existing treatment options are ineffective or not appropriate.

Year	Important Milestones
	• The Company's Taipei manufacturing facility has passed inspection by Japan's PMDA for GMP compliance. • The Company issued 34,000,000 common shares for the issuance of 34,000,000 units of overseas depositary receipts at a subscription price of $13.61 per unit, raising a total of $462 million successfully. • The Company's P1101 has obtained listing approval in Qatar and the United Arab Emirates. • The Company has signed a commercial licensing agreement for P1101 with Pint in seven countries in Latin America. • The Company have officially submitted the IND application for the phase I clinical trial of sequential treatment of PD-1 inhibitor P1801 following P1101 in patients with advanced solid tumors to TFDA
2024	• P1101 continues to be recommended as the first-line treatment for patients with PV in US NCCN guidelines. • The Company has submitted a Phase III clinical trial plan for P1101 for early/pre-primary myelofibrosis (MF) or low to intermediate risk 1 primary myelofibrosis to the US FDA. • The Company is officially listed on the Taiwan Stock Exchange. • The Company has submitted an IND application to the TFDA for the phase I clinical trial of the long-acting granulocyte colony-stimulating factor P2203.

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 • 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

Department	Functions
	• 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
Legal	• Coordinate and formulating the Company's legal-related policies and regulations • Review of the Company's legal documents • Manage and handle the risks of legal disputes • Provide legal advice on business activities • Legal documents and information management • Manage the Company's seal and signature application • Maintain relationships with external legal institutions
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 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 Pharmacovilance
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

Department	Functions
	• 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 • Intellectual Property: Plan and implement intellectual property management and handle legal affairs • Information: Formulate global information systems and procedural strategies and promote and implement the Company's data security regulations and control mechanisms • Procurement: Plan and execute procurement activities to achieve cost-effective procurement goals • Administrative affairs: Responsible for planning and executing Company's administrative and general affairs.
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. • Assess and introduce new technologies, improve analytical methods, and transfer analytical techniques. • Manufacture, identify, and analyze the activities of new antibody drugs. • New Research Plan: Introduce new research plans, conduct feasibility assessments, and assist with designing business development and commercial implementation plans. • Academic research and cooperation • Industry specialist
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.

Department	Functions
	• 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, 2024; 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	3,128,046	0.93	200,000	0.06	-	-	• 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 Chairperson, PharmaEssentia Corp. • Director, PharmaEssentia Asia (Hong Kong) Limited. • Director, PharmaEssentia (Hong Kong) Limited. • Director, PharmaEssentia Japan KK • Chairperson, PharmaEssentia USA Corporation • Director, PharmaEssentia Korea Corporation • Director, Panco Healthcare Co., Ltd. • Director, Apeximmune • Chariperson, PharmaEssentia Innovation Research Center, Inc.	-	-	-
Director	R.O.C.	KoChung Lin	Male	110.8.5	3 years	110.8.5	3,533,964	1.35	4,063,964	1.19	1,300,000	0.38	-	-	• Ph.D., Chemistry, University of Missouri • Innovative cancer drug research from the University of Michigan in the United States. • Head of Innovation Drug Development and Project Lead at Biogen Inc. in the United States • Research Expert in the Innovative Drug Development	• Director and CEO, PharmaEssentia Corporation • Director and CEO, PharmaEssentia USA Corporation • Chairperson, PharmaEssentia Japan KK • Executive Director, PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Chairperson, PharmaEssentia Korea Corporation • Director, 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, Panco Healthcare Co., Ltd. • Director, PharmaEssentia Innovation Research Center, Inc.			
Director	R.O.C.	Rep: ShenYu Gong	Male	110.8.5	3 years	110.8.5	-	-	-	-	10,439	0.00	-	-	• Master's degree in National Chengchi University • Vice General Manager, China Development Industrial Bank • Director, New Francicso (Yunfu City) Biotechnology Co., Ltd. • Hemao (Shanghai) Packaging Co., Ltd. • Legal Representative and Chairman of Goldsun Machinery (Jiangsu) Co., Ltd.	• Management Partner, Golden Vision	-	-	-
		EON Capital Group Limited					6,663,152	2.53	6,210,022	1.82	-	-	-	-			-	-	-
Director	R.O.C.	PengYuan Chen	Male	110.8.5	3 years	95.6.30	1,855,415	0.70	2,173,155	0.64	227,236	0.07	-	-	• Department of Electronic Engineering, National Taipei University of Science and Technology • Teacher, Department of Electronics, the Affiliated Industrial Vocational High School of National Changhua University of Education, Taichung Municipal Taichung Industrial High School • President, 1st Alumni association of Electronic Science of Taichung Municipal Taichung Industrial High School • President, Alumni Association of Taichung Municipal Taichung Industrial High School • President, Alumni Association of National	• Chairman, Chuan Hwa Book Co., Ltd. • Chairman, Yui-Da Culture Business Co., Ltd. • Chairman, Chuen-Hua Culture 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.	-	-	-

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
															Taipei University of Science and Technology • Chairman, Alumni Scholarship Fund of National Taipei University of Science and Technology • Chairman, Association of Taiwan Private School Culture and Education R.O.C. • Chairman, Publisher Association, Republic of China				
Director	R.O.C.	Rep: YanChing 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 • Director, Genovate Biotechnology Co., Ltd. • Officer, Executive Officer, Auditor, and Assistant Director at Council for Economic Planning and Development, Executive Yuan	• 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	6.47	-	-	-	-			-	-	-
Director	R.O.C.	ChanKou Hwang	Male	110.8.5	3 years	104.5.29	1,330,073	0.50	1,760,073	0.5	300,983	0.09	-	-	• 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, PharmaEssentia Corp. • Supervisor, PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Director, Panco Healthcare Co., Ltd. • Director, PharmaEssentia Japan KK • Director, PharmaEssentia Asia (Hong Kong) Limited	-	-	-

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: ChienHsin Lai	Male	110.8.5	3 years	95.6.30	-	-	-	-	-	-	-	-	• Ph.D. Degree in Soil and Water Conservation at the National Chung-Hsing University • Visiting scholar at the University of California-Berkeley • Committee Member of the Panel of Experts of Belmont Forum • Fellow, Chinese Society for Management Of Technology • Member of Chinese Institute of Engineers • President of the Chinese Water Resources Management Society • Commissioner of the Disaster Prevention and Protection Expert Consultation Committee • President of the International Society of Paddy and Water Environment Engineering • President of the Taiwan Agricultural Engineers Society	• Director-General of Water Resources Agency (WRA), Ministry of Economic Affairs (MOEA)	-	-	-
	R.O.C.	YaoHwa Co., Ltd. Management Commission					9,666,000	3.67	9,666,000	2.84	-	-	-	-			-	-	-

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.	ShenYi Lee	Male	110.8.5	3 years	110.8.5	698,485	0.27	818,242	0.24	5,219	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	• Supervisor of Chinese Culture University • National Policy Advisor • Independent Director, WIN Semiconductors Corporation • Independent Director, Capital Securities Corporation • Director, Nan Ya Plastics Corporation • Supervisor, Dharma Drum Humanities and Social Improvement Foundation • Director, East Tender Optoelectronics Corporation • Vice Chairman, 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 • Chairman, Sanli Pharmaceutical Technology Co., Ltd. • Chief Scientific Officer of Sunny Pharmtech Inc.	• 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
Independent Director	R.O.C.	JinnDer Chang	Male	110.8.5	3 years	103.3.27	91,511	0.03	95,534	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 • Head of Accounting Department at Cultural University. • Lecturer and Associate professor, Soochow University Business Administration Department • 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	• Director, CROWN& CO., CPAs • Arbitrator of Republic of Chinese Arbitration Association, Taiwan and Taiwan Construction Arbitration Association • Chairman of Corporate University Cultural and Educational Foundation • Chairman of Chung Cheng University Academic Foundation • Independent Director, Hua Eng Wire & Cable • Independent Director, Jukao Engineering Corporation • Director, Concord Securities Co., Ltd. • Director, Crown Global Business Consulting Ltd. • Director, Crown Taiwan Japan Business Consulting Ltd. • Chairman of Guanbao International Consulting Co., Ltd. • Chairperson, Jude Enterprises Management Consulting Co., 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
															• 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				
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, Polaris Pharmaceuticals • Vice Chairperson, National Resilience, Inc. • Chairperson, AlttruBio, Inc • Chairperson and Chief Strategy Office, Acepodia, Inc. • CEO, Patrick Y. Yang, LLC • Director, Sana Biotechnology, Inc. • Director, Antheia, Inc. • Director, Codexis, Inc.	-	-	-

(2) Major Shareholders of Institutional Shareholders

As of March 29, 2024

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	Langford Asset Holdings Ltd (100%)

(4) Qualifications, independence, and board diversity policy of directors.

A. Qualifications and independence of directors

Qualifications / Name	Professional qualifications and experience	Independence of Independent Directors	Number of independent directors serving on other publicly traded companies
ChingLeou Teng, Chairperson	For Directors' professional qualification and experience, please refer to page 27-33 of this Annual Report. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.	Not Applicable	0
KoChung Lin, Director			0
ShenYu Gong, Director			0
PengYuan Chen, Director			0
YanChing Hwang, Director			0
ChanKou Hwang, Director			0
ChienHsin Lai, Director			0
ShenYi Lee, Director			2
JienHeh Tien, Independent Director		All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" issued by Taiwan's Securities and Futures Bureau 2. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service	0
JinnDer Chang, Independent Director			2
Patrick Y. Yang, Independent Director			0

B. 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.).

i. 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.

ii. 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 51–90 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		Operation judgement	Accounting and finance analysis	Operation management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision making
ChingLeou Teng	R.O.C	Female	✓	71~80		Biotechnology	✓		✓	✓	✓	✓	✓	✓
KoChung Lin	R.O.C	Male	✓	71~80		Biotechnology	✓		✓	✓	✓	✓	✓	✓
ShenYo Gong	R.O.C	Male		61~70		Financing	✓	✓	✓	✓		✓	✓	✓
PengYuan Chen	R.O.C	Male		71~80		Education	✓		✓				✓	✓
YanChing Hwang	R.O.C	Female		51~60		Financing	✓	✓				✓		✓
ChienHsin Lai,	R.O.C	Male		51~60		Water Resources Management.	✓		✓	✓	✓	✓	✓	✓
ChanKou Hwang	R.O.C	Male	✓	71~80		Biotechnology	✓		✓	✓	✓	✓	✓	✓
ShenYi Lee	R.O.C	Male		81~90		Law	✓				✓	✓		✓

Core Items of Diversification	Basic conditions and values					Professional knowledge and skills	Abilities							
	Nationality	Gender	Concurrent Employee	Age	Independent board member		Operation judgement	Accounting and finance analysis	Operation management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision making
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		71~80	6	Biotechnology	✓		✓	✓	✓	✓	✓	✓

iii. 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	4,063,964	1.19	1,300,000	0.38	-	-	• Ph.D., Chemistry, University of Missouri • Innovative cancer drug research from the University of Michigan in the United States. • Head of Innovation Drug Development and Project Lead at Biogen Inc. in the United States • Research Expert in the Innovative Drug Development Department, New Technology Innovation Center, US Monsanto - Searle Group Headquarters	• Director and CEO, PharmaEssentia USA Corporation • Chairperson, PharmaEssentia Japan KK • Executive Director, PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Chairperson, PharmaEssentia Korea Corporation • Director, PharmaEssentia Singapore Pte Ltd • Director, Panco Healthcare Co., Ltd. • Director, PharmaEssentia Innovation Research Center, Inc.	-	-	-
General Manager	R.O.C.	ChanKou Hwang	Male	104.6.25	1,710,073	0.50	300,983	0.09	-	-	• Ph.D., Organic Chemistry, University of Pennsylvania, USA • Director, Optimer Pharmaceuticals, Inc., USA • Team Leader, Array BioPharma Inc., USA • Researcher, Amgen Inc., USA	• Supervisor, PharmaEssentia Biotechnology (Beijing) Co., Ltd. • Director, Panco Healthcare Co., Ltd. • Director, PharmaEssentia Japan KK • Director, PharmaEssentia Asia (Hong Kong) Limited	-	-	-
Chief Pharmaceutical Officer	R.O.C.	ChingLeou Teng	Female	104.6.25	3,128,046	0.93	200,000	0.06	-	-	• Ph.D. in Pharmaceutics, University of Michigan • Post-Doctoral Research, University of Michigan • Reviewer, US FDA • Assistant Director, ISIS Pharmaceutical, Inc.	• 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 • Director, PharmaEssentia Innovation Research Center, Inc.	-	-	-
Medical Officer	USA	Albert Qin	Male	106.1.13	73,242	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				
Chief Scientific Officer	R.O.C.	Lih-Ling Lin	Female	111.8.11	65,000	0.02	-	-	-	-	• BS and MS National Taiwan University • Ph D University of Arizona • Pfizer, Head of Innate Immunity • Sanofi,Head of Checkpoint immunology I&I	• Director, PharmaEssentia Innovation Research Center, Inc. • Director, PharmaEssentia USA Corporation	-	-	-
Senior Manager of Finance	R.O.C.	Snow Chang	Female	104.10.14	23,523	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	-	-	-	-	-	-	195	195	-	-	11,652	11,652	-	-	-	-	-	-	-1.90%	-1.90%	None
Director	KoChung Lin	-	-	-	-	-	-	195	195	-	-	11,652	11,652	188	188	-	-	-	-	-1.93%	-1.93%	None
Director	EON Capital Group Limited Rep.:ShenYu Gong	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
Director	PengYuan Chen	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
Director	National Development Fund, Executive Yuan Rep: YanChing Hwang	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
Director	YaoHwa Co., Ltd. Management Commission	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
Director	ChanKou Hwang	-	-	-	-	-	-	195	195	-	-	10,701	10,701	-	-	-	-	-	-	-1.75%	-1.75%	None
Director	ShenYi Lee	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
Independent Director	Patrick Y. Yang	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
Independent Director	JinnDer Chang	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
Independent Director	JienHeh Tien	-	-	-	-	-	-	195	195	-	-	-	-	-	-	-	-	-	-	-0.03%	-0.03%	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. In the year of 2022, the Company only paid 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, ShenYu Gong, PengYuan Chen, YanChing Hwang, ChienHsin Lai, ChanKou Hwang, ShenYi Lee, JinnDer Chang, Patrick Y. Yang, JienHeh Tien	ChingLeou Teng, KoChung Lin, ShenYu Gong, PengYuan Chen, YanChing Hwang, ChienHsin Lai, ChanKou Hwang, ShenYi Lee, JinnDer Chang, Patrick Y. Yang, JienHeh Tien	ShenYu Gong, PengYuan Chen, YanChing Hwang, ChienHsin Lai, ShenYi Lee, JinnDer Chang, Patrick Y. Yang, JienHeh Tien	ShenYu Gong, PengYuan Chen, YanChing Hwang, ChienHsin Lai, ShenYi Lee, 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	None	None
NT$10,000,000–NT$15,000,000	None	None	None	None
NT$15,000,000–NT$30,000,000	None	None	ChingLeou Teng, KoChung Lin, ChanKou Hwang	ChingLeou Teng, KoChung Lin, ChanKou Hwang
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	11,652	11,652	188	188	-	-	-	-	-	-	-1.90	-1.90	None
General Manager	ChanKou Hwang	10,701	10,701	-	-	-	-	-	-	-	-	-1.72	-1.72	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	None	None
NT$10,000,000– NT$15,000,000	ChanKou Hwang、KoChung Lin	ChanKou Hwang、KoChung Lin
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	11,652	11,652	188	188	-	-	-	-	-	-	-1.90	-1.90	None
Chief Pharmaceutical Officer	ChingLeou Teng	11,652	11,652	-	-	-	-	-	-	-	-	-1.88	-1.88	None
General Manager	ChanKou Hwang	10,701	10,701	-	-	-	-	-	-	-	-	-1.72	-1.72	None
Chief Medical Officer	Albert Qin	7,138	7,138	-	-	-	-	-	-	-	-	-1.14	-1.14	None
Global Operations - New Business Development.	Derek Yuan	4,709	4,709	-	-	-	-	-	-	-	-	-0.75	-0.75	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	2022				2023			
	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	15,776	15,776	-1.15	-1.15	11,652	11,652	-1.88	-1.88
CEO and General Manager	29,681	29,681	-2.16	-2.16	22,541	22,541	-3.61	-3.61

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. In the year of 2023, the Company only paid NT$15,000 as traffic allowance for each attending Board of Directors Meeting.

(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; Director KoChung Lin, who is also the Chief Executive Officer; Director ChanKou Hwang, who is also the General Manager and Representative of the Company's Taichung Plant. Remuneration Committee will determine remuneration of the directors according to their engagement in the operations of the Company by considering the industry benchmarks and make proposals to Board of Directors for review and resolution.

ii. Remuneration paid to the CEO and General Manager is based on the Company's managerial performance evaluation method, which is based on the annual key performance indicators of each department as set by the Company's operational objectives each year. In addition to the Company's operational performance, future risks, development strategies and industry trends, we also take into account the industry benchmarks and other factors to provide reasonable compensation. The performance evaluation and compensation distribution are approved by the Remuneration Committee and the Board of Directors in accordance with the regulations. The Company will review the compensation distribution policy in a timely manner in light of the general environment and corporate management strategy to take into account the sustainable operation of the Company and the interests of the stakeholders.

Overall, the remuneration policy for directors, CEO, and General Manager of the Company are directly tied to the Company's operational 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 13 times for 2023 and 2023. 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	13	0	100%	
Director	KoChung Lin	13	0	100%	
Director	ChanKou Hwang	13	0	100%	
Director	PengYuan Chen	13	0	100%	
Director	Representative of National Development Fund, Executive Yuan: YanChing Hwang	13	0	100%	
Director	Management Committee Representative of Yao Hwa Glass Co. Ltd: ChaoChung Kuo	1	0	100%	Discharged on February 14, 2023
Director	Management Committee Representative of Yao Hwa Glass Co. Ltd: ChienHsin Lai	12	0	100%	Elected on February 14, 2023
Director	ShenYi Lee	13	0	100%	
Independent Director	Patrick Y. Yang	13	0	100%	
Independent Director	JinnDer Chang	13	0	100%	
Independent Director	JienHeh Tien	13	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 24, 2023	Review of the 2022 manager performance appraisal	Directors ChingLeou Teng, KoChung Lin and ChanKou Hwang did not participate in the resolution due to conflicts of interest. All other attending directors passed without objection.
February 24, 2023	Review of the 2022 manager remuneration adjustment plan	Directors ChingLeou Teng, KoChung Lin and ChanKou Hwang did not participate in the resolution due to conflicts of interest. Independent director JinnDer Chang served as the Acting Chairman. All other attending directors agreed on the amended remuneration adjustment plan.
March 9, 2023	Review of matters related to the Company's issuance of Employee Restricted Stock Awards (RSA)	Parties in interest did not participate in the resolution due to conflicts of interest. Independent director JinnDer Chang served as the Acting Chairman. All other attending directors passed without objection.
December 22, 2023	Retrospective appointment of General Manager ChanKou Hwang as Head of Taichung Branch.	General Manager ChanKou Hwang did not participate in the resolution due to conflicts of interest. All other attending directors passed without objection.
December 22, 2023	Appointment of directors and executives of PharmaEssentia Innovation Research Center, Inc., a subsidiary of the Company	Directors ChingLeou Teng and KoChung Lin did not participate in the resolution due to conflicts of interest. Independent director JienHeh Tien served as the Acting Chairman. All other attending directors agreed on the remuneration adjustment plan.

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, 2023, to December 31, 2023
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:
   - 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.
   - 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."
   - All members of the current Board of Directors have participated in advanced courses on corporate governance topics.
   - 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 11 times (A) for 2023 and 2023. 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	11	-	100%	-
Independent director	Patrick Y. Yang	11	-	100%	
Independent director	JienHeh Tien	11	-	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
February 10, 2023 (1st Meeting)	1. Approved the Company's capital increase in the subsidiary PharmaEssentia USA Corporation by $30 million US dollars. 2. Revised the provisions of the Company's Guidelines of Employee Restricted Stock Awards.
February 24, 2023 (2nd Meeting)	1. Approved the Company's financial statements and business reports for the fiscal year 2022. 2. Appropriation of loss for the fiscal year 2022. 3. Annual evaluation of the independence and competence of Ernst & Young. 4. Approved the appointment of Ernst & Young for the preparation of financial and tax return of 2023 and CPA rotation. 5. Approved 2023 audit fees. 6. Approved the Company's Statement of Internal Control of 2022.

	7. Approved the Company's capital increase in the subsidiary PharmaEssentia USA Corporation by $200 million US dollars. 8. Approved the increase of guarantee for the subsidiary PharmaEssentia USA Corporation by $45.8 million US dollars. 9. Approved the increase of guarantee for the subsidiary PharmaEssentia Innovation Research Center, Inc. by $0.7 million US dollars. 10. Approved the Company's capital increase in the subsidiary PharmaEssentia Japan KK by $80 million US dollars. 11. Approved the Company's capital increase in the subsidiary PharmaEssentia Biotechnology (Beijing) Co., Ltd. by $6 million US dollars. 12. Approved the Revisions to the Company's "Securities Investment Management Rules " and "Asset Acquisition or Disposal Procedure". 13. 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.
March 9, 2023 (3rd Meeting)	1. Approved the issuance common stock through a cash capital increase to participate in the issuance of overseas depositary receipts, aiming to raise an amount within the limit of USD 500,000 thousand. 2. Approved the issuance Employee Restricted Stock Awards
May 10, 2023 (4th Meeting)	1. Approved 2023 Q1 Consolidated Financial Statements. 2. Approved the Company's capital increase in the subsidiary PharmaEssentia Korea Corporation by $2.15 million US dollars.
May 22, 2023 (5th meeting)	Approved the Company's first repurchase of shares in 2023.
July 28, 2023 (6th meeting)	Approved the Company's second repurchase of shares in 2023.
August 10, 2023 (7th meeting)	1. Approved 2023 Q2 Consolidated Financial Statements. 2. Approved the Company's capital increase in the subsidiary PharmaEssentia Singapore Pte. Ltd. by $0.5 million US dollars.
October 16, 2023 (8th meeting)	1. Approved the Company's listing application with Taiwan Stock Exchange. 2. Approved the Company's Statement of Internal Control for the period of July 1, 2022 to June 30, 2023. 3. Approved the revisions to the Company's internal managerial policies.
Nov 9, 2023 (9th meeting)	Approved 2023 Q3 Consolidated Financial Statements.
December 8, 2023 (10th meeting)	Approved the issuance Employee Restricted Stock Awards
December 22, 2023 (11th meeting)	1. Approved the Company's operation plan and budget for 2024. 2. Approved the Company's annual audit plan for 2024.
Independent directors' objections, reservations or major suggestions: None.	
Resolution of the Audit Committee and the Company's response to the Audit Committee's Opinion: The members of the Audit Committee unanimously approved all the resolutions, and the Board of Directors approved all such resolutions recommended by the Audit Committee.	

(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
2023.2.24	Communication matters between EY with the Audit Committee, independent directors, and Company management (2022 consolidated and parent company only financial statements and Audit Quality Indicators (AQI))
2023.5.10	Communication matters between EY with the Audit Committee, independent directors, and Company management (2023 Q1 consolidated financial statements.)
2023.8.10	Communication matters between EY with the Audit Committee, independent directors, and Company management (2023 Q2 consolidated financial statements.)
2023.11.9	Communication matters between EY with the Audit Committee, independent directors, and Company management (2023 Q3 consolidated financial statements.)

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

Date	Meeting	Focal points of communication	Results
2023.2.24	Audit Committee meeting	The internal audit report of 4th quarter of 2022	No additional recommendations
2023.5.10		The internal audit report of 1st quarter of 2023	No additional recommendations
2023.8.10		The internal audit report of 2nd quarter of 2023	No additional recommendations
2023.11.9		The internal audit report of 3rd quarter of 2023	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
2. Company ownership structure and shareholder interests				None
(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 recommendations and enquiries.	
(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.	

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
(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 Parties and the Operational Procedures for Supervising Subsidiary Companies.	
(4) Has the Company formulated internal regulations prohibiting insiders of the company from using undisclosed information to buy or sell securities?	✓		(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. The Company holds regular internal training about the regulations. The Company has regulated in its governance guidelines to explicitly prohibit insider trading of securities using undisclosed information in the market. This includes measures to regulate stock transactions by insiders from the day they receive financial reports or performance-related information of the company, such as directors not being allowed to trade 30 days before the annual financial report announcement and 15 days before the quarterly financial report announcement.	

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
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) 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 members have business, legal, financial, and industry-related experience.	None
(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 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 annually evaluates the independence of external auditor by conducting the following evaluation standards and report the same to the Audit Committee and 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	
			A. The auditor's independence declaration B. The Audit Committee pre-approves all audit and non-audit services conducted by the auditor to ensure that the non-audit services do not influence the results of the audit C. Ensure the audit partner rotates every 7 years D. Annually evaluate the independence of the external auditor based on the results of the auditor survey and with reference to Audit Quality Indicators (AQIs) published by the Financial Supervisory Commission covering financial interests, financing and guarantees, business relationships, family and personal relationships, employment relationships, gifts and entertainment, rotation of signing accountants and non-audit services, etc.	
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	✓		The Board of Directors has appointed the Company's director of Finance and Accounting Department as the Corporate Governance Officer to perform duties related to corporate governance, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders' meetings in compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.	None

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
related to board and shareholders meetings in accordance with regulations, and compiling minutes of board and shareholders meeting)?				
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. The Company also holds physical or virtual roadshows regularly, which are disclosed on the P Market Observation Post System or the official website in order to maintain transparency of corporate information.	
(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 2 months after the close of each fiscal year and within specified deadline after the end of the first, second, and third quarters, respectively, pursuant to laws and regulations with the Competent Authority. Please refer to Market Observation Post System for the aforementioned disclosure.	
8. Does the Company have other material information that is conducive to understanding the company's corporate governance 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	✓		(1) Employee interests: established an employee welfare committee, implemented pension plans, 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	None

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
client/customer policies, purchase of indemnity insurance for directors and supervisors)?			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 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. (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.	

Assessment item	Actual practice			Dissimilarity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
			(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 2023 Corporate Governance Evaluation conducted by the Securities and Futures Institute of the Republic of China. The areas that have been improved and that require prioritization for improvement according to the Corporate Governance Evaluation are listed as follows:

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) The annual shareholders' meeting in 2024 with have re-election of the directors to increase the number of independent directors to 4 so that so that the number of independent directors reaches at least one-third of the current board seats, with at least half of independent directors serving no more than three consecutive terms.

Continuing Education Training of Corporate Governance Officer in 2023

Host by	Training/Speech Title	Date	Duration
Taiwan Institute of Directors	The AI boom - The technology development and business opportunities of ChatGPT.	2023/11/9	3 hours
Taiwan Institute of Directors	The Outlook and Challenges of Artificial Intelligence in Taiwan.	2023/11/9	3 hours
the Securities & Futures Institute	Advanced Seminar for Directors, Supervisors (including Independent Directors), and Corporate Governance Executives- Establishment of Whistleblower Protection and Reporting Systems	2023/12/15	3 hours
Accounting Research and Development Foundation	Advanced Seminar for Directors, Supervisors (including Independent Directors), and Corporate Governance Executives- Post-merger integration issues and establishment of management mechanisms in corporate mergers and acquisitions.	2023/12/19	3 hours

(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 4 times (A) for 2022 and 2023. 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	3	0	100%	
Member	Patrick Y. Yang	3	0	100%	
Member	JienHeh Tien	3	0	100%	
Member	MingChuan Hsieh	3	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
2023 1st Remuneration Committee Meeting	1. Reviewed the management team's performance evaluation of 2022. 2. Reviewed the management team's 2023 salary increase	Passed without objection by all participating committee members. The senior management team ChingLeou Teng, ChanKou Hwang and KoChung Lin has led the team to achieve many key goals in the year 2022. The outstanding contributions have been recognized

			by all committee members. It's suggested that the renumeration should be adjusted annually based on the industry benchmark and an additional one month bonuses, as listed in appendix is provided to honor their contributions. The renumeration adjustment of Albert Qin and Snow Chang is passed without objection by all participating committee members. The resolution was submitted to the Board for resolutions.
	2023 2nd Remuneration Committee Meeting	The first issuance of Employee Restricted Stock Awards.	Passed without objection by all participating committee members and submitted to the Board for resolutions.
	2023 3rd Remuneration Committee	The 2nd issuance of Employee Restricted Stock Awards.	Passed without objection by all participating committee members and submitted to the Board for resolutions.

(5) Implementation status of sustainable development and differences and reasons for dissimilarities between the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
1. Has the Company set up a governance framework that promotes sustainable development and a dedicated (or non-dedicated) team, which is authorized by the Board of Directors and reports to the senior management and the Board, to implement sustainable development?	✓		The Board of Directors is the highest authority for governing the implementation of sustainable development. For more comprehensive management of sustainable development, the company established a Sustainability Development Center under the management of the CEO. The center works with five functional groups (environmental friendliness group, employee care group, corporate governance group, product ethics and safety group, and drug accessibility group) to 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 by a project representative.	None
2. Has the company conducted risk assessments on environmental, social, and corporate governance issues related to its operations and formulated related risk management policies or strategies based on the concept of materiality?	✓		(1) The Company disclosed the performance of non-financial ESG information from January to December 2023 of the major business locations including the headquarter in Taiwan, Taichung plant, and Panco Healthcare Co., Ltd., U.S. subsidiary and Japan subsidiary. (2) The Company conducts materiality analysis and identification every two years with reference to COSO ERM Enterprise Risk Management, GRI110, SASB, AA1000, TCFD, and the concept of double materiality proposed by the E.U., in addition, the sustainable trends and developmental issues that international rating agencies attach great importance to are also taken into consideration, and feedback from internal and external stakeholders are collected according to the direction of PharmaEssentia's strategic development to identify the impact/effect of PharmaEssentia's major operating activities on the	None

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
			economy, environment, people/human rights as well as the impact/effect of major activities on the operating performance of PharmaEssentia, and a total of 39 sustainability issues are included. Next, we conducted interviews with important stakeholders and senior executives, and 8 important issues were determined for management and disclosure. Related information such as major topic management will be disclosed in the 2023 corporate sustainability report. (3) Risk evaluation results and management policies: We established short, mid, and long-term strategic goals and management policies for the highly significant issues identified this time, and reviewed the achievement rate of various indicators/goals periodically to track and manage various sustainable performance in a timely manner. Related information such as major topic management will be disclosed in the 2023 corporate sustainability report.	
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 a dedicated environmental safety team that is responsible for publicizing and regulating environmental protection–related matters. The Taichung plant conducted a third party verification of the Greenhouse Gas Verification Statement in accordance with the ISO 14064-1:2018 requirements in 2022 and we plan to adopt the ISO 14001: 104 Environmental Management System in 2023. This system will help identify potential environmental problems and implement improvements throughout the product life cycle, ultimately reducing the impact on the environment, improving the production efficiency of enterprises, and increasing their operating revenues.	None

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
(2) Has the company committed to improving the utilization efficiency of various resources and used recycled materials that have a low impact on the environment?	✓		(2) The energy consumption of the Company mainly consists of purchased electricity and natural gas within the organization. The replacement of variable frequency driven compressors and the installation of a new magnetic levitation ice water machine have been completed. We also considered to adopt an energy monitoring system to reduce electricity consumption, improve steam process control/optimization and waste heat recovery to reduce natural gas consumption, and improve energy-saving efficiency and effectiveness after evaluation. Related information on the energy consumption and utilization will be disclosed in the 2023 Corporate Sustainability Report.	
(3) Has the company assessed the current and future potential risks and opportunities related to 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 Company has adopted the TCFD framework to identify climate-related risks and opportunities and conducted scenario analysis and financial impact evaluation based on the framework.	
(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 committed to issues related to energy conservation, carbon reduction, and greenhouse gas reduction. The company adopts appropriate temperature control of the air conditioners in summer to achieve energy efficiency, energy conservation, and carbon reduction. Related information on the Company's greenhouse gas emissions, water consumption, and total waste from the preceding two years will be disclosed in the 2023 Corporate Sustainability Report.	
4. Safeguarding social welfare (1) Has the company formulated management policies and procedures in accordance with relevant regulations and	✓		(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	None

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
international human rights conventions?			the basic rights of its employees. No violation of human rights was reported this year.	
(2) Has the company formulated and implemented reasonable employee welfare measures (including remuneration, leaves, and other benefits) and derived appropriate employee remunerations that reflect the company's operating performance or results?	✓		(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 Policy, the Company has supported employee health management and has implemented health promotion measures. The Company conducts annual employee health examinations as well as employee training on internal and external occupational safety and health. Both the Taipei head office and the Taichung plant have obtained the Badge of Accredited Healthy Workplace, and health lectures for which physicians and nurse practitioners were invited and sessions on employee occupational safety training are conducted every year.	
(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 were provided various professional and technical training sessions and training courses upon approval, according to their competency level and job requirements.	

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
			Employees are encouraged to enhance their specialized academic skills through knowledge sharing and exchange. PharmaEssentia emphasizes the cultivation of professional and technical talent by offering employees diverse learning channels and opportunities as well as professional training on the required work skills.	
(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 abide by the regulations of the country in which the operations take place. The Company has established policies and management systems for legal compliance to ensure that all operations before and after product launches comply 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 at risk. The Company has also assigned personnel for global drug safety monitoring operations and reporting procedures to protect the rights and safety of patients using the Company's products. No violation of health and safety regulations for products and services was reported this year.	
(6) Has the company formulated and implemented supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, and labor human rights?	✓		(6) The Company has formulated the code of conduct for suppliers and conducted ESG questionnaire to its suppliers to convey its corporate sustainability philosophy and practices and ensure stable supply partnerships and protection of patients' rights to use drugs. Meanwhile, the Company has maintained a smooth communication channel with its suppliers. Based on mutual trust and mutual benefits, the Company aims to safeguard the reasonable rights and interests of both parties to achieve mutual prosperity. The Company adopts a parallel approach of internal assessment review and on-site audit	

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
			system every year to regularly evaluate its suppliers to ensure the stability of the quality of supply chain management.	
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 nonfinancial information? Are the aforementioned reports supported by the trust or guaranteed opinions of third-party verification units?	✓		The Company a's 2023 Corporate Sustainability Report complies with the new GRI Standards and reports ESG nonfinancial information and performance, and Association française de normalization (a France-based standards organization) was entrusted to conduct a third-party verification in accordance with AA1000 Assurance Standard Type I at a moderate level. The Company expects that the third-party assurance statement will be available before the end of April and the 2023 Corporate Sustainability Report will be uploaded/released before the end of June.	None

6. If the Company has formulated corporate social responsibility practice principles in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please state the operational differences between the two:
   The Sustainable Development Best Practice Principles formulated by the Company are consistent in its spirit, with no significant dissimilarities.
7. Other material information that may aid in understanding the operations related to sustainable development:
   (1) The Company's Corporate Sustainability Report won the platinum award for the health care industry at the 16th annual Taiwan Corporate Sustainability Awards and the bronze prize at the 6th Global Corporate Sustainability Awards again.
   (2) The Company received the Silver Award of the 2023 Asia-Pacific Sustainability Action Awards (APSAA) and the Bronze Award of the Taiwan Sustainability Action Awards (TSAA) by promoting the goal of inclusive sustainable health and society of MPN Asia.
   (3) Annual tangible plans and outcomes for annual corporate sustainable development
      A. Since 2016, the Company has been sponsoring the International Symposium on Myeloproliferative Neoplasms (MPN Asia) for 6 years in 4 cities in Asia, during which experts, scholars, and clinicians from numerous countries gather to engage in interactions and academic exchanges related to the research and treatment of blood diseases.
      B. The Company has helped the myeloproliferative neoplasm (MPN) treatment center of Chia-Yi Christian Hospital and the Taiwan Myeloproliferative Neoplasms Care Association (TMPNA) to provide service and care to patients with MPNs and realize the support activities for these patients in Taiwan.

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
C. The Company has sponsored the New Year Charity Concert held by the OneSong Orchestra for 5 consecutive years to support the development of culture and art and promote a new ecology of inclusiveness and mutual benefit. To respond to the United Nations' Sustainable Development Goals 8 and 11. D. The Company continues to sponsor the public welfare project for rural elderly health of the Digital Humanitarian Association to support local healthy aging through digital technology and remote medical care model, and takes actions to care for disadvantaged groups. To respond to the United Nations' Sustainable Development Goals 3, 4, 5, 8, 10, 11, 13, and 17. E. The Company sponsors the International Jane Goodall Association_Hope Box plant diversity public welfare project and helps to protect biological diversity, and also contributes to the impact of sustainable use on human health. To respond to the United Nations' Sustainable Development Goals 3, 4, 13, and 15 and Convention on Biological Diversity (CBD), and the Health Initiatives of the World Health Organization (WHO). F. The Company's subsidiary Panco Healthcare Co., Ltd. has set up MPN iCare, an interactive platform for patient health education, to provide relevant information to patients and their families. To provide new knowledge in the field of MPN and the effectiveness of long-acting interferon treatment to physicians, a total of 17 large and small seminars were held in 2023 for medical staff and patients to increase their understanding of the disease and drug treatment options and improve professional medical knowledge. A total of 700+ people attended the meetings. The Company also helped TMPNA to hold health education lectures and the first member meeting on the World MPN Day. G. PharmaEssentia USA Corporation, the U.S. subsidiary, initiated the activity for patients on BESREMi.com and launched the SOURCE Program, which provides patients a range of comprehensive services such as insurance assistance and consolidation of health education resources. H. The novel monopegylated interferon Ropeginterferon alfa- 2b (Ropeg) has been listed as a treatment option for adults with PV and has been listed in the U.S. National Comprehensive Cancer Network treatment guidelines as a PV_2A drug for patients in May 2023. I. Ropeginterferon alfa- 2b (P1101), the Company's new product, has been used in compassionate treatment since 2017 to benefit patients. As of the end of 2023, a total of 43 patients in 4 countries received the treatment. J. The Chief of the Taichung plant was invited to give a speech at the BIO Asia–Taiwan 2023 Asian Biotechnology Conference on biotech technology exchanges and biotech trend sharing in July 2023, which helps to facilitate learning by the participants and to share scientific and technological developments in the field of biotechnology, and enhance company visibility. K. The Director of the Sustainability Center was invited to give a speech at the "Biomedical Products Industry Low-carbon Transformation Promotion Project-Forum on Green Manufacturing Technology and Carbon Reduction Practices" held by the DCB in August 2023 to share PharmaEssentia's process and practical experience of sustainable development, so as to help promote cooperation and symbiosis in the biotechnology industry and has a positive effect of mutual improvement.				

Assessment item	Actual practice			Dissimilarity with Sustainable Development Best Practice Principles and reasons
	Yes	No	Summary description	
L. In October 2023, the Chief of the Taichung plant was invited to give a speech at the "Innovative Pharmaceutical Industry and International Competitiveness Promotion Plan" to share management and practices of GMP process changes, which will have a positive impact on promoting the pharmaceutical industry to continuously improve product quality and comply with regulatory requirements. (4) More details on the plans and outcomes of implementing sustainable development among affiliate enterprises can be found in PharmaEssentia's Corporate Sustainability Report or its Chinese/English ESG website: http://www.pharmaessentia-esg.com/ https://www.pharmaessentia-esg.com/en				

(6) Ethical Corporate Management Practices and Adopted Measures

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/TPEx 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
(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	✓		(3) The company has a Code of Conduct for employees, and regularly holds training classes on ethical business conduct and human rights	

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
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?			management policies. Employees are expected to uphold principles of integrity and honesty, and treat customers, investors, colleagues, suppliers, and everyone we come into contact with honestly. Accepting any form of improper gifts or hospitality is strictly prohibited.	
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. The Company has established a Supplier Code of Conduct to ensure that suppliers conduct their business ethically and operate with integrity.	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. At the same time, under the supervision of the board of directors, the Company complies with laws and regulations as well as requests from securities regulators to disclose financial accounting information or other information to the public.	
(3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate reporting channels, and	✓		(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 by the Board when the motions present a conflict of	

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
implemented them?			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.	
(5) Does the Company regularly hold internal and external ethical corporate management training?	✓		(5) The Company continues to hold internal and external ethical corporate management training.	
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?	✓		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
(2) Has the company established standard operating procedures for accepting offence-reporting investigations,	✓			

Assessment item	Actual practice			Dissimilarity with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Y	N	Summary description	
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?	✓			
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: February 26, 2024

The internal control system from January 1 to December 31, 2023, 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. Based on the above-mentioned result of evaluation, the Company suggests that 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.

6. 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.
7. This statement has been approved by the meeting of Board of Directors on February 26, 2024, 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

B. If a CPA was engaged to conduct a special audit of the internal control system, provide its audit report: Please refer to Annual Report in Chinese page 56-57.

(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: N/A

(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. Major Resolutions of Shareholders' Meeting and Implementation Status

The 2022 Annual Shareholders Meeting of the Company was held on May 24, 2023, Taipei Nangang Exhibition Center, Room 504 (Address: 5F., No. 1, Jingmao 2nd Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)). The following resolutions were passed, and a review of their implementation statuses are as follows:

Proposed Resolutions

1. 2022 Annual Business Report and Financial Statements

   Implementation status: Acknowledged the 2022 annual business report and financial statements. The annual consolidated revenue is NT$2,882,042 thousand, the net loss after tax is NT$ (1,374,810) thousand, and the net loss per share is NT$(4.84).

2. The Company's 2022 Deficit Compensation

   Implementation status: Acknowledged the 2022 Deficit Compensation. The beginning balance of accumulated deficit in 2022 was NT$2,811,152 thousand. After considering the 2022 net loss after taxes NT 1,374,810 and other comprehensive gain 405 thousand, the ending balance of accumulated deficit in 2022 was NT $4,185,557 thousand. The annual shareholders' meeting in 2022 has resolved to compensate the deficit with the Company's additional paid-in capital from share premiums NT$4,185,557 thousand. The Company had no earnings in 2022 and therefore did not plan to pay dividends for the year 2022.

3. Amendment of the Company's "Regulations Governing Making Endorsements/ Guarantees"

   Implementation status: The resolution was passed and executed in accordance with the resolution of the shareholders' meeting.

4. Amendment of the Company's "Procedure for Acquisition or Disposal of Assets"

   Implementation status: The resolution was passed and executed in accordance with the resolution of the shareholders' meeting.

5. Implementation of the following for 2023 is proposed for discussion: 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.

   Implementation status: The resolution was passed. The Company did not issue new shares within the approved limit.

There were no motions at this shareholders' meeting. Please refer to the Company's 2022 Annual Shareholders' Meeting Minutes for the voting status of the shareholders' meeting.

B. Major resolutions of Board of Directors' Meetings

Date	Major Resolutions	Resolutions
2023.2.10	1. Approved the Company's capital increase in the subsidiary PharmaEssentia USA Corporation by $30 million US dollars.	Passed without objection by all participating directors.
	2. Revised the provisions of the Company's Guidelines of Employee Restricted Stock Awards.	Passed without objection by all participating directors.
	3. Pre-approval of non-assurance services performed by Ernst & Young	Passed without objection by all participating directors.
	4. Approved the accounts receivable guarantee limit by Taiwan Cooperative Bank.	Passed without objection by all participating directors.
2023.2.24	1. It is proposed to recognize the accounts receivable that were overdue for more than 3 months as of the end of the 2022 are considerations of normal sales, not loaning funds to others.	Passed without objection by all participating directors.
	2. Approved the Company's financial statements and business reports for the fiscal year 2022.	Passed without objection by all participating directors.
	3. Appropriation of loss for the fiscal year 2022.	Passed without objection by all participating directors.
	4. Annual evaluation of the independence and competence of Ernst & Young.	Passed without objection by all participating directors.
	5. Approved the appointment of Ernst & Young for the preparation of financial and tax return of 2023 and CPA rotation.	Passed without objection by all participating directors.
	6. Approved 2023 audit fees.	Passed without objection by all participating directors.
	7. Approved the Company's Statement of Internal Control of 2022.	Passed without objection by all participating directors.
	8. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the fourth quarter of 2022.	Passed without objection by all participating directors.
	9. Approved the Company's capital increase in the subsidiary PharmaEssentia USA Corporation by $200 million US dollars.	Passed without objection by all participating directors.
	10. Approved the Company's application with Cit Citibank (Taiwan) for a comprehensive credit line.	Passed without objection by all participating directors.
	11. Approved the increase of guarantee for the subsidiary PharmaEssentia USA Corporation by $45.8 million US dollars.	Passed without objection by all participating directors.
	12. Approved the increase of guarantee for the subsidiary PharmaEssentia Innovation Research Center, Inc. by $0.7 million US dollars.	Passed without objection by all participating directors.
	13. Approved the Company's capital increase in the subsidiary PharmaEssentia Japan KK by $80 million US dollars.	Passed without objection by all participating directors.

Date	Major Resolutions	Resolutions
	14. Approved the Company's capital increase in the subsidiary PharmaEssentia Biotechnology (Beijing) Co., Ltd. by $6 million US dollars.	Passed without objection by all participating directors.
	15. Approved the licensing to PharmaEssentia Japan KK, a subsidiary of the Company in Japan, to carry out marketing and research related to P1101, and authorized the chairman to handle the signing of relevant contracts.	Passed without objection by all participating directors.
	16. Approved the contract with Everest Clinical Research Corporation for the P1101 PV open-label multicenter clinical trial.	Passed without objection by all participating directors.
	17. Approved the Revisions to the Company's "Securities Investment Management Rules" and "Asset Acquisition or Disposal Procedure".	Passed without objection by all participating directors.
	18. 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 2022 annual shareholders' meeting.	Passed without objection by all participating directors.
	19. 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.	Passed without objection by all participating directors.
	20. Approved the relevant matters of 2023 Regular Shareholder's Meeting.	Passed without objection by all participating directors.
	21. Review of the Company's 2022 Manager Performance Review.	Directors ChingLeou Teng, KoChung Lin and ChanKou Hwang did not participate in the resolution due to conflicts of interest. All other attending directors agreed without objection.
	22. Review of the Company's manager's salary adjustment for fiscal year 2022.	Directors ChingLeou Teng, KoChung Lin and ChanKou Hwang did not participate in the resolution due to conflicts of interest. Independent director JinnDer Chang served as the Acting Chairman. All other attending directors agreed on the amended remuneration adjustment plan.
2023.3.9	1. Approved the Company's Business Operation Plan	Passed without objection by all participating directors.
	2. Approved the issuance common stock through a cash capital increase to participate in the issuance of overseas depositary receipts, aiming to raise an amount within the limit of USD 500,000 thousand.	Passed without objection by all participating directors.

Date	Major Resolutions	Resolutions
	3. Approved the issuance Employee Restricted Stock Awards	Passed without objection by all participating directors.
2023.3.27	Approved the issued shares and record of the Company's Employee Restricted Stock Awards.	Passed without objection by all participating directors.
2023.5.10	1. It is proposed to recognize the accounts receivable that were overdue for more than 3 months as of the first quarter of 2023 are considerations of normal sales, not loaning funds to others.	Passed without objection by all participating directors.
	2. Approved 2023 Q1 Consolidated Financial Statements.	Passed without objection by all participating directors.
	3. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the first quarter of 2023.	Passed without objection by all participating directors.
	4. Approved the Company's capital increase in the subsidiary PharmaEssentia Korea Corporation by $2.15 million US dollars.	Passed without objection by all participating directors.
	5. Approved the contract for commissioned research and development services with the Company's subsidiary, PharmaEssentia Innovation Research Center, Inc.	Passed without objection by all participating directors.
	6. Approve the licensing contract with EMD Millipore Corporation.	Passed without objection by all participating directors.
2023.5.24	Approved the Company's first repurchase of shares in 2023.	The revised buyback price range was set at NT$330 to NT$450 per share after discussion among attending directors. The company would continue to repurchase shares when the stock price falls below the lower limit of the specified range. The price range was in compliance with relevant laws and regulations.
2023.7.28	Approved the Company's second repurchase of shares in 2023.	The resolution was passed with 9 out of 11 directors voting in favor, while directors ShenYu Gong and ChienHsin Lai representing, Yao-Hwa Co., Ltd. Management Commission voted against.
2023.8.10	1. It is proposed to recognize the accounts receivable that were overdue for more than 3 months as of the end of the second quarter of 2023 are considerations of normal sales, not loaning funds to others.	Passed without objection by all participating directors.
	2. Approved 2023 Q2 Consolidated Financial Statements.	Passed without objection by all participating directors.
	3. Approved the Company's capital increase in the subsidiary PharmaEssentia Singapore Pte. Ltd. by $0.5 million US dollars.	Passed without objection by all participating directors.

Date	Major Resolutions	Resolutions
	4. The Company or its wholly owned subsidiary (hereinafter referred to as the 'Group') intends to obtain exclusive global rights to the new drug LILRB 1/2 candidate antibody sequence from WuXi Biologics Ireland Limited.	Passed without objection by all participating directors.
	5. Approved the investment in AcadeMab Biomedical Inc.	Passed without objection by all participating directors.
	6. Approved the contract for the P1101 ET single-arm, multi-center clinical trial with Everest Clinical Research Corporation.	Passed without objection by all participating directors.
	7. Approved the revisions to the clinical trial agreement for SURPASS ET Phase III (Trial Plan No.: P1101 ET) with EPS International Holdings Co., Ltd.: from AMENDMENT No.2 to Task Order No.3 to AMENDMENT No.3 to Task Order No.3 and the signing party changed to EPS Corporation (EPS).	Passed without objection by all participating directors.
	8. Approved the Cancellation date of the Company's Restricted Employee Stock Awards.	Passed without objection by all participating directors.
	9. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the second quarter of 2023.	Passed without objection by all participating directors.
	10. Approved the credit line application with Antai Bank.	Passed without objection by all participating directors.
2023.10.16	1. Approved the Company's listing application with Taiwan Stock Exchange.	Passed without objection by all participating directors.
	2. Approved the financial forecast of 4th quarter of 2023 and 1st quarter of 2024.	Passed without objection by all participating directors.
	3. Approved the Company's Business Operation Plan.	Passed without objection by all participating directors.
	4. Approved the Company's Statement of Internal Control for the period of July 1, 2022 to June 30, 2023.	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 third quarter of 2023.	Passed without objection by all participating directors.
	6. Approved the revisions to the Company's internal managerial policies.	Passed without objection by all participating directors.
2023.11.09	1. It is proposed to recognize the accounts receivable that were overdue for more than 3 months as of the end of the third quarter of 2023 are considerations of normal sales, not loaning funds to others.	Passed without objection by all participating directors.
	2. Approved 2023 Q3 Consolidated Financial Statements.	Passed without objection by all participating directors.
	3. Approved the licensing for a new drug targeting TIGIT antibodies from ITRI	Passed without objection by all participating directors.
	4. Approved the credit line application with Taiwan Cooperative Bank.	Passed without objection by all participating directors.

Date	Major Resolutions	Resolutions
2023.11.23	Approved the changes in directors and executives team at the US subsidiary, PharmaEssentia USA Corporation.	Passed without objection by all participating directors.
2023.12.08	Approved the issuance Employee Restricted Stock Awards	Passed without objection by all participating directors.
2023.12.22	1. The list of non-assurance dervices expected to be provided by Ernst & Young and its affiliated companies in 2024.	Passed without objection by all participating directors.
	2. Approved the Company's 2024 business plan and budget.	Passed without objection by all participating directors.
	3. Approved the Company's annual audit plan for 2024.	Passed without objection by all participating directors.
	4. Approved the issued shares and record of the Company's Employee Restricted Stock Awards.	Passed without objection by all participating directors.
	5. Recognition of General Manager ChanKou Hwang as the head of the Taichung branch.	Director ChanKou Hwang did not participate in the resolution due to conflicts of interest. All other attending directors agreed without objection.
	6. Appointment of Directors and Managers of PharmaEssentia Innovation Research Center, Inc.	Directors ChingLeou Teng and KoChung Lin did not participate in the resolution due to conflicts of interest. Independent director JiehHeh Tien served as the Acting Chairman. All other attending directors agreed on the amended remuneration adjustment plan.
	7. Approved budget adjustment for P1101 PV double-arm multi-center clinical trial	Passed without objection by all participating directors.
	8. Approved budget adjustment for P1101 ET single-arm multi-center clinical trial.	Passed without objection by all participating directors.
	9. Approved the budget for new arbitration attorney fees.	Passed without objection by all participating directors.
2024.2.26	1. Approved the with US subsidiary PharmaEssentia USA Corporation for development services.	Passed without objection by all participating directors.
	2. Approved the Contract with US subsidiary PharmaEssentia USA Corporation for management service.	Passed without objection by all participating directors.
	3. It is proposed to recognize the accounts receivable that were overdue for more than 3 months as of the end of the 2023 are considerations of normal sales, not loaning funds to others.	Passed without objection by all participating directors.
	4. Approved the Company's financial statements and business reports for the fiscal year 2023.	Passed without objection by all participating directors.
	5. Appropriation of loss for the fiscal year 2023.	Passed without objection by all participating directors.
	6. Annual evaluation of the independence and competence of Ernst & Young.	Passed without objection by all participating directors.

Date	Major Resolutions	Resolutions
	7. Approved the appointment of Ernst & Young for the preparation of financial and tax return of 2024 and CPA rotation.	Passed without objection by all participating directors.
	8. Approved 2024 audit fees.	Passed without objection by all participating directors.
	9. Approved the Company's Statement of Internal Control of 2023.	Passed without objection by all participating directors.
	10. Announcement of the capital increase record date for the conversion of employee stock options to common stocks for the fourth quarter of 2023.	Passed without objection by all participating directors.
	11. Approved the credit line application with Shin Kong Commercial Bank.	Passed without objection by all participating directors.
	12. Approved the credit line application with Cathay Bank.	Passed without objection by all participating directors.
	13. Approved the credit line application with Mega Bank.	Passed without objection by all participating directors.
	14. The Company to re-elect of directors.	Passed without objection by all participating directors.
	15. The relevant matters of directors' reelections.	Passed without objection by all participating directors.
	16. 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 2023 annual shareholders' meeting.	Passed without objection by all participating directors.
	17. 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.	After consulting with the chairman and obtaining unanimous consent from all attending directors, it has been decided to postpone discussion on this matter in alignment with the internal personnel changes following the ninth board of directors election. The issue will be brought up for discussion at the next meeting.
	18. Approved the relevant matters of 2024 Regular Shareholder's Meeting.	Passed without objection by all participating directors.
	19. Review of the Company's 2023 Manager Performance Review.	Directors ChingLeou Teng, KoChung Lin and ChanKou Hwang did not participate in the resolution due to conflicts of interest. All other attending directors agreed without objection.
	20. Review of the Company's manager's salary adjustment for fiscal year 2024.	Passed without objection by all participating directors.
2024.4.2	1. Approved the issuance of Employee Restricted Stock Awards.	Passed without objection by all participating directors.

Date	Major Resolutions	Resolutions
	2. Nomination of Director Candidates (including Independent Directors) Proposed for Board Approval	The list of director candidates shall be individually reviewed, and directors listed as candidates shall disclose important information regarding their interests. They shall abstain from voting and leave the room during voting. During the nomination of the Chairman and Director, ChingLeou Teng, the discussions and resolutions were conducted by the acting Chairman JienHeh Tien. After individual recusals for all other director candidates, Chairman ChingLeou Teng sought approval from the directors present and the nominations were passed accordingly.
	3. Propose to lift the restriction on directors' non-compete clause at the annual shareholders' meeting.	The list of director candidates shall be individually reviewed, and directors listed as candidates shall disclose important information regarding their interests. They shall abstain from voting and leave the room during voting. During the examination of the Chairman and Director, ChingLeou Teng, the discussions and resolutions were conducted by the acting Chairman JienHeh Tien. After individual recusals for all other director candidates, Chairman ChingLeou Teng sought approval from the directors present and the proposal were passed accordingly.
	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.	Passed without objection by all participating directors.
	5. Amendment to the relevant matters of 2024 Regular Shareholder's Meeting.	Passed without objection by all participating directors.
2024.4.16	Explanation about the Company’s plan 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.	Passed without objection by all participating directors.
2024.4.19	Amendment to the relevant matters of 2024 Regular Shareholder's Meeting.	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: N/A

5. Information on CPA Professional Fees

Accounting Firm	Name of CPA	CPA's Audit Period	Remark
Ernst & Young	Chien-Ju Yu、Chiao-Ying Chang	2023.1.1–2023.12.31	

(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 Chiao-Ying Chang	4,350	-	-	-	15,726	20,076	2023.1.1~ 12.31	The non-audit fees include fees for tax advisory services, tax compliance audit, special audit and GDR issuance, etc.

(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: N/A

(3) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more: N/A

6. Information on Replacement of the CPA

(1) Regarding the Former CPA:

<table>
<tr><td>Date of Change</td><td colspan="3">Starting from the financial report of the first quarter of 2024.</td></tr>
<tr><td>Reasons and Explanation of Changes</td><td colspan="3">Due to internal work scheduling at Ernst & Young, the engagement partner Li-Huang Lin will be replaced by Chiao-Ying Chang.</td></tr>
<tr><td rowspan="3">State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs</td><td>Client / Status</td><td>CPA</td><td>Consignor</td></tr>
<tr><td>Appointment terminated automatically</td><td>Not available</td><td>Not available</td></tr>
<tr><td>Appointment rejected (discontinued)</td><td>Not available</td><td>Not available</td></tr>
<tr><td>The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note</td><td colspan="3">None</td></tr>
<tr><td rowspan="6">Is There Any Disagreement in Opinion with the Issuer</td><td rowspan="4">Yes</td><td></td><td>Accounting principle or practice</td></tr>
<tr><td></td><td>Disclosure of financial statement</td></tr>
<tr><td></td><td>Auditing scope or procedures</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>No</td><td colspan="2">V</td></tr>
<tr><td>Explanation</td><td colspan="2"></td></tr>
<tr><td>Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)</td><td colspan="3">None</td></tr>
</table>

(2) Regarding the Successor CPA:

Accounting Firm	Ernst & Young
CPA	Chia-Ying Change
Date of Engagement	Starting from the financial report of the first quarter of 2024.
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not available
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

(3) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: None

7. The Company's Chairperson, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters having in the Most Recent Year Held a Position at the Accounting Firm of its CPA or at an Affiliated Enterprise of Such Accounting Firm:

   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.

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

As of March 29, 2024; shares

Title	Name	2023		2024 (as of March 29)	
		Shares Holding +(−)	Shares Pledged +(−)	Shares Holding +(−)	Shares Pledged +(−)
Chairman and Chief Pharmaceutical Officer	ChingLeou Teng	375,000 (175,000)	433,000 (400,000)	50,000	-
Director	PengYuan Chen	(2,000)	-	-	-
Director and CEO	KoChung Lin	790,000 (350,000)	433,000 (310,000)	-	-
Director	Eon Capital investment account, entrusted to Yuanta Commercial Bank Rep. ShenYu Gong	(171,282)	-	-	-
Director	National Development Fund Executive Yuan Rep: YanChing Hwang	-	-	-	-
Director	Yao-Hwa Co., Ltd. Management Commission	-	-	-	-
Director	ShenYi Lee			(7,000)	-
Director and Representative of Taichung Plant	ChanKou Hwang	250,000 (150,000)	(853,000)	-	-
Independent Director	Patrick Y. Yang	-	-	-	-
Independent Director	JinnDer Chang	-	-	-	-
Independent Director	JienHeh Tien	-	-	-	-
Chief Medical Officer	Albert Qin	123,000 (70,000)	-	-	-
Chief Scientific Officer	LihLing Ling	340,000 (280,000)	-	-	-
Senior Manager of Finance and Corporate Governance Officer	Snow Chang	121,000 (74,000)	-	(61,000)	-

(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, 2024; 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: YanChing Hwang	22,066,296	6.47	-	-	-	-	-	-	-
Yao-Hwa Co., Ltd. Management Commission Rep: ChienHsin Lai,	9,666,000	2.84	-	-	-	-	-	-	-
Hong Tai Investment Co., Ltd.	9,451,120	2.77	-	-	-	-	Chao-Ho Chen	Chairman of the Company	-
Rep: ChaoHo Chen	4,319,323	1.27	813,282	0.24	-	-	Han-Cheng Chen Hong Tai Investment	Relative within two degrees of kinship Chairman of the Company	-
Han-Cheng Chen	8,874,154	2.60	-	-	-	-	Chao-Ho Chen	Relative within two degrees of kinship	-
JuiYu Yu	7,350,897	2.16	-	-	-	-	-	-	-
Eon Capital investment account, entrusted to Yuanta Commercial Bank Rep: ShenYu Gong	6,210,022	1.82	-	-	-	-	-	-	-
ChaoHo Chen	4,319,323	1.27	813,282	0.24	-	-	Han-Cheng Chen Hong Tai Investment	Relative within two degrees of kinship Chairman of the Company	
KoChung Lin	4,063,964	1.19	1,300,000	0.38	-	-	-	-	-
ChingLeou Teng	3,183,016	0.93	200,000-	0.06	-	-	-	-	-
YuLiang Xue	2,985,000	0.88	-	-	-	-	-	-	-

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, 2023; 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.	17,200	100%	-	-	17,200	100%
PharmEssentia (Hong Kong) Co., Ltd. (Note 1)	-	-	-	-	-	-
PharmaEssentia Japan KK	205,671	100%	-	-	205,671	100%
PharmaEssentia USA corpotation	32,700	100%	-	-	32,700	100%
PharmaEssentia Korea Corporation	1,794	100%	-	-	1,794	100%
Panco Healthcare co.,Ltd.	10,000	100%	-	-	10,000	100%
PharmaEssentia Singapore Pte. Ltd.	753	100%	-	-	753	100%
PharmaEssentia Innovation Research Center, Inc.(Note2)	950	100%	-	-	950	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, 2023, PharmaEssentia (Hong Kong) had only completed the registration process. The Company has not yet issued shares

IV. Information on Capital Raising Activities

1. Capital and Shares

(1) Source of Share Capital

As of March 29, 2024; 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	10/74	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	93.8	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	102	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	74	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	74/88	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	74/88	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	74/88	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	74/88	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	177	400,000	4,000,000	270,273	2,702,726	-	NT$66,020,000 from private placement of common shares	Shou-Shang-Tzu No. 11001233670 dated 2021.12.22
2022/1	235	400,000	4,000,000	276,904	2,769,036	-	NT$66,310,000 from private placement of common share	Shou-Shang-Tzu No. 11101003970 dated 2022.1.11
2022/3	74/88	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
2022/05	250/74/88	400,000	4,000,000	263,539	2,849,566	-	NT$73,340,000 from private placement of common shares NT$1,878,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 11101077840 dated 2022.5.16 Shou-Shang-Tzu No. 11101084720 dated 2022.5.30
2022/07	74/88	400,000	4,000,000	285,144	2,851,441	-	NT$1,875,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 11101129570 dated 2022.7.15
2022/11	408/74/88	400,000	4,000,000	302,456	3,024,556	NT$167,000,000 cash	NT$6,115,000 from conversion of stock warrants.	Shou-Shang-Tzu No. 11101204190 dated 2022.11.03 Shou-Shang-Tzu No. 11101220100 dated 2022.11.24
2023/03	10	400,000	4,000,000	305,359	3,053,597	-	NT$2,541,000 from conversion of stock warrants NT$26,500,000 from restricted employee stock awards	Shou-Shang-Tzu No.11230034670 dated 2023.03.07 Shou-Shang-Tzu No.11230054130 dated 2023.03.31

2023/04	88/136	400,000	4,000,000	339,359	3,393,597	NT$340,000,000 cash	-	Shou-Shang-Tzu No. 11230069450 dated 2023.4.27
2023/05	74/88	400,000	4,000,000	339,504	3,395,044	-	NT$1,447,000 from conversion of stock warrants.	Shou-Shang-Tzu No.11230083660 dated 2023.5.25
2023/08	88/45	400,000	4,000,000	339,569	3,395,699	-	NT$745,000 from conversion of stock warrants; (NT$90,000) restricted stock awards recovered.	Shou-Shang-Tzu No.11230159490 dated 2023.8.25
2023/10	88/45	400,000	4,000,000	339,893	3,398,939		NT$3,240,000 from conversion of stock warrants.	Shou-Shang-Tzu No.11230200540 dated 2023.10.23
2023/12	102	400,000	4,000,000	340,263	3,402,639		NT$3,700,000 from conversion of stock warrants.	Shou-Shang-Tzu No.11230245350 dated 2023.12.29
2024/03	74/88/45	400,000	4,000,000	340,810	3,408,104		NT$5,465,000 from conversion of stock warrants.	hou-Shang-Tzu No.11330033010 dated 2024.3.8

(2) Capital and Shares

As of March 29, 2024; Shares

Type of Stock	Authorized Share Capital				
	Listed Shares (Note)	Non-listed Shares	Subtotal	Unissued Shares	Total
Common Stock	297,960,746	42,960,145	340,920,891	59,079,109	400,000,000

Note: The listed shares includes 110,500 shares of common stock issued through the conversion of employee stock options in the first quarter of 2024 but not yet registered; 14,000 shares of restricted employee stock options recovered in the first quarter of 2024 but have not been canceled, and treasury stocks. Please refer to Note 11 for details on the repurchase of the company's shares.

(3) Composition of Shareholders

As of March 29, 2024

Shareholder Composition / No. of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Individuals	Individuals	Treasury Stock	Total
Number of Shareholders	1	8	171	522	37,009	1	37,712
Shareholding	22,066,296	4,470,575	31,546,548	53,187,897	220,730,575	8,919,000	340,920,891
Holding Percentage (%)	6.47%	1.31%	9.25%	15.60%	64.75%	2.62%	100.00%

(4) Shelf Registration in Taiwan: None.

(5) Distribution of Shareholding

A. Common share – NT$10/share

As of March 29, 2024

Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage (%)
1 – 999	18,082	2,242,637	0.66
1,000 – 5,000	14,472	27,752,530	8.14
5,001 – 10,000	2,154	15,924,145	4.67
10,001 – 15,000	867	10,830,560	3.18
15,001 – 20,000	463	8,221,408	2.41
20,001 – 30,000	487	12,021,944	3.53
30,001 – 40,000	273	9,528,780	2.80
40,001 – 50,000	173	7,699,463	2.26
50,001 – 100,000	333	23,017,719	6.75
100,001 – 200,000	217	30,020,316	8.80
200,001 – 400,000	94	25,490,520	7.48
400,001 – 600,000	32	15,782,306	4.63
600,001 – 800,000	18	12,281,688	3.60
800,001 – 1,000,000	9	7,702,583	2.26
1,000,001 or over	38	132,404,292	38.83
Total	37,712	340,920,891	100.00

B. Preferred share: None

(6) Major Shareholders

As of March 29, 2024

Share / Name of Major Shareholder	Shareholding	Holding Percentage (%)
National Development Fund Executive Yuan	22,066,296	6.47%
Yao-Hwa Co., Ltd. Management Commission	9,666,000	2.84%
Hong Tai Investment Co., Ltd.	9,451,120	2.77%
Han-Cheng Chen	8,874,154	2.60%
Jui-Yu Yu	7,350,897	2.16%
Eon Capital investment account, entrusted to Yuanta Commercial Bank	6,210,022	1.82%
Chao-Ho Chen	4,319,323	1.27%
KoChung Lin	4,063,964	1.19%
ChingLeou Teng	3,183,046	0.93%
YuLiang Xue	2,985,00	0.88%

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

Information

Unit: 1,000 shares; NT$

Item \ Year			2022	2023	As of March 31, 2024
Market Price Per Share	Highest Market Price		609.37	530	349.5
	Lowest Market Price		240.68	274	309.5
	Average Market Price		425	402	325.75
Net Worth Per Share	Before Distribution (Note 1)		40.14	72.27	-
	After Distribution (Note 1)		40.14	72.27	-
Earnings Per Share	Weighted Average Shares (Note 1)		284,207	322,479	-
	Earnings Per Share (Note 1)		(4.84)	(1.93)	-
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.

(8) 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 February 26, 2024 to not distribute dividends for the year 2023.

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

None.

(10) 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 2023.

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 2023.

(11) Repurchase of the Company's Shares:

Phase of repurchase	1st repurchase in 2020	1st repurchase in 2021	1st repurchase in 2023	2nd repurchase in 2023
Date of resolution of the board of directors	2020/10/28	2021/1/6	2023/5/24	2023/7/28
Purpose of repurchase	Transfer to employees	Transfer to employees	Transfer to employees	Transfer to employees
Scheduled buyback period	2020/10/29~ 2020/12/27	2021/1/7~ 2021/3/5	2023/5/26~ 2023/7/21	2023/7/31~ 2023/9/29
Type and quantity of shares scheduled for repurchase	3,200,000 common shares	1,500,000 common shares	5,000,000 common shares	4,000,000 common shares
Scheduled buyback interval price	NT$57 – $126	NT$64 – $112	NT$330 – $450	NT$350 – $450
Actual repurchase period	2020/10/29~ 2020/12/25	2021/1/8~ 2021/3/5	2023/5/26~ 2023/7/21	2023/7/31~ 2023/9/28
Type and number of repurchased shares	2,935,000 common shares	904,000 common shares	4,001,000 common shares	4,000,000 common shares
Amount	NT$257,384,659	NT$87,501,582	NT$1,366,174,026	NT$1,351,418,596
Average repurchase price per share	NT$87.69	NT$96.79	NT$341.46	NT$337.85
Number of shares transferred to employees	2,935,000 shares	None	None	None
Cumulative number of shares held by the Company	0 shares	904,000 shares	4,905,000 shares	8,905,000 shares
Proportion of cumulative number of shares held by the Company to the total outstanding shares (%)	0%	0.27%	1.44%	2.61%

2. Issuance of Corporate Bonds

   None.

3. Issuance of Preferred Shares

   None.

4. Issuance of Global Depository Receipts (GDR)

Issuance (Process) Date / Item			April 18, 2023
Issuance (Process) Date			April 18, 2023
Locate of Issuance and Exchange			Luxembourg Stock Exchange
Total Issuance Amount			US$462,740,000
Issuance Price per Unit			US$13.61
Total Issued Units			34,000,000 units
Source of the represented negotiable securities			The common shares from the cash capital increase
Quantity of the represented negotiable securities			34,000,000 shares
Rights and Obligations of the Holders of the GDR			1 common share is equivalent to 1 unit of GDS. Rights and obligations are identical to the common share
Trustee			N/A
Depository Institution			Citibank, N.A.
Custodian			Citibank Taiwan Limited.
Outstanding balance of unredeemed GDR (April 30, 2023)			0 Units
Distribution of the related expenses for issuance and during the duration			Borne by the Company
Important agreed matters in the depository and custody agreements			Please refer to the depository and custody agreement
Market Value per Share	The current year up to December 31, 2023.	Highest	$13.968
		Lowest	$8.772
		Average	$12.870

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 29, 2024

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	2,579,000 shares	945,000 shares
NT$ Amount of the Shares Subscribed	NT$203,981,000	NT$42,525,000
Number of Unsubscribed Shares	894,000 shares	1,546,000 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	0.26%	0.45%
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 0.26%, 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 0.45%, 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, 2024; 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	0.72%	793,000	74/88/45	51,242,000	0.23%	1,675,000	74/88/45	103,524,000	0.49%
	Chief Pharmaceutical Officer	ChingLeou Teng										
	General Manager	ChanKou Hwang										
	Senior Scientific Fellow	YenTung Luan										
	Chief Medical Officer	Albert Qin										
	Director of Finance	Snow Chang										
Employee	President of the Americas	Meredith Manning	2,773,000	0.81%	1,714,000	45/74	112,655,000	0.50%	1,059,000	74/45	58,895,000	0.31%
	Vice President of Commercial	Marija Sebastian										
	Sr. Vice President, CDMA	Ray Urbanski										
	PEJ General Manager	Katsuya Yonezu										
	Director, Quality Assurance	Narihisa Miyachi										
	Vice President of Business Operations and Strategy	Samuel Lin										
	PEBJ General Manager	Warren Shen										
	Executive VP, Head of R&D/Medical	Toshiaki Sato										
	Director of Clinical Development	Chungwei Lee										
	Clinical Scientist, Director	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.
Note3: Chungwei Lee resigned on April 17, 2020.
Note4: Meredith Manning resigned on November 30, 2023.
Note5: Ray Urbanski resigned on November 30, 2023.

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

6. Status of Employee Restricted Stock

Type of Employee Restricted Stock	Procedures for the First Issuance of Restricted Stock to Employees in 2022	
Date of Effective Registration	Resolved and approved at the shareholder meeting on May 27, 2022, and approved as per FSC No. 1110368248 dated January 11, 2023.	
Issue Date	March 13, 2023	December 11, 2023
Number Of Shares Issued	2,650,000 common shares	370 common shares
Issue Price	NT$136/share	NT$102/share
Ratio of the Number of Shares Issued to Total Issued Shares	0.78%	0.11%
Vesting Conditions of Restricted Employee Shares	Condition A: The Company achieves the following milestones and obtain its drug license for the treatment of Essential Thrombocythemia (ET) indication (45%) ・A1: Complete the recruitment of participants for the clinical trials (tentatively in 2023) (15%) ・A2: Submit the application of Biologics License Application in the United States (tentatively in 2024) (15%) ・A3: Obtain drug license for the treatment of Essential Thrombocythemia (ET) indication (tentatively in 2025) (15%) Condition B: The Company achieves the following milestones and obtain its drug license for the treatment of Polycythemia Vera (PV) indication (30%) ・B1: Obtain drug license for the treatment of PV in Japan (tentatively in 2023) (15%) ・B1: Obtain drug license for the treatment of PV in China (tentatively in 2024) (15%) Condition C: Tenure (25%) ・C1: First anniversary of the Grant Date (5%) ・C2: Second anniversary of the Grant Date (10%) ・C3: Third anniversary of the Grant Date (10%)	
Restrictions on the Rights of New Restricted Employee Shares	1. The employee shall not sell, pledge, transfer, endow, set as guarantee, or dispose of (by other means) the new restricted employee shares. 2. Voting rights at shareholder meetings: Same as other common shares issued by the Company. Shareholders' rights to distribute (subscribe) stocks and dividends: Same as other common shares issued by the Company, provided that stocks and dividends distributed are commissioned through trust	
Custody Status of Restricted Employee Shares	Prior to meeting vesting conditions, restricted employee shares shall be placed in the custody of stock trust. When new shares are allocated, the Company is deemed to have the authorization to sign and amend trust-related contracts on behalf of the employee receiving the new shares.	
Measures To Be Taken When Vesting Conditions Are Not Met	1. Voluntary resignation: For restricted employee shares that do not meet the vesting conditions, the conditions are considered unmet on the day of an employee's resignation, and the Company will recover and cancel the shares at the original issue price. 2. Other types of termination of employment relationships (including termination of labor contracts, dismissal, and severance without notice): If for other reasons, except those mentioned above, the Company terminates the labor contract with an employee, the Company will recover and cancel, at the original issue price, the restricted employee shares that do not meet the vesting conditions. 3. Retirement: On the day of an employee's retirement, the vesting conditions shall be considered unmet, and the Company will recover and cancel (at the original issue price) the restricted employee shares that do not meet the vesting conditions. However, the Board of Directors may issue a portion or all of the restricted employee shares that do not meet the vesting conditions after considering the employee's performance and overall contribution. 4. Unpaid leave and parental leave: For employees approved by the Company to receive unpaid leave or parental leave, the rights of the restricted employee shares that do not meet the vesting conditions are restored as of the day of employee's reinstatement, provided that the vesting period is pushed back according to the period of unpaid leave taken. 5. General death: General death refers to death other than the occupational death set forth in Paragraph 7, Item 4 of Article 5. The vesting conditions are considered unmet on the day of an employee's death, and the Company will recover and cancel (at the original issue price) the restricted employee shares that do not meet the vesting conditions. 6. Employees who are physically disabled in occupational accidents and are unable to continue working for the Company: For employees who are physically disabled in an occupational accident and are unable to continue working for the Company, the restricted employee shares that do not meet the vesting conditions still meet the vesting conditions according to the schedule set forth in the vesting conditions of this article.	

	7. Employees who die from occupational accidents: As of the day of the employee's death, for restricted employee shares that do not meet the vesting conditions, the successor still meets the conditions according to the schedule set forth in the vesting conditions of this article. 8. Transfer: If an employee is transferred to an affiliate or other company, the restricted employee shares that do not meet the vesting conditions shall be handled according to the procedure for voluntary resignation. However, as required for the operation of the Company, the restricted employee shares obtained by employees who are transferred by the Company to an affiliate or another company are not affected by such a transfer. 9. For restricted employee shares that do not meet the vesting conditions (including for the reasons listed in the preceding paragraphs), the Company will recover and cancel these shares at the original issue price, provided that the employee is not required to return or pay back the dividends received thereof. 10. If employees terminate or cancel the authorization granted to the Company in violation of Item 1 of Article 6 before meeting the vesting conditions, the Company has the right to recover and cancel the restricted employee shares that do not meet the vesting conditions from the employee at the original issue price. 11. For issued shares that are recovered or bought back in accordance with the aforementioned regulation, an application for registration of change in capital shall be submitted to the competent authority at least once every quarter.	
Effect on Shareholders' Equity	Calculated based on the number of the Company's outstanding shares as of the effective date January 11, 2023, 302,455,641 shares, the potential impact of the expenses as mentioned above on the Company's EPS is preliminarily estimated at approximately NT$1.57, NT$4.04, NT$0.60, and NT$0.15 from 2023 to 2026 respectively. The potential dilution of the Company's EPS is limited; therefore, there is no significant impact on shareholders' interest.	
Number of Shares Recovered or Bought Back	23,000 shares	0 shares
Number of Shares Without Restricted Rights	1,981,000 shares	0 shares
Number of Shares With Restricted Rights	646,000 shares	370,000 shares
Ratio of the Number of Shares With Restricted Rights to the Number of Total Issued Shares (%)	0.19%	0.11%

(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

As of March 29, 2024; Unit: Shares; NT$

	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	1,010,000	0.30%	666,000	136	90,576,000	0.20%	344,000	136	45,424,000	0.10%
	Chief Executive Officer	KoChung Lin										
	General Manager	ChanKou Hwang										
	Chief Medical Officer	Albert Qin										
	Chief Scientific Officer	LinLing Lin										
	Senior Manager of Finance	Snow Chang										
Employee	Director Operations and Data Science Vice President of Business Operations and Strategy	Tingwei Tom Lin Samuel Lin	610,000	0.18%	298,000	136/102	40,528,000	0.09%	312,000	136/102	35,292,000	0.09%
	Sr. Director, Pharmacology and Translational Science.	KuanChun Huang										
	Market Access/ VP of Market Access	Jason Mitch										
	Commercial/Senior Ares Business Director	Christopher Shanahan										
	Director	Derek Yuan										
	Factory Director	ChaoSheng Cheng										
	Deputy Director	YuYing Yang										
	Director	HuiMing Change										
	Senior Manager	ShihChu Wang										

Note1: YuYing Yang resigned on November 30, 2023.

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 2023, 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 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 was raised. The shortage of NT$13,535 thousand will be supported by the self-owned assets of PharmaEssentia.

      (3) Date when the price of private placement was paid up: December 30, 2019.

      (4) Plan items, status of capital allocation, and expected benefits:

         a. Former plan items and status of capital allocation

            On October 1, 2019, PharmaEssentia'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 PharmaEssentia's long-term development. On December 24, 2019, PharmaEssentia'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 PharmaEssentia 's private placement cash capital increase is NT$487,465 thousand; 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 for managing 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, PharmaEssentia submitted an application for a phase II clinical trial to the PMDA in October 2019 through the Japan subsidiary. PharmaEssentia anticipates receiving a Japanese drug license in 2022, beginning sales by the end of 2022, and generating profits from 2023 onwards. Additionally, to treat PV, PharmaEssentia submitted an application for a phase I clinical trial in October 2018 to the NMPA in China and PharmaEssentia anticipates receiving a Mainland China drug license in 2022, beginning sales in 2022, and generating profits from 2022 onwards.

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

a. Changes to the content of the plan:

Unit: NT$1,000

Item		Expected Completion Date	Total Capital Required	Status of Planned Capital Use							
				2020				2021			
				Q1 (Actual)	Q2 (Actual)	Q3 (Actual)	Q4 (Actual)	Q1 (Actual)	Q2 (Actual)	Q3 (Actual)	Q4 (Actual)
Reinvestment	PharmaEssentia Japan	2021 Q4	297,885	30,157	-	29,235	14,263	85,560	83,085	-	55,585
	PharmaEssentia Biotechnology (Beijing)	2023 Q4	203,115	-	-	-	14,248	-	14,008	-	-
Total			501,000	30,157	-	29,235	28,511	85,560	97,093	-	55,585

Item		Expected Completion Date	Total Capital Required	Status of Planned Capital Use							
				2022				2023			
				Q1 (Actual)	Q2 (Actual)	Q3	Q4	Q1	Q2	Q3	Q4
Reinvestment	PharmaEssentia Japan	2021 Q4	297,885	-	-	-	-	-	-	-	-
	PharmaEssentia Biotechnology (Beijing)	2023 Q4	203,115	-	29,120	-	30,000	30,000	30,000	30,000	25,739
Total			501,000	-	29,120	-	30,000	30,000	30,000	30,000	30,000

b. Reasons for adjustment

Currently, the Japanese subsidiary has made great progress in its PV clinical trials and has submitted an application of drug license in April 2022. In addition, the clinical trials in China subsidiary is obtaining significant progress and is preparing for its drug license application. The demand of funds is critically increasing. Therefore, PharmaEssentia is planned to reallocate the funds originally planned for reinvestment in Japanese subsidiary PharmaEssentia Japan KK, NT$23,115 thousand, to reinvest in its Beijing subsidiary to fulfill its capital requirements of the R&D function and daily operations. Considering the capital requirement, the completion and utilization of the fund was postponed to the fourth quarter of 2023. As the changes made to the plan is 4.74% (23,115/487,465), PharmaEssentia does not need to submit the amendments to the shareholders' meeting for ratification. Hence, the Board of Directors of PharmaEssentia approved the aforementioned adjustments on July 14, 2022.

c. Expected benefit after adjustments

PharmaEssentia’s private placement cash capital increase is NT$487,465 thousand and with the self-own funds of NT$13,535 thousand, the total is NT$501,000 thousand, of which NT$297,885 thousand is reserved to increase the capital of PharmaEssentia Japan KK 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; In addition, NT$203,115 thousand is reserved to increase the capital of PharmaEssentia Hong Kong to indirectly invest in PharmaEssentia Beijing for managing 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, PharmaEssentia Japan KK submitted an application for a phase II bridging clinical trial to the PMDA in October 2019. The phase II bridging trial is expected to be completed in July 2021 and PharmaEssentia anticipates submitting the application of drug license in April 2022, receiving the license from the PMDA in 2023 and beginning sales in the same year and generating profits from 2025 onwards. Additionally, to treat PV, PharmaEssentia submitted an application for a phase I clinical trial to the Mainland China CFDA (now renamed NMPA) in October 2018 and has completed the phase I trial in June 2020. PharmaEssentia subsequently submitted an application for a Phase II clinical trial in April 2021 and the preliminary results were released at the end of July 2022. PharmaEssentia has submitted the new drug licensing application and anticipates beginning sales in 2024 and generating profits from 2024 onwards.

2. Implementation Status after plan amendments

Item	Implementation Status		As of the end of 2023	Reasons for ahead of or fall behind of the plan and improvement plans
Reinvestment PharmaEssentia Japan KK	Amount spent	Planned	297,885	As of the fourth quarter of 2023, the unused amount allocated for PharmaEssentia Biotechnology (Beijing) is NT$50,265 thousand, which is currently placed in the bank saving account for future expenses.
		Actual	297,885	
	Implementation Status (%)	Planned	100.00	
		Actual	100.00	
Reinvestment PharmaEssentia Biotechnology (Beijing)	Amount spent	Planned	203,115	
		Actual	152,850	
	Implementation Status (%)	Planned	100.00	
		Actual	75.25	
Total	Amount spent	Planned	501,000	
		Actual	450,735	
	Implementation Status (%)	Planned	100.00	
		Actual	89.97	

3. Benefits Analysis after plan amendments

(1) Reinvestment in PharmaEssentia Japan KK

PharmaEssentia reinvested in the subsidiary in Japan with the private placement of common shares in 2019, the second private placement of common shares in 2021, and the issuance of overseas global depositary receipt in 2023 in the amount of NT$297,885 thousand, NT$208,830 thousand, and NT$2,439,600 thousand, respectively, totaled NT$2,946,315 thousand. As of the third quarter of 2023, the total amount reinvested in PharmaEssentia Japan KK was NT$1,269,090 thousand. PharmaEssentia has submitted a new drug licensing application for P1101-PV to the PMDA in Japan in April 2022 and received the approval for Taipei plant on February 10, 2023. PharmaEssentia also received the drug license from the PMDA in Japan in the first half of 2023 and start sales in the same year. Based on the aforementioned total reinvestment amount, the estimated payback period is 12.15 years and the benefits should become increasingly apparent from the perspective of long term development of PharmaEssentia.

(2) Reinvestment in PharmaEssentia Biotechnology (Beijing) Co., Ltd.

P1101-PV of PharmaEssentia has obtained drug license results and experience in Europe and the U.S., which is helpful for the drug licensing application submitted in Japan, however, due to the delay caused by communication with the NMPA in China, the drug licensing application in China fell behind the schedule. Nevertheless, in 2021, PharmaEssentia and its subsidiary in Beijing has carried out phase II bridging study in accordance with the requirements of China's NMPA. The interim analysis results were released at the end of July 2022 and the drug licensing application was officially accepted by NMPA on February 13, 2023. PharmaEssentia Beijing is expected to obtain the drug license in 2024 and begin generating profits the same year, with a payback period of approximately 6.06 years, and profits are expected from the perspective of long-term development of PharmaEssentia.

PharmaEssentia is a new drug R&D company and due to the aforementioned factors, the R&D schedule and benefits are difficult to estimate and control, which should be an industrial characteristic, but PharmaEssentia has successively obtained drug licenses and sales performance of P1101-PV in countries with major drug markets, and from the perspective of future sales, the aforementioned benefits is feasible and hence the equity for shareholders is still limited on the long run.

The 3rd Private placement of common stock in 2021

1. Content of the plan:

(1) Total amount of required funds for the current plan: NT$1,833,500 thousand.

(2) Funding source: Private placement of 7,334 thousand common shares, with a par value of NT$10 per share and an offering price of NT$250 per share; a total of NT$1,833,500 thousand was raised.

(3) Date when the price of private placement was paid up: May 3, 2022.

(4) Plan items, status of capital allocation, and expected benefits:

a. Plan items and status of capital allocation

Unit: NT$1,000

	Expected Completion Date	Total Capital Required	Status of Planned Capital Use					
			2022		2023			
			Q3	Q4	Q1	Q2	Q3	Q4
Replenish working capital	2023 Q3	1,448,979	-	400,000	400,000	400,000	248,979	-
Purchase of equipment	2023 Q4	384,521	31,184	77,246	115,315	66,376	47,200	47,200
Total		1,833,500	31,184	477,246	515,315	466,376	296,179	472,00

b. Expected benefit

Of the total amount NT$ 1,833,500 thousand raised through the 3rd private placement in 2021, NT$1,448,979 thousand was put into working capital, which is expected to enhance the financial structure, increase the proportion of equity capital, and improve the debt-paying ability of PharmaEssentia. In addition, PharmaEssentia plans to expand the production line of its Taichung plant with estimated total budget of NT$400,165 thousand. PharmaEssentia has prepaid NT$15,644 thousand with its own funds in the second quarter of 2021, and the remaining NT$384,521 thousand is planned to be paid by the aforementioned funds. The production line is primarily used for the production of BESREMi® for the treatment of Polycythemia Vera (PV). It is estimated that the new production line can start the mass production after the completion of installation and verification in 2024. The accumulated operating profit and depreciation expenses from 2024 to 2025 is approximately NT$4,075,087 thousand. The expected payback period is about 1.09 years.

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

2. Implementation Status:

Unit: NT$1,000

Item	Implementation Status		As of the end of 2023	Reasons for ahead of or fall behind of the plan and improvement plans
Addition of working capital	Amount spent	Planned	1,448,979	All the funds have been fully expended.
		Actual	1,448,979	
	Implementation Status (%)	Planned	100.00	
		Actual	100.00	
Purchase of fixed assets	Amount spent	Planned	384,521	The item has not been completed and has fallen behind of schedule. Please see the explanation below.
		Actual	143,256	
	Implementation Status (%)	Planned	100.00	
		Actual	37.26	
Total	Amount spent	Planned	1,833,500	
		Actual	1,592,235	
	Implementation Status (%)	Planned	100.00	
		Actual	86.84	

3. Benefit analysis

(1) Addition of working capital

Item \ Year		January to March, 2022 (Before capital increase)	April to June, 2022 (After capital increase)
		Parent company only	Parent company only
Capital structure	Debt ratio(%)	19.16	15.89
	Long term funds to fixed assets(%)	1,402.15	1,890.94
Liquidity	Current ratio (%)	770.73	1,036.61
	Quick ratio (%)	618.71	925.57

The debt to total assets ratio of PharmaEssentia by the end of June 2022 after capital increase is 15.89%, a reduce from the debt to total assets ratio of 19.16% before the capital increase as of March 2022. The ratio of long-term capital to real estate property, plants and equipment (%) was 1,890.94% after the capital increase, which is higher than that of 1,402.15% before capital increase, and such increase made an improvement to our financial structure. In addition, the current and quick ratio before capital increase was 1,036.61% and 925.57%, respectively, and compared with the current and quick ratio of 770.73% and 18.71% before capital increase, the increase demonstrates that our liquidity has improved. After evaluation, the benefits of the private placement in 2021 for working capital should become increasingly apparent.

(2) Purchase of equipment

BESREMi® was launched in the U.S. at the end of 2021, which boosted PharmaEssentia's revenue. PharmaEssentia reported a revenue of $2,882,042 thousand in the year 2022, an increase of 339.00% compared to $656,506 thousand in the same period last year. The number of PV patients will continue to increase as most of the patients need long-term treatments and follow-up. Moreover, the drug is on the market for sale for the first year and the growth is high. Additionally, the medication rights of patients as well as the needs of clinical trials are also taken into consideration. The original production capacity of PharmaEssentia's Taichung plant is expected not able to cover the sales volume of PharmaEssentia in 2024. As a result, PharmaEssentia has planned to expand its production line and placed orders for the purchase of equipment in the second quarter of 2022. Payments for the equipment began in the third quarter of 2022 and the installation is expected to be completed in the second quarter of 2023. PharmaEssentia will continue the process validation and certification, and official production for sale is expected to be started in 2024. PharmaEssentia's third private placement in 2021 is for the purchase of fixed assets. Based on PharmaEssentia's current sales performance, the benefits of the production line expansion will continue to increase with the penetration rate of P1101-PV. Also, PharmaEssentia's new drug projects continue to develop and the clinical trial results are rather positive, so the benefits should become increasingly apparent.

PharmaEssentia has made a checklist for equipment procurement for the two production lines added to the Taichung plant and placed an order and signed a contract with the vendor of protein purification system in the second quarter of 2022. According to the contract, PharmaEssentia has paid the purchase amount tin full, but the vendor failed to make delivery as schedule due to shortage of materials. Consequently, PharmaEssentia was not able to obtain the equipment and the installation of the paid equipment was not completed. Also, because the major production equipment was not delivered as scheduled, other peripheral equipment cannot be installed as planned. Once the major production equipment is delivered, other equipment will be shipped and the plan will be executed. According to the follow-up conducted between PharmaEssentia and the vendor of major production equipment, the vendor is expected to deliver the equipment in the second and third quarters of 2023 and first quarter of 2024 and PharmaEssentia will then make payments as stipulated in the contract. However, because the vendor failed to make delivery as scheduled, following equipment verification and process validation were delayed. The trial production is expected to be performed at the end of 2023, process validation and official application for construction of new production lines are expected to be performed in 2024, and hence the equity for shareholders is still limited on the long run.

2022 cash capital increase through the issuance of new stock

1. Content of the plan:

(1) Total amount of capital required for the plan: NT$6,813,600 thousand (including the excess NT$13,600 thousand attributable to the change of the actual offering price).

(2) Funding source:

For cash capital increase, PharmaEssentia issued 16,700 thousand 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$408, and the total capital raised was NT$6,813,600 thousand. The excess NT$13,600 thousand attributable to the change of the actual offering price will be put into working capital.

(3) Capital allocation, projects, expected progress and possible benefits:

a. Plan items and status of capital allocation

Unit: NT$1,000

Items	Expected Completion Date	Total Capital Required	Status of Planned Capital Use									
			2022	2023				2024				2025
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Building Plant-ZhubeiPlant	2025Q1	4,010,000	378,334	395,834	395,833	515,833	515,833	595,833	407,500	407,500	327,500	70,000
Purchase of equipment-ZhubeiPlant	2025Q1	1,086,735	-	44,480	286,766	60,155	56,155	-	32,155	32,155	287,435	287,434
Building Plant-Taichung Houli Plant	2024Q3	1,207,265	116,667	159,525	134,524	134,524	134,523	134,523	116,490	196,489	80,000	-
Purchase of equipment-Taichung Houli Plant	2025Q1	496,000	-	-	198,400	-	-	-	-	-	148,800	148,800
Replenish working capital	2023Q3	13,600	-	-	-	13,600	-	-	-	-	-	-
Total		6,813,600	495,001	599,839	1,015,523	724,112	706,511	730,356	556,145	636,144	843,735	506,234

b. Expected benefits

The capital increase of $6,800,000 thousand in 2022 was mainly used to finance the construction of the Zhubei and Taichung Houli plants and their machinery and equipment. PharmaEssentia is an R&D company, focusing on development of protein drugs, and has successfully developed a long-lasting interferon, Ropeginterferon alfa-2b (hereinafter referred to as P1101), through the development of an innovative PEGylation technology that couples PEG with protein. P1101-PV has been approved for the treatment of PV in the European Union, Taiwan, Switzerland, Israel and South Korea since 2019, and received U.S. drug approval in November 2021. PharmaEssentia has also entered into a global clinical trial for Essential Thrombocythemia (ET) and expects to complete the Phase III human trial in 2024 to collect data on key efficacy

indicators. After completion of the clinical trial, PharmaEssentia will submit drug license applications in countries including US, Taiwan, Japan, South Korea and China and anticipate to obtain the drug license in 2025. Considering the above mentioned needs, PharmaEssentia's production capacity may become increasingly insufficient. Therefore, in view of the long-term development of PharmaEssentia, we plan to construct the Houli Plant in Taichung and the Zhubei Plant for the production of P1101 to support the future development of the operation.

PharmaEssentia intends to build two plants and plans to use the Houli plant in Taichung for the chemical process to produce PEG, and the Zhubei plant for the biological process including the production of interferon and coupling with PEG to generate long-acting interferon, i.e. drug substance of P1101 (hereafter referred to as DS which is the active ingredient of the drug), and DS will then be filled into injections for sale. Considering the Houli plant in Taichung and Zhubei plant will produce PEG and DS, which are major processing of P1101, PharmaEssentia expects that the tender and construction of the two plants will commence in the fourth quarter of 2022, and the installation of machinery and equipment will commence in the third quarter of 2024. The trial production, process validation and FDA inspection will be conducted in the first quarter of 2025. The new plant is expected to start contributing revenue in 2026.

The Houli plant in Taichung and Zhubei plant of PharmaEssentia is intended for different processing required by P1101 and therefore the benefits of construction f these two plants are evaluated together. Based on the capital required for construction of the new plants and purchase of equipment, NT$6,800,000 thousand, except for the amount for P1101-PV production, the drug license of P1101-ET is expected to be granted in 2025 in various countries for sale. In addition, considering the estimated number of PV and ET patients in various countries, the estimated number of shots, current drug price and the trend of drug price, the payback period for the two plants is estimated to be 4,22 years starting from the fourth quarter of 2022.

Also, the actual amount of capital raised, NT$6,813,600 thousand, was higher than the required amount required for the plan, namely NT$6,800,000 thousand. The excess attributable to the change of offering price, NT$13,600 thousand, will be put into working capital and the increased capital will be used for replenishing operating capital and strengthen capital structure.

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

No change was made to the Company’s plan for the capital increase of common stock.

2. Implementation Status:

Item	Implementation Status		As of December 31, 2023	Reasons for the ahead of or fall behind of the project and improvement plans
Building Plant-ZhubeiPlant	Amount spent	Planned	2,201,667	PharmaEssentia issued an invitation to bid for civil engineering as planned in August 2022. However, due to the following interface management issue, the invitation to bid was changed to joint invitation to bid for civil engineering and five major pipeline engineering, and the new engineering contract was signed in March 2023 while the related basic engineering remains ongoing.
		Actual	660,071	
	Implementation Status (%)	Planned	54.90	
		Actual	16.46	
Purchase of equipment-ZhubeiPlant	Amount spent	Planned	447,556	In the future, relevant operations such as procurement and installation will proceed in accordance with the construction of the Zhubei plant.
		Actual	-	
	Implementation Status (%)	Planned	41.18	
		Actual	0.00	
Building Plant-Taichung Houli Plant	Amount spent	Planned	6796,763	Due to the adjustments made to the Zhubei Plant, the construction has fallen behind the schedule, and therefore PharmaEssentia plans to hire consultants for planning the construction of the Houli plant based on the experience obtained from construction of the Zhubei plant. The construction of the Houli plant is expected to start in the near future.
		Actual	700	
	Implementation Status (%)	Planned	56.31	
		Actual	0.06	
Purchase of equipment-Taichung Houli Plant	Amount spent	Planned	198,400	In the future, relevant operations such as procurement and installation will proceed in accordance with the construction of the Taichung plant.
		Actual	-	
	Implementation Status (%)	Planned	40.00	
		Actual	0.00	
Replenish working capital	Amount spent	Planned	13,600	All the funds have been fully expended.
		Actual	13,600	
	Implementation Status (%)	Planned	100	
		Actual	100	
Total	Amount	Planned	3,540,986	
		Actual	674,371	
	Status(%)	Planned	51.9	
		Actual	9.9	

4. Benefit analysis

(1) Improve capital structure

Item \ Year		The end of September, 2022(Before cash capital increase)		The end of December, 2022(After cash capital increase)	
		Consolidated	Parent company only	Consolidated	Parent company only
Capital structure	Debt ratio(%)	27.14	37.51	20.82	25.23
	Long term funds to fixed assets(%)	1,313.04	1,791.28	2,348.35	2,983.92
Liquidity	Current ratio (%)	463.21	918.95	486.16	1,975.81
	Quick ratio (%)	369.19	799.50	435.33	1,780.33

PharmaEssentia increased capital cash in 2022 for building of plants in Zhubei City and Houli and purchase of equipment and replenishing operating capital. The consolidated and individual debt to total assets ratio of PharmaEssentia by the end of December 2022 after capital increase was 20.82% and 25.23%, a reduction of 27.14% and 37.51%, respectively, compared with that at the end of September 2022. The ratio of long-term capital to real estate property, plants and equipment (%), current ratio and quick ratio all showed significant increase after capital increase. PharmaEssentia has indeed strengthened its financial structure after the capital increase in 2022.

(2) Building of plants in Zhubei City and Houli and purchase of equipment

PharmaEssentia adjusted the estimated number of sales and amount of sales in year 2026, and the payback period was adjusted from 4.22 years to 4.04 years according to the actual sales of the new drug and adjusted group sales strategies.

Since February 2019, P1101-PV has been successfully listed in the European Union, the United States, Taiwan and other regions, which has substantially boosted the PharmaEssentia's operating income. PharmaEssentia reported revenue of $2,882,042 thousand in the year 2022, an increase of 339.00% compared to $656,506 thousand in the same period last year, indicating that the sales performance of P1101 continues to improve. Also, PharmaEssentia has submitted a new drug marketing authorization application to PMDA in April 2022 and expects to obtain the drug license in the first half of 2023 and start sales the same year. In China, PharmaEssentia applied to the NMPA for approval to conduct Phase II clinical trials in April 2021 and released the preliminary results of the interim analysis in July 2022. PharmaEssentia received formal notification from the NMPA in China on February 13, 2023 for the official acceptance of the new drug licensing application for P1101-PV and the drug license is expected to be approved and start sales in 2024. The number of patients will continue to increase as most PV patients require long-term treatment and follow-up. PharmaEssentia has completed subject enrollment for the clinical trial of P1101-ET and collection of the data on key efficacy indicators of the Phase III human trial is expected to be completed

in 2024. After completion of the clinical trial, PharmaEssentia will submit drug license applications in countries including US, Taiwan, Japan, Korea and China and anticipate to obtain the drug license and start to generate sales in 2025 to replenish the revenue of PharmaEssentia. Based on the above mentioned circumstances, PharmaEssentia's current sales performance of P1101-PV, the status of obtaining drug certificates in various countries, and the future sales of P1101-PV in various countries, and the progress of P1101-PV business development and P1101-ET product development, the benefits of the Company's construction of the Zhubei and Taichung Houli plants and its machinery and equipment should become increasingly evident.

Increase of capital cash by issuance of new shares for overseas depositary receipts for 2023

1. Content of the plan:

   (1) Total amount of capital required for the plan: NT$15,247,500 thousand, which is equivalent to US$500,000 thousand (calculated based on the NT$ to US$ exchange rate of 30.495:1).

   (2) Funding source:

      a. Increase of capital cash by issuance of new shares for overseas depositary receipts, and each overseas depositary receipt represents one common share of PharmaEssentia. The total number of shares to be issued is expected to be 25,000 thousand shares to 34,000 thousand shares, and the raised amount was USD340,250 thousand to USD462,740 thousand (NT$415 per share and the estimated currency transaction rate was 30.495: 1)

      b. The total amount of capital required for this project of PharmaEssentia is NT$15,247,500 thousand and will be paid by the capital of NT$14,111,256 thousand raised under this project and the self-owned capital of NT$1,136,244 thousand.

      c. In the event that the capital raised is insufficient to pay for the projects due to variation in the number of shares issued by new stocks or overseas depositary receipts or adjustments made to the share price due to market changes, the amount of shortage will be paid by bank loan, self-owned assets, or funds raised by other means. In the event that the amount of capital raised exceeds the amount required by the projects, the extra amount will be used to replenishing operating capital.

(3) Capital allocation, projects, expected progress and possible benefits:

a. Plan items and status of capital allocation

Plan		Expected Completion Date	Total Capital Required			Planned Capital Allocation						
			Funding source	Transaction currency	Amount	2023			2024			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
Addition of working capital	Pharmaceutical research and development	Q4 of 2026	Capital raised	USD	114,240	2,261	4,000	3,500	21,400	20,000	20,000	22,000
				TWD	3,483,749	68,949	121,980	106,732	652,393	609,900	609,900	670,890
			Self-owned assets	USD	37,260	239	-	-	-	-	-	-
				TWD	1,136,244	7,287	-	-	-	-	-	-
	Global clinical trial	Q4 of 2026	Capital raised	USD	68,500	3,450	3,950	7,450	9,500	9,200	5,570	5,620
				TWD	2,088,907	105,207	120,455	227,188	289,703	280,554	169,857	171,382
Reinvest-ment	Reinvestment in PharmaEssentia USA	Q1 of 2024	Capital raised	USD	200,000	90,000	30,000	30,000	50,000	-	-	-
				TWD	6,099,000	2,744,550	914,850	914,850	1,524,750	-	-	-
	Reinvestment in PharmaEssentia Japan KK	Q4 of 2024	Capital raised	USD	80,000	10,000	15,000	-	10,000	15,000	15,000	15,000
				TWD	2,439,600	304,950	457,425	-	304,950	457,425	457,425	457,425
Total				USD	500,000	105,950	52,950	40,950	90,900	44,200	40,570	42,620
				TWD	15,247,500	3,230,943	1,614,710	1,248,770	2,771,996	1,347,879	1,237,182	1,299,697

Plan		Expected Completion Date	Total Capital Required			Planned Capital Allocation							
			Funding source	Transaction currency	Amount	2025				2026			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Addition of working capital	Pharmaceutical research and development	Q4 of 2026	Capital raised	USD	114,240	15,900	5,179	-	-	-	-	-	-
				TWD	3,483,749	484,871	157,934	-	-	-	-	-	-
			Self-owned assets	USD	37,260	-	1,321	6,900	6,600	6,600	5,700	5,900	4,000
				TWD	1,136,244	-	40,284	210,416	201,267	201,267	173,822	179,921	121,980
	Global clinical trial	Q4 of 2026	Capital raised	USD	68,500	2,920	3,500	3,400	3,500	3,400	2,820	2,620	1,600
				TWD	2,088,907	89,044	106,733	103,683	106,733	103,683	85,996	79,897	48,792
Reinvest-ment	Reinvestment in PharmaEssentia USA	Q1 of 2024	Capital raised	USD	200,000	-	-	-	-	-	-	-	-
				TWD	6,099,000	-	-	-	-	-	-	-	-
	Reinvestment in PharmaEssentia Japan KK	Q4 of 2024	Capital raised	USD	80,000	-	-	-	-	-	-	-	-
				TWD	2,439,600	-	-	-	-	-	-	-	-
Total				USD	500,000	18,820	10,000	10,300	10,100	10,000	8,520	8,520	5,600
				TWD	15,247,500	573,915	304,951	314,099	308,000	304,950	259,818	259,818	170,722

b. Expected benefits

Used for research and development, funds required for clinical trials, and reinvestment in subsidiaries to improve capital structure, reduce operational risks, and support future business development of PharmaEssentia.

(4) Changes to the plan, reasons for changes, and benefits before and after the changes:

No change was made to the plan at this time.

2. Implementation Status:

Plan	Implementation Status		As of the end of 2023	Reasons for ahead of or fall behind of the plan and improvement plans
Addition of working capital	Amount spent	Planned	757,798	Because some of the procurement contracts relating to the research projects are still under negotiation, the progress has fall behind in Q4. PharmaEssentia will expedite the process to confirm the contract.
		Actual	244,509	
	Implementation Status (%)	Planned	11.29	
		Actual	3.64	
Reinvestment	Amount spent	Planned	5,336,625	The difference was resulted from the actual assets required by the subsidiary.
		Actual	7,318,800	
	Implementation Status (%)	Planned	62.50	
		Actual	85.71	
Total	Amount spent	Planned	6,094,423	
		Actual	7,563,309	
	Implementation Status (%)	Planned	39.97	
		Actual	49.60	

3. Benefit analysis

(1) Improve capital structure

Item \ Year		January to March, 2023 (Before cash capital increase)		April to June, 2023 (After cash capital increase)	
		Consolidated	Parent Company Only	Consolidated	Parent Company Only
Financial structure	Debt ratio(%)	26.69	21.28	8.59	4.21
	Long term funds to fixed assets(%)	1,526.91	1,831.72	2,692.11	2,762.38
Liquidity	Current ratio (%)	368.98	2,143.16	1,439.31	3,640.83
	Quick ratio (%)	331.36	2,002.27	1,350.32	3,499.25

The debt to total assets ratio of PharmaEssentia by the end of June 2023 after capital increase is 8.59%, a reduce from the debt to total assets ratio of 26.69% before the capital increase as of March 2023. The ratio of long-term capital to real estate property, plants and equipment (%) was 2,692.11% after the capital increase, which is higher than that of 1,526.91% before capital increase, and such increase made an improvement to our financial structure. In addition, the current and quick ratio before capital increase was 368.98% and 331.36%, respectively, and compared with the current and quick ratio of 1,439.31% and 1,350.32% before capital raise, the increase demonstrates that our liquidity has improved. After evaluation, the benefits of the issuance of the overseas depositary receipts in 2023 by PharmaEssentia for addition of working capital is obvious.

(2) Pharmaceutical research and development

In addition, NT$4,619,993 thousand of the aforementioned raised capital was used for continuous promotion of the various new drug projects. Although the time required for subject recruitment was extended and the number of enrolled subjects of various projects reduced due to the pandemic in recent years and therefore the trials have been extended, the results of the clinical trial projects are rather positive, see "Status on the Research and Results of Projects" below, indicating the benefits of this capital raise project is obvious.

Title of Project	Up to date research status and results from capital raise
Long-acting PEGylated immuocytokines	• Projects of multiple cytokines (IFNg, IFNl, IL2, IL15, IL37) are ongoing. • The pre-clinical animal-related trials of the two projects (IL2, IFNI) will be initiated in Q4 2023 and Q1 2024, respectively. • Other projects remain in the phase of structure design, optimization, and activity research.
Immune checkpoint inhibitors	• Early development of immune checkpoint inhibitors was initiated in Q1 2023, and four screening tests have been established and optimized. • Antibody clones of 52 unique immune checkpoints were collected from the humanized mice injected with immune checkpoint protein. • PharmaEssentia is analyzing the 52 antibody clones and hopes these antibody clones can be used for developing immune checkpoint inhibitors. • Early candidate drugs are expected to be selected in Q4 for further design and optimization.
Bispecific antibodies	• The construction of the expression vectors of symmetrical and asymmetrical bispecific antibodies has been completed. • The expression vectors have been delivered into 293/CHO cells for small scale production test. • The construction of expression vectors of various mutant clones is ongoing to improve the yield and purity of the products.
Drug development platform	• The collaboration with Vizuro LLC runs smoothly and has yield significant results in Casual AI system. • The preliminary research results have been collected and will be submitted to the MPN annual meeting for publication.

(3) Global clinical trials of pharmaceutical research and development

In addition, NT$2,088,907 thousand of the aforementioned raised capital was used for continuous promotion of the various new drug projects. Although the time required for subject recruitment was extended and the number of enrolled subjects of various projects reduced due to the pandemic in recent years and therefore the trials have been extended, the results of the clinical trial projects are rather positive, indicating the benefits of this capital raise project is obvious.

(4) Reinvestment in subsidiaries in the U.S.

PharmaEssentia reinvested a total of NT$8,932,285 thousand raised from the cash capital raised before listing in 2016, cash capital raise in 2020, issuance of common shares through the second private capital raise in 2021, and issuance of overseas global depositary receipt (GDR) in 2023 in the amount of NT$569,960 thousand, NT$1,047,288 thousand, NT$1,216,037 thousand, and NT$6,099,000 thousand, respectively, in the U.S. subsidiary.

(5) Reinvestment in PharmaEssentia Japan KK

PharmaEssentia reinvested in the subsidiary in Japan with the private placement of common stock in 2019, the second private placement of common stock in 2021, and the issuance of overseas global depositary receipt in 2023 in the amount of NT$297,885 thousand, NT$208,830 thousand, and NT$1,219,800 thousand, respectively, a total of NT$1,726,515 thousand.

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

PharmaEssentia and its subsidiaries primarily engage in the research, development, manufacturing, and sales and of new drugs, and the main sources of operating revenues are from sales of new drugs, research, and providing services, and the consolidated revenue and distribution in 2023 are as follows:

Unit: NT$1,000; %

Revenue Item	2023	
	Revenue	Weight (%)
Sale of goods	5,094,230	99.78%
Provision of labor services	11,385	0.22%
Total	5,105,615	100.00%

C. Current Products (Services)

Product	Category	Indication	Clinical application (target patient group)	Target market
P1101 (new generation long-acting interferon)	Self-developed	Polycythemia vera (PV)	PV patients	U.S., Europe, Japan, South Korea, China, Taiwan

P1101 has received license approval for sale in the European Union, U.S., Japan, South Korea, and Taiwan. PharmaEssentia signed a licensing agreement with AOP for selling P1101 in the Europe and sells P1101 to AOP. In the U.S., Japan, South Korea, China and Taiwan, PharmaEssentia and its subsidiaries in different areas sell the product directly to wholesalers, contracted pharmacies, and hospitals/clinics.

D. New Products (Services) Planned for Development

PharmaEssentia and its subsidiaries will use the established new drug development platform to continue developing other high-yield, long-acting biologics. For example, P1101-ET (essential thrombocythemia), anti-PD-1 antibodies (immune checkpoint inhibitors), PEG-EPO (long-acting erythropoietin), and PEG-GH (long-acting growth hormone).

- P1101-ET (Essential Thrombocythemia)

  The use of P1101 for treating essential thrombocythemia (ET) has received US ODD. A multinational and multicenter Phase III clinical trials to observe the effects of P1101 on ET patients who have received HU treatments but either did not demonstrate the expected effects or for whom the treatment failed were carried out in September 2020 in a number of countries (8 countries including the United States, Taiwan, Japan, South Korea, and China) and subject recruitment has completed. Data collection for the main efficacy indicators of the Phase III human trials is expected to be completed in 2024, after which applications for approval will be submitted.

- Anti-PD-1 antibodies (immune checkpoint inhibitors)

  The side effects of the long-acting interferon P1101 produced by PharmaEssentia are very mild and temporary. In addition, the range of dosage adjustment of this drug is large, allowing physicians to prescribe the drug for different indications or treat patients based on the severity of their diseases within a more flexible range. Of which, the development of cancer immunotherapy provides a variety of new weapons to cope with diseases and also gradually changes the market of cancer treatment. PharmaEssentia plans to join the group of studying anti-PD-1 monoclonal antibodies by taking the

advantages of production efficiency and quality control of biologics manufacturing with a hope that the immune response in patients can be enhanced to fight against various cancers by including P1101 in the treatment. Moreover, PharmaEssentia also will make a good use of this advantage to expand the scope of P1101 treatment and use the drug for treating the indications such as malignant melanoma, T-cell lymphoma, hairy cell leukemia and liver cancer.

- PEG-EPO (long-acting erythropoietin)

  Approximately 90% of the patients with chronic Kidney Disease (CKD) will develop anemia during the process of dialysis. The cause of anemia is usually believed to be the reduction of erythropoietin. Anemia will reduce transportation of oxygen in tissues and cause fatigue and also will result in impaired cognition, sleep disturbance, altered hemostasis, decreased immune function, and impaired cardiac function. Patients with CKD and anemia need to be treated with erythropoietin activating agent for life. Two erythropoietins (epoetin-α and epoetin-β) are currently available for treating CKD and anemia. The frequency of injection of the erythropoietin mentioned above is twice every week. However, the long-acting erythropoietin developed by Roche, MERCRA, is a PEG-EPO and its frequency of injection is once every two weeks or once every four weeks, which is a great news for patients with CKD-related anemia.

  To construct a long-acting PEG-EPO, PharmaEssentia uses different PEGylation technologies and PEG with different structures for EPO modifications and analyzes the characteristics such as the structure of PEG-EPO, drug activity and drug dynamic step by step, so as to screen for long-acting PEG-EPO. We have obtained important reaction parameters and potential products as well as better results compared with MIRCERA in the preliminary PK studies in dogs.

(2) Industry overview

A. Current status and development of the industry

The biotech and pharmaceutical industry is a high value-added industry that combines innovative R&D and value creation. This industry has flourished with medical advancements, mortality reduction, biotech breakthroughs, population aging, and increased demand for medical care. Because this industry is closely linked to the health, lives, and safety of humans, it necessitates a high degree of quality, safety, efficacy, and regulatory control in its processes, including the discovery of a new pharmaceutical applications, feasibility studies, preclinical and clinical trials, and marketing approval, which require substantial investment in R&D and massive amounts of capital. The processes involved in the biotech and pharmaceutical industry are time-consuming and involve high risks, which makes the industry highly technology-intensive and investment-heavy.

As of the end of July 2022, Taiwan had a total of 166 approved companies and 438 approved products. Among these products, 72 had been approved for market release, contributing to the yearly expansion of the industry business scale. PharmaEssentia is a pharmaceutical company focusing the development of new drugs and manufacturing of biological products and continues to invest in the research of the rare disease, myeloproliferative neoplasm (MPN). And we will also extend our PEGylation platform to tumor and immunology fields and expand our research to the field of cell therapy. Following is the industry overview of MPN and tumor diseases:

- Myeloproliferative Neoplasms (MPNs)

  Myeloproliferative neoplasms are categorized into four types: Polycythemia vera (PV), Essential Thrombocythemia (ET), Chronic Myeloid Leukemia (CML), and Primary Myelofibrosis (PMF). All of the myeloproliferative neoplasms mentioned above are rare diseases with unknown cause and no effective treatment and medications are available in the past. In recent years, myeloproliferative neoplasms such as PV, ET, CML, and PMF are found to be associated JAK2 gene mutations and many major pharmaceutical companies have invested in the development of drugs for treating rare hematological diseases. Especially the treatment option for myeloproliferative neoplasms. In addition, many of these companies have received drug licenses from the US FDA. For example, Jakafi® developed jointly by Incyte and Novartis, fedratinib of BMS, and pacritinb of CTIBiopharma. And even more are currently developing new drugs in this field, indicating that this field has attracted much attention from these major pharmaceutical companies in recent years.

  On average, approximately 22 to 48 people per 100,000 people worldwide suffer from erythrocytosis vera. The total number of patients with polycythemia vera in major global markets (including the United States, the European Union, China, and Japan) is estimated to exceed 620,000. There are currently more than 100,000 PV patients in Europe and the United States, and periodic bloodletting and traditional cancer drug Hydroxyurea (HU) or interferon are used by these patients to control their symptoms but to cure the disease. In the United States, approximately 100,000~150,000 have PV (MPN Research Foundation, Genetics HomeReference) and nearly 200,000 patients are identified in Europe.

  The number of patients with essential thrombocythemia in the United States is similar to that of polycythemia vera, with approximately 22 to 45 patients per 100,000 people (MPN Research Foundation). There are approximately 66,000 patients with chronic myelogenous leukemia in the United States (National Cancer Institute) and approximately 40,000 patients in Europe (European Medicines Agency). And primary myelofibrosis is a rarer disease, with an average of only 1 to 2 patients per 100,000 people.

Incyte was granted the license of its new drug Jakafi for the treatment of myelofibrosis (MF) in the United States at the end of 2011 and received the license for the treatment of polycythemia vera in 2014. The sales of Jakafi exceeded US$1 billion in the 7 seven year after its launch in the United States and the global sales in 2022 will be close to US$4 billion. Among myeloproliferative neoplasms, although the number of patients with myelofibrosis is smaller than that of other rare blood diseases, its sales is still over hundreds of millions of dollars, suggesting the great market potential of myeloproliferative neoplasms.

- Tumor diseases

More and more studies have shown that improving immune functions is an effective way to fight cancer. The most convincing example is the clinical application of the anti-PD-1 antibodies. In recent years, many major pharmaceutical companies have started to invest in developing anti-PD-1 or anti-PD-L1 antibodies and tested these antibodies in a number of treatments for solid tumors, which have significantly changed the treatment methods of cancer therapy in recent years. In addition to PD-1 or PD-L1 monoclonal antibodies, some major pharmaceutical companies are also studying how to increase the effectiveness of small molecule drugs for treating cancer or other diseases by improving immune functions through concomitant use of small molecule drugs and interferon. Because the side effects of the previous generations of interferons such as Pegasys® and PegInton® may not be tolerated by some cancer patients and therefore their applicable indications are limited. Due to its high tolerability and safety, P1101 can be used with more anti-cancer drugs or anti-PD-1 antibodies, which greatly increases the applicable scope of P1101 and unleashes the full potential of interferon.

P1101 breaks the limitations on methods of administration and treatment of traditional interferon and expands the indication as well as applicable scope of interferon. First, unlike traditional second-generation interferon which needs to be injected once a week, P1101 is administered once every two weeks and the frequency of administration can be extended to once every four weeks after the patient's condition is stabilized. Next, the dosage of P1101 can be adjusted according to the treatment needs of different patients because of its highly purified effective ingredients, and patients can still have their normal daily lives without the impact of side effects even if the dose is increased to 540ug which is a high dose not possible for traditional second-generation interferon. Because of the above two reasons, the launch of P1101 sheds a glimmer of light on diseases that have unbreakable limits. Many international renown professors and physicians have contacted PharmaEssentia to express their interests in collaborating with us and plan to conduct more research together to benefit more patients.

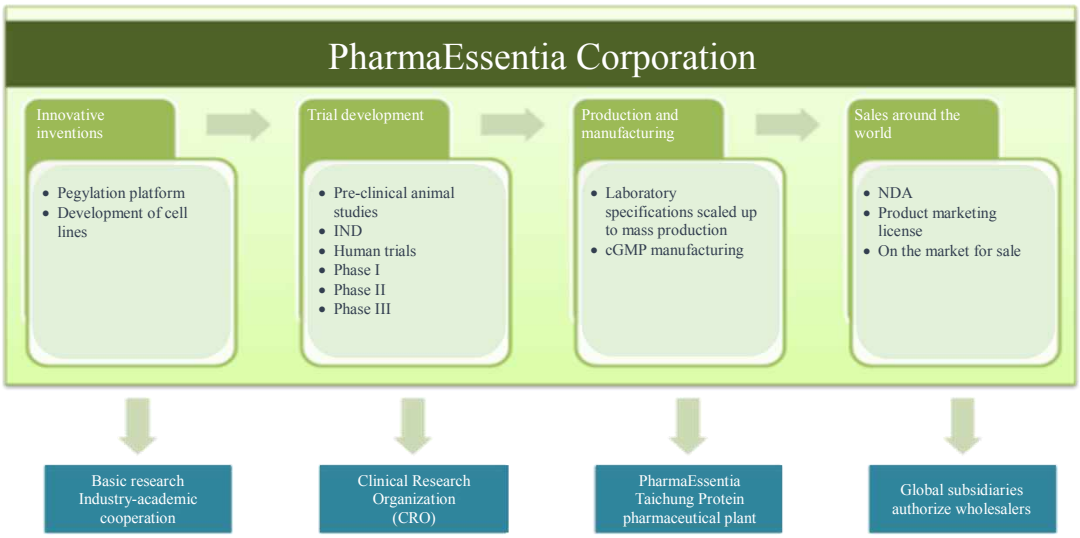
B. Planned licensees and areas of sales in the future

In addition to treating PV, we have developed clinical trials of P1101 for the treatment of other rare hematological diseases, including Essential thrombocythemia (ET), Primary Myelofibrosis (PMF), Chronic Myeloid Leukemia (CML), and Hepatitis (HBV/HCV). P1101 has received license approval for sale in the European Union, U.S., Japan, and Taiwan, and the sales teams established by PharmaEssentia in the United States, Japan, South Korea, China, and Taiwan is responsible for the sales of this drug in the US and Asia markets. And AOP Health has signed a licensing out agreement with us and is responsible for the sales of P1101 in the Europe markets. As for the south America markets, we have signed a business licensing agreement with Pint-Pharma GmbH for the sales of Ropeginterferon alfa-2b (P1101) in the seven countries in Latin America (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru).

Due to the fact that PharmaEssentia has received the license of P1101 for the treatment of polycythemia vera in the E.U., United States, and Japan, our chances of successfully obtaining the approval for the treatment of ET which is also in the family of myeloproliferative neoplasms will increase as well. ET is a rare hematologic disease in which patients are unable to produce normal-functioning blood cells and are manifested by excessive production of platelets. Currently, the standard drugs are Hydroxyurea and anagrelide. However, all drugs including anagrelide cannot cure essential thrombocythemia and patients may require lifelong medication. Moreover, no new drug was approved in the past 20 years. Because the hematologic symptoms of ET is highly similar to those of PV, the chance of launching the product for the treatment of ET based on the application of P1101 is increased. The main sales markets focus on the United States, China, South Korea, Japan, and Taiwan. We will also work together with our partners in each licensed markets and the local sales teams of PharmaEssentia in different areas to achieve the goal of profit maximization in global market.

C. Connections between upstream, midstream, and downstream industries

PharmaEssentia and its subsidiaries primarily engage in the research and development of new drugs, and the connections between the upstream, midstream, and downstream industries involved in the development of new drugs are expressed as follows:



PharmaEssentia and its subsidiaries are biotech and biopharmaceutical companies primarily focused on R&D, with new drug development being its main businesses. We are involved in the entire drug development process from innovation and invention to testing, development, production, and finally, marketing the finished products globally. The safety and efficacy of these drugs on humans must be strictly regulated by government agencies worldwide. Regulatory processes include prelisting reviews and postlisting supervisory mechanisms. Consequently, unlike general industries, the development, production, and marketing of new drugs by biotech and pharmaceutical industry typically involve the following processes:

i. Basic laboratory research and applied research stage: In this stage, domestic and foreign industrial–academic institutions and research agencies conduct basic laboratory research and applied research to explore the potential of a new drug or treatment.

ii. Technology and leads development stage: In this stage, the pilot plant verifies the commercial feasibility of a laboratory product and drafts the specifications and standards for batch production. The pilot plant also establishes methods for product analysis and equipment cleaning in order to meet statutory requirements.

iii. Preclinical testing stage: In this stage, the drugs produced under current good manufacturing practices undergo nonclinical animal tests—such as pharmacokinetic tests, toxicology tests, and pharmacological tests—to ensure that the drugs are effective in animals and have no safety concerns.

iv. Application to enter human clinical trials: Investigational new drug (IND) applications are submitted to drug and safety authorities to initiate human clinical trials. Clinical trials are typically conducted in three phases. Phase I involves determining the safety of the drug in healthy subjects. In Phase II, the efficacy of the drug is tested and experiments are conducted using possible drug dosages on a small number of patients. Before proceeding to Phase III, a certain level of reproducibility must be achieved. In Phase III, the efficacy of the drug

is verified and the long-term responses to the drug use are monitored in a large number of patients. After the Phase III trials, if expected results are obtained, NDA (new drug application) or BLA (biological license application) are submitted to drug and safety authorities for license approval for listing of the new drug.

v. Pharmaceutical manufacturing and registration (factory inspection): After the successful completion of the R&D procedures and after the safety and efficacy of the drug has been demonstrated in humans, the drug is prepared for commercial production. However, before the drug is manufactured and sold commercially, the manufacturing facilities are required to pass inspection by the drug and safety authorities.

D. Development trends of products

- Use of P1101 on treating rare hematological diseases

Use of P1101 for the treatment of myeloproliferative neoplasm (MPN), including polycythemia vera (PV), essential thrombocythemia (ET), and primary myeloidfibrosis (PMF). Polycythemia vera (PV) and primary essential thrombocythemia (ET) are rare hematological diseases, with low prevalence rates, rare, and affecting a small percentage of the population. The definition of rare disease varies by country. In Taiwan, the term of rare diseases in the Rare Disease and Orphan Drug Act is defined as: A disease with its prevalence rate under one in 10,000 people, along with other criteria such as whether genetic counseling is necessary or beneficial for disease prevention, the difficulty of diagnosing and treatment of the disease, the severity of the disease, and whether the treatment is covered under the existing national health insurance. In the United States, a disease that affects fewer than 200,000 people is defined as a rare disease. The Ministry of Food and Drug Safety (MFDS) of South Korea grants orphan drug license to facilitate the development and review of the treatment drugs for rare diseases, particularly drugs that treat diseases with a prevalence lower than 20,000 persons in South Korea, or those used to treat diseases that no suitable treatment is currently available in South Korea, or drugs with significantly improved safety or effectiveness compared with existing alternative drugs, etc.

The pathogenesis and characteristics of rare diseases vary, and they are often severe or life-threatening. Myeloproliferative neoplasms (MPNs) are a group of diseases characterized by abnormal mutation in bone marrow stem cells that can lead to an overproduction of blood cells. Classic MPNs can be distinguished into PV, ET, chronic myeloid leukemia (CML), and primary myelofibrosis (PMF). There is no effective treatment for treating those three diseases. Drugs can only control the symptoms but cannot cure the diseases.

According to the estimates shown in the report on 2022 global market for rare disease treatment released by Research and Markets, the global market for

rare disease treatment is projected to reach US$255.4 billion by 2028, with a CAGR of 12.5%. This growth is mainly attributed to the growing number of rare disease cases worldwide, government policies and initiatives, and increase in the R&D and marketing of new drugs. These statistics highlight the role of orphan drugs in the development of new drugs in recent years. Following is the explanation of the use of P1101 as a polycythemia vera (PV) and essential thrombocythemia (ET) treatment:

i. Polycythemia vera (PV)

Polycythemia vera (PV) typically progresses slowly and may not show visible symptoms for years. The onset of symptoms is mostly observed in elderly patients. The overproduction of red blood cells in PV leads to increased blood viscosity, which impedes blood flow to certain tissues and reduces oxygen supply. As a result, patients may experience symptoms such as headache, dizziness, weakness, and shortness of breath. Severe cases may also involve an enlarged spleen, blood clots, and an increased risk of stroke.

Traditional treatments for polycythemia vera (PV) include bloodletting, low dosages of aspirin, administration of hydroxyurea (HU), off-label use of Pegasys®, and bone marrow transplants. However, one in every four patients is unable to receive these treatment options. Moreover, these treatment options are associated with risks such as complications and leukemia. Before P1101 is approved for treatment, Jakafi, manufactured by Incyte Corporation, an American NASDQA-listed company, is the only PV treatment drug approved by the US Food and Drug Administration (FDA) in the United States, and its license was approved in December 2014. This drug, however, is only used as a second-line treatment when the aforementioned treatments are ineffective.

P1101, a drug developed by PharmaEssentia and approved by the European Medicines Agency (EMA) in February 2019 through the Company's Austrian partner, AOP Orphan Pharmaceuticals (the brand name is BESREMi®) is a treatment for polycythemia vera (PV). And P1101 was granted the license for PV treatment in May 2020 by the TFDA, and was later approved by the US FDA on November 12, 2021 to treat PV. P1101 is the first drug approved by the FDA for use in all PV patients, regardless of whether the patient has received other treatments before, the first drug approved by the FDA for treating adult PV patients, and also the first FDA-approved interferon therapy for the treatment of PV. The treatment guidelines released on February 28, 2022 by the US NCCN (National Comprehensive Cancer Network) has also listed BESREMi® as a treatment option for adult PV patients and declared it suitable for both high- and low-risk PV patients. BESREMi® is also the only cytoreduction therapy among all treatments for low-risk PV patients. PharmaEssentia's US subsidiary has officially launched the sale of P1101 in the US market and carried out various marketing campaigns across the United States as planned.

ii. Essential thrombocythemia (ET)

Essential thrombocythemia (ET) is a rare hematological disease characterized by the excessive production of platelets by the bone marrow; similar to polycythemia vera (PV), ET is associated with a mutation in the JAK2 gene. Current treatments for ET typically involve the administration of low doses of aspirin combined with Hydroxyurea (HU) treatments; however, approximately 20%–40% of patients become intolerant or resistant to HU. Resistance to treatment increases the risk of disease progression and reduces the survival rate of patients. Anagrelide (Agrylin/Xagrid) was approved by the US FDA as a second-line drug to treat ET in March 1997 and is the current standard treatment drug; however, it is associated with various side effects, including edema and diarrhea, and may cause vasodilation, heart palpitations, and heart failure. Individuals with a history of cardiovascular dysfunction must closely monitor any changes in their condition after taking Anagrelide. Patients with essential thrombocythemia (ET) are at exceedingly high risks of thrombosis and hemorrhage if they do not receive appropriate treatment. The use of P1101 for treating essential thrombocythemia (ET) has received US ODD. A multinational and multicenter Phase III clinical trials to observe the effects of P1101 on ET patients who have received HU treatments but either did not demonstrate the expected effects or for whom the treatment failed were carried out in September 2020 in a number of countries (8 countries including the United States, Taiwan, Japan, South Korea, and China) and subject recruitment has reached 75%. Data collection for the main efficacy indicators of the Phase III human trials is expected to be completed in 2024, after which applications for approval will be submitted.

- Use of P1101 for the treatment of chronic hepatitis

According to the Global Hepatitis Report 2017 released by the World Health Organization (WHO) in April 2017, more than 325 million people worldwide are hepatitis B and C carriers, and an estimated 71 million people worldwide are chronically infected with hepatitis C. In addition, most early-stage hepatitis C infections show no obvious symptoms and the detection rate is low, and of which the proportion of carriers who know that they are infected with the virus is not high. Therefore, the actual number of infected patients is likely to be much higher than the statistics shown above, and the number of deaths will rise as the number of infected patients increases. Hepatitis killed 1.34 million people in 2015, about the same number as that of HIV and tuberculosis (TB). Patients with chronic hepatitis B or hepatitis C need continuous treatment to prevent possible complications, liver cirrhosis and liver cancer, which may occur in the next 10~20 years. Patients with hepatitis show no obvious symptoms at the early stage, but will have uncomfortable symptoms like headache, nausea, and dizziness as the side effects after receiving interferon

treatment. At present, commercially available long-acting PEG-Intron® (Merck) and Pegasys® (Roche) are injected once a week and the side effects will present for two to three days after the injection. Once the patients get better, next treatment is on the way. And this cycle affects patients' daily lives, causing psychological and physical burdens on patients and thus is rejected by patients. Therefore, a new generation long-acting interferon with fewer side effects and longer dosing interval (one injection every two weeks) is much needed by patients with hepatitis.

Moreover, patients with hepatitis B and hepatitis D are also the treatment targets of interferon and therefore this coexist disease is likely to be categorized as a rare disease. Ongoing human trials include Phase I and II trials on the use of P1101 in treating patients with chronic hepatitis. These trials evaluate the safety and efficacy of using P1101 to continue administering anti-PD1 drugs to patients with Hepatitis B or D and who have not received interferon therapy (Phase I), and the safety and efficacy of the use of anti-PD1 antibody monotherapy and P1101 monotherapy followed by anti-PD1 antibody therapy for treating hepatitis B-induced hepatocellular carcinoma that recurs after surgical treatment were evaluated in phase I and phase II trials. Ten patients were selected and one have been treated. Subject recruitment of this trial is still ongoing.

- Cancer drugs

Statistics from the International Agency for Research on Cancer (IARC), a subsidiary of the World Health Organization, show that there were approximately 19.3 million new cancer cases and 10 million deaths worldwide in 2020. The global cancer drug market size reached US$1.35 trillion in 2020 and is expected to increase to US$2.74 trillion in 2030. Development of new cancer drugs has been a hot filed in recent years and many different types of drugs such as immune checkpoint inhibitor and antibody drug complexes (ADCs), novel target therapies, have been launched and created endless possibilities. The US market will remain the fastest growing market around the world, a growth rate of 12%~15%. Following is the current status on the cancer drugs, anti-PD-1 antibodies and Paclitaxel for oral administration:

i. Immune checkpoint inhibitors, anti-PD-1 antibodies

The function of cancer immunotherapy is to strengthen the activity of autologous immune cells and the autoimmune function will then detect and remove cancer cells that should be eliminated to maintain normal body functions. Of which, the monoclonal antibodies of PD-1/PD-L1 have high efficacy and good safety and has attracted major pharmaceutical companies around the world to invest in key areas of research and development. Immunotherapy focuses on improving efficacy and reducing the side effects of surgeries to enhance the quality of life as well as survival of patients.

The side effects of the long-acting interferon P1101 produced by PharmaEssentia are very mild and temporary. In addition, the range of dosage adjustment of this drug is large, allowing physicians to prescribe the drug for different indications or treat patients based on the severity of their diseases within a more flexible range. Of which, the development of cancer immunotherapy provides a variety of new weapons to cope with diseases and also gradually changes the market of cancer treatment. PharmaEssentia plans to join the group of studying anti- PD-1/ PDL-1 monoclonal antibodies by taking the advantages of production efficiency and quality control of biologics manufacturing with a hope that the immune response in patients can be enhanced to fight against various cancers by including P1101 in the treatment. Moreover, PharmaEssentia also will make a good use of this advantage to expand the scope of P1101 treatment and use the drug for treating the indications such as malignant melanoma, T-cell lymphoma, hairy cell leukemia and liver cancer.

E. Product competitiveness

PharmaEssentia has completed the clinical trial of the new generation long-acting interferon, P1101, for the treatment of polycythemia vera, and have obtained the license for sale in the United States, E.U., South Korea, Japan, Taiwan, Switzerland, and Israel. The ongoing clinical trials include the phase III trial for the treatment of essential thrombocythemia, trial of fast medication for the treatment of polycythemia vera, and the single-arm phase III clinical trial in the United States for the treatment of essential thrombocythemia. P1101 is the first interferon approved for the treatment of PV. Compared with traditional interferon, P1101 is long-acting with fewer side effects and without the limits of administration and treatment as traditional interferon does, and expands the indication as well as applicable scope of interferon α. Unlike traditional second-generation interferon α, which is injected once a week, P1101 is injected once every two weeks, and the frequency of administration can be extended to once every four weeks after the patient's condition is stabilized. Next, the dosage of P1101 can be adjusted according to the treatment needs of different patients because of its highly purified effective ingredients, and patients can still have their normal daily lives without the impact of side effects even if the dose is increased to 540ug which is a high dose not possible for traditional second-generation interferon, so that patients are more willing to receive the treatment. When compared with Protagonist Therapeutics, Incyte/Novartis, and generic drug, Jakafi® of Incyte/Novartis have been launched and licensed and qualified as an orphan drug, whereas the maximum number of PV patients to be treated, annual drug cost per person, first-line or second-line drug qualifications, and frequency of drug administration of P1101 are all better than Jakafi® of Incyte/Novartis, demonstrating that P1101-PV has a competitive advantage.

Drug	PTG-300	P1101-PV	Jakafi®	HU
Company	Protagonist Therapeutics	PharmaEssentia	Incyte/Novartis	Generic drugs
R&D phase	Phase III (Subject recruitment ongoing)	Product launch for sale	Product launch for sale	Product launch for sale
License issue date	Expected be listed in the U.S. in 2026	2019 for the E.U. 2020 for Taiwan 2021 for the United States 2021 for South Korea 2023 for Japan	2014 for the United States 2015 for the E.U.	Off-label use, no official approval
Expected highest number of treated PV patients	60,000 persons	100,000 persons	25,000 persons	Off-label use, no official approval
Drug price per person per year	Not yet listed	Approximately US$180,000	Approximately US$200,000	Approximately US$20,000
Orphan drug qualification	Qualified as an orphan drug	Qualified as an orphan drug	Qualified as an orphan drug	None
First-line or second-line drug	PV first-line	All adult PV patients	PV second-line, MF first-line	Off-label use for PV first-line

Data source: Organized by PharmaEssentia

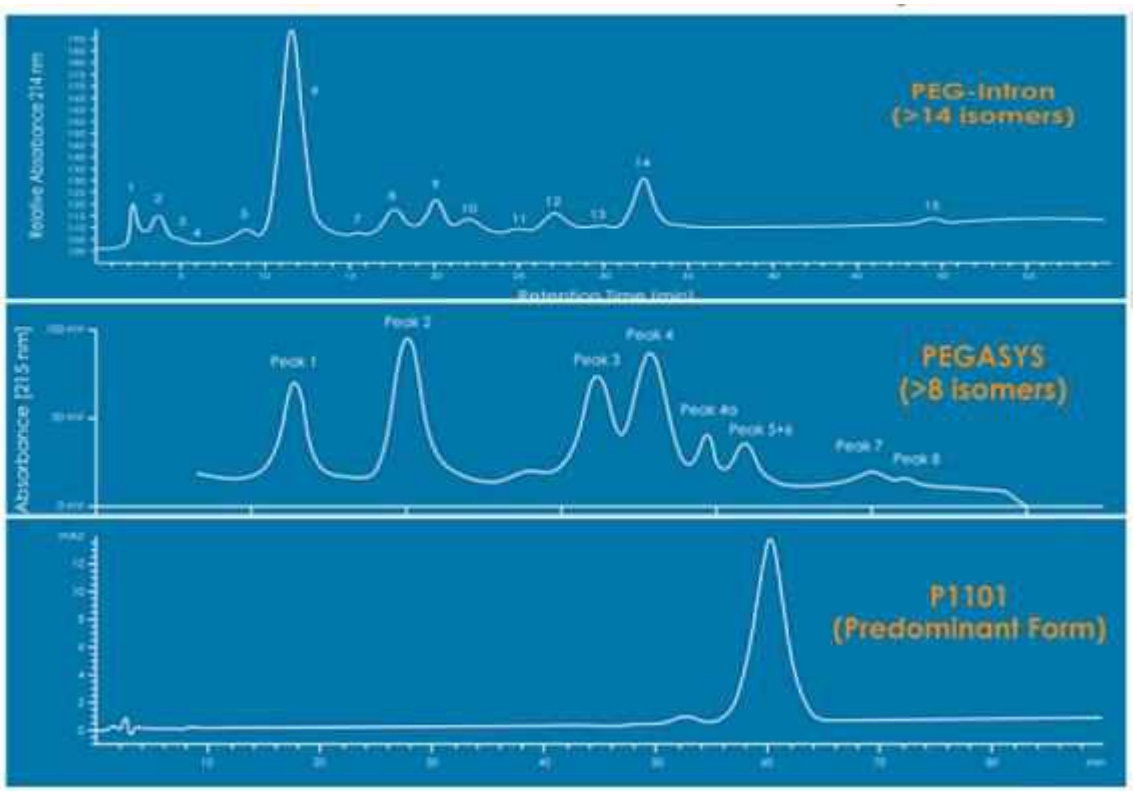
(3) Overview of technologies and R&D

A. Technical level and research and development of business operations

PharmaEssentia and its subsidiaries develops its own technologies. One such technology is the innovative PEGylation technique that allows the coupling of long-acting PEG molecules with proteins. In addition, we have developed a specific linker that can connect specific amino acids. The company's proprietary linker has been used to add proline onto the N-end of interferon-α for coupling. By leveraging the ability of proline to successfully couple PEGs and interferons, we have developed a highly pure (more than 95% being one component) new-generation pegylated interferon drug (PEG-P-IFN-α2b) with an extended duration of action. The development of long-acting drugs allows longer intervals between injections, which alleviates the burden on the patients and reduces the side effects, that is, the new drug, P1101. In addition, PharmaEssentia and its subsidiaries use this PEGylation platform to continue develop other long-acting protein drugs for hematologic diseases, for example, PEG-GH (long-acting growth hormone) and PEG-EPO (long-acting erythropoietin) for the treatment of infectious diseases such as hepatitis B and hepatitis C.

P1101 developed by PharmaEssentia and its subsidiaries is a new-generation PEG-interferon that was developed using the Company's proprietary PEGylation platform. By using the platform, we produced single 40K PEG-interferons through multiple levels of patent technology breakthroughs. P1101 offers more advantages and flexibility in its application, fewer side effects, longer-lasting action (one dose every two weeks), and more flexible dose adjustment (up to 540 μg) than other interferons. We compared the differences between the composition of P1101 and those of other interferons through high-performance liquid chromatography (HPLC). The high performance liquid chromatography (HPLC) profiles of PEG-Intron, Pegasys, and P1101 are depicted in the following figure:

HPLC results of PEG-Intron, PEGASYS, and P1101



During the analysis of PEG-Intron, Pegasys, and P1101, the different mixtures passed through the detector, which yielded different peak signals. Each peak detected represents a specific type of compound present in the sample. The substances contained in the analyte can be determined by analyzing and comparing these signals. In the HPLC analysis, PEG-Intron® and PEGASYS® exhibited 14 peaks and 8 peaks, respectively. Suggesting each contains 14 and 8 compounds. Based on the HPLC results and the results of the clinical trial of PEG-Intron® and PEGASYS®, we infer that the number of compounds present in a drug may be related to the severity of its side effects. Furthermore, only one peak of P1101 was detected in the HPLC spectrum, indicating that P1101 is a highly pure, long-acting interferon with a single principal component.

B. R&D Personnel and Their Educational Background

As of the end of March 2024, the educational background distribution of the Company's R&D personnel was as follows:

Education	Number of People	Percentage
PhD	20	23.26%
Master's Degree	65	75.58%
Bachelor's Degree	1	1.16%
Total	86	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	2019	2020	2021	2022	2023
R&D Expenses	639,575	922,380	1,272,776	1,425,964	2,224,054
Net Operating Revenue	305,692	557,257	656,506	2,882,042	5,105,615
As a Percentage of Net Revenue	209.22%	166.52%	193.87%	49.48%	43.56%

PharmaEssentia and its subsidiaries are new biotechnology drug companies. Although some drugs have been launched to generate revenue since 2019, we have not yet reached economic scale and continue to invest in various research projects and therefore the overall research and development expenditure for the period of 2018~2021 were all higher than the business revenue of that year. In November 2021, PharmaEssentia was granted the approval for P1101-PV license by the US FDA and P1101-PV was launched in the United States in December 2021, so the revenue in 2022 increased significantly and the research and development expenditure reduced consequently.

D. Technologies or products successfully developed in the past five years, as stated in the Company's annual report

Category	Product	Indication	R&D achievements
Blood diseases	P1101 Self-developed	Polycythemia vera (PV)	1. Approved by the EU in February 2019. 2. Approved by Taiwanese government in May 2020. 3. Approved by the US FDA in November 2021. 4. Approved by South Korean government in October 2021. 5. Submitted a new drug marketing application to Japan's PMDA in April 2022. 6. Entered Phase II clinical trials in accordance with requests from China's National Medical Products Administration (NMPA) at the end of April 2021; 49 patients have been recruited for the trials. Preliminary results were announced at the end of July 2022. 7. Notified by Japan's PMDA on February 10, 2023 that the Company's Taipei plant passed inspection. 8. Officially notified by China's NMPA on February 13, 2023 that the Company's marketing application for P1101-PV is being processed.

Category	Product	Indication	R&D achievements
		Essential thrombocythemia (ET)	In September 2020, Began recruiting for multinational and multicenter Phase III clinical trials in 8 countries including the United States, Taiwan, Japan, South Korea, and China. The main clinical trials are expected to take 3–4 years (due to the pandemic, the time needed to recruit participants was longer than anticipated); currently, recruitment has exceeded 75%. Data collection of the main efficacy indicators of the Phase III human trials is expected to be completed in 2024, after which applications for approval will be submitted.
		ECLIPSE - PV	Subject recruitment started in June 2023 and was conducted in the U.S. and Canada and recruitment is still ongoing.
		EXCEED - ET	Subject recruitment started in February 2023 and was conducted in the U.S. and Canada and recruitment is still ongoing.
Infectious diseases	P1101 Self-developed	Hepatitis B or D	A phase I clinical trial has been conducted to evaluate the safety and efficacy of administering P1101 followed by anti- PD1 drugs to patients with hepatitis B or hepatitis D who have not received interferon therapy. Currently, 10 patients have been selected, of which 1 has been treated. Subject enrollment is ongoing.
		Chronic hepatitis C genotype II	1. Recruitment for Phase II clinical trials in Taiwan was completed at the end of 2014. A memo from the Taiwan Food and Drug Administration (TFDA) greenlighting Phase III clinical trials was received in May 2015, and we began officially recruiting participants for Phase III trials in January 2016. 2. Approval from South Korea's Ministry of Food and Drug Safety (MFDS) to enter Phase III clinical trials was received in March 2016. 3. A total of 276 patients have been admitted into the Phase III clinical trials in Taiwan and South Korea, as mentioned above. 4. Phase III clinical trials in China were approved by the NMPA in December 2018, and patient recruitment was completed August 2019. The Phase III clinical trials were completed in 2020. 5. The pharmacokinetic study required by the TFDA has been completed, and relevant trial reports have been submitted to the TFDA for review on April 7, 2023, which is currently under review.

Category	Product	Indication	R&D achievements
Tumor diseases	Oraxol® (Oral paclitaxel) Cancer drug Licensed development	Breast cancer	On December 16, 2020, a GCP on-site inspection was conducted at the Tri-Service General Hospital for the pharmacokinetic clinical test cases necessary for registration in Taiwan. PharmaEssentia received a memo from the TFDA approving the trial reports on March 10, 2021. These reports can be used to support the registration of new drugs in Taiwan. Clinical trials will be integrated with mid-trial analyses from the Athenex Phase III clinical trials in South America. The trials will follow the review strategies in accordance with the regulations of the United States, United Kingdom, Australia, and New Zealand. The original plan was for PharmaEssentia to license Athenex in the United States in 2021 before applying for a drug license in Taiwan. However, in February 2021, the FDA stated that Athenex in its current form cannot be approved due to insufficient supplementary data. PharmaEssentia will make adjustments on its strategy when future steps become more apparent.
		Advanced stomach cancer and esophagus cancer	The clinical trials for the inspection and registration of Oraxol with ramucirumab solution to treat advanced esophageal cancer and stomach cancer were approved by the TFDA in April 2017. The clinical trial report is currently being written and is expected to be completed in 2024.
	Anti-PD1	Solid tumors	All related pre-clinical trials have been completed by Q4 of 2020 and the development of monoclonal antibody new drug platform has been initiated to improve GMP manufacturing process. The production of the study drug for Phase I clinical trials have been completed in compliance with GMP manufacturing. The research and development strategy primarily focuses on the fact that Anti-PD-1 antibody drugs can assist in the treatment of tumor-related diseases along with the drugs currently under development by the Company or cancer drugs that are expected to be developed (monoclonal antibodies, therapeutic protein drugs, and small molecule drugs). Moreover, because the price of the drug is relatively high, the Company has submitted the planning and pre-clinical data of Phase I trials to the CDE in March 2023 to validate the effectiveness of the anti-PD-1 antibody as a co-therapy to long-acting interferon P1101 for the purpose of developing high quality and stable anti-PD-1 antibodies. The official written reply from the CDE was received in July 31, 2023 and the IND application is expected to be submitted in the Q4 of 2023.
	TCR-T	Suitable for treating a number of solid tumors	TCRT is an autologous TCR-T cell therapy that targets solid tumors. The good tissue practice (GTP) plant of PharmaEssentia has entered TCR-T production and the product will be used in clinical trials (IND) in 2024 after submitting the application to the TFDA.
	PEGylated immunocytokine (long-acting PEGylated	For the treatment of a number of cancers and immune diseases.	The PEGylated immunocytokines selected include IL-2, IFNλ, IFNγ, and IL-15. Different activity analysis methods are currently under development and activity optimization test is planned to be completed this year while obtaining

Category	Product	Indication	R&D achievements
	immuocytokines)		potential targets to move forward. In terms of autoimmunity of IL-2, 3 potential protein designs have shown development potential and related PEG protein preparation and analysis of 40K and 20K were completed. PBMC in-vitro assays is currently underway and the preliminary data is relatively positive.
	PBMC in-vitro assays (immune checkpoint inhibitors)	For treating a number of solid tumors	The Company expects to explore the new filed of immunotherapy application through investing resources in the development of best-in-class/first-in-class potential new immune checkpoint antibodies to develop new drugs for treating leukemia and solid tumors. These immune checkpoint antibody drugs can be used to treat a wide range of indications, not limited to leukemia or solid tumors, and also include those diseases that have massive and unmet medical needs such as acute myeloid leukemia (AML), myelodysplastic syndromes (MDA), lung cancer, and pancreatic cancer, and each of these diseases has separate market potential worths billions.
Skin diseases	KX01 (Kinase inhibitor) Licensed development	Psoriasis and Actinic Keratosis	1. For the treatment of psoriasis with KX01, it is necessary to find the best treatment period for psoriasis at the highest dose of the treatment drug. Based on this result, the Company will decide on the plan for the phase III clinical trial. The Phase I clinical trials were completed in 2021, and the report was submitted to the TFDA in January 2022. The TFDA issued a memo dated February 16, 2022, notifying the conclusion of the case. 2. PharmaEssentia also has received the approval letter from the TFDA for registration of new drug for the treatment of Actinic Keratosis (AK) in September, 2022.
Growth hormone	Self-developed PEG-GH (long-acting Growth Hormone)	For treating diseases caused by insufficient growth hormone secretion from the pituitary gland, such as dwarfism and growth hormone deficiency in children	PharmaEssentia has established the cell line expressing growth hormone and the fermentation method and conducted fermentation testing. The PEGylation protein modification technology established by PharmaEssentia can be applied at any time to further develop long-acting PEG-GH. The PD test in rats has been completed and no significant difference in activity was observed when compared with the commercially available GH (PEG-rhGH, Jintrolong®).
Myelofibrosis (MF)	Early / Pre MF	For treating early and prefibrotic myeloid fibrosis (Early/pre-MF)	PharmaEssentia is currently planning a large-scale, multinational, multicenter, phase III clinical trial, which is anticipated to be conducted in the United States, Canada, Japan, South Korea, China, Hong Kong, Taiwan, and Singapore. The IND application is expected to be submitted in 2023.

(4) Short and long-term development strategies and plans

A. Short-term Development Strategy and Plan

In terms of short-term development strategy and plan, P1101 (new-generation long-acting interferon) was approved for market release by the EMA on February 19, 2019, and later approved by the US FDA in November 2021 for the treatment of PV. We will continue to apply for the license for the use of P1101 for treating PV in various countries around the world. We have also initiated Phase III clinical trials to evaluate the efficacy of P1101 in the treatment of essential thrombocythemia (ET) in 8 countries including the United States, Taiwan, Japan, South Korea, and China Clinical trials of P1101 for treating other indications will also be continued: including chronic Hepatitis B and other rare MPNs are ongoing.

B. Mid- and long-term development strategies and plans

In terms of mid- and long-term development strategies and plans, PharmaEssentia and its subsidiaries will expand the technology platform, in addition to continuing research and development of new PEGylated biological agents, we will expand the use of our chemical synthesis expertise to develop new small-molecule drugs. We will also develop new therapeutic protein drugs for cancer immunotherapy so that the cure rate of cancer can be significantly enhanced to benefit patients. Moreover, PharmaEssentia and its subsidiaries will develop new chemical entities (NCEs) and become a world-class professional pharmaceutical company with complete vertical integration, which will help enhance the visibility of PharmaEssentia in the international pharmaceutical R&D industry and secure PharmaEssentia's position in the world's pharmaceutical research and development.

C. Develop successful product commercialization models and expected schedules

PharmaEssentia has successfully developed the product P1101-PV, which has received the license in Europe, U.S., Japan, South Korea, and Taiwan. PharmaEssentia has exclusively authorized AOP to conduct the sales of P1101 in the European market, but the drug in the U.S., Japan, South Korea, and Taiwan are sold by PharmaEssentia and its subsidiaries in various countries, PharmaEssentia USA Corporation, PharmaEssentia Japan KK, and PharmaEssentia Korea Corporation. As for the Chinese market, the Company has been officially notified in February 2023 of acceptance of the marketing application for P1101-PV, and the drug is expected to be on the market for sale in 2024 after receiving the license by the subsidiary of PharmaEssentia, PharmaEssentia Biotechnology (Beijing) Ltd.

2. Overview of the market and production and sales

A. Market Analysis

i. Distribution of the Company's main products and services

As medical technology advances rapidly and innovative medical technologies continue to be developed, better medical strategies are developed specifically for each disease. Also, because consumers' medical needs have increased and they pay more attention to medical quality, biotechnology companies are driven to invest in new drug development. Our main product P1101 is used for the treatment of PV and is mainly sold in the U.S. Based on the analysis in the DelveInsight's report, the largest market in the world, the U.S. market, for PV was US$1.5 billion in 2022 and it is expected grow at an average annual compound rate of 14% in 2023, indicating the potential of the US market for PV treatment.

ii. Market Share

The marketing authorisation application for BERESMi®, as licensed to AOP, was approved by the EMA in February 2019. AOP has been actively expanding its market share. PharmaEssentia received a formal notification from the US FDA on November 12, 2021, that P1101 has been approved for the treatment of polycythemia vera (PV). Therefore, the Company's US subsidiary has officially launched the sale of P1101 in the US market and is actively attempting to expand its market share through various marketing campaigns across the United States.

iii. Supply and demand and market growth going forward

PharmaEssentia and its subsidiaries are primarily involved in the development of long-acting biological products and new drugs. The company's R&D strategy involves the use of its unique coupling technology to modify existing long-acting biological products. The R&D projects PharmaEssentia selected are all for market products that have generated annual sales of more than US$1 billion. Compared with the small molecule drugs sector, the biological product sector has less competitors due to the higher threshold required for the development of biological products. Furthermore, PharmaEssentia and its subsidiaries fully own their patented technology for synthesis, and the Company also owns pharmaceutical plants that are capable of controlling their own production schedule while manufacturing biological products and new drugs that meet the EU and US regulations. PharmaEssentia mainly develops products including drugs to treat hematological diseases, infectious diseases, and cancer, which are all rapidly expanding market sectors. PharmaEssentia and its subsidiaries expect to establish our presence and secure a share in the European and US markets for biological products and new drugs.

iv. Competitive niche

(A) A strong R&D team and multiple patents

The R&D teams of PharmaEssentia and its subsidiaries have extensive experience in new drug R&D accumulated over many years, and their

exceptional R&D achievements are the Company's and its subsidiaries' biggest assets. PharmaEssentia holds many patents in multiple countries in order to safeguard its R&D achievements and to ensure its ability to continue operations in the industry. In addition, the team remains up-to-date on the latest biological technologies and new drug development trends so that it can precisely select R&D items and the targets with the highest development potential after animal trials; and from that, it can begin human clinical trials and eventually reach marketing and sale goals.

(B) Familiarity with the international new drug market

Many team members of PharmaEssentia have worked with major US pharmaceutical companies, such as Biogen, Ionis, Amgen, Abott, and Johnson & Johnson, and some of them have worked in US FDA drug review teams. These members have extensive knowledge about the US new drug market and keep themselves updated on the shifts in market demands, competitors' R&D activities, and changes to laws and regulations. Their insights form the foundation of the PharmaEssentia's and its subsidiaries' new drug development–related business strategies, from R&D to clinical trials and international marketing.

(C) Self-production and manufacturing capabilities

PharmaEssentia completed the construction of our plant manufacturing biological products and new drugs in October, 2012, and the plant was granted GMP certification from the TFDA in April 2013 for operation. We hired several teams of international experts in the establishment of pharmaceutical factories. For example, NNE, a Danish pharmaceutical engineering company, was in charge of planning and design. Synertec, an Australian company, oversaw the establishment of the validation and documentation systems. Racho Jordanov, a biotech pioneer with experience in establishing 11 biological products and new drug factories, served as the Company's chief consultant. The construction of the plant was executed by a Taiwanese contractor firm, L&K Engineering Company. The construction process provided PharmaEssentia with a comprehensive and international experience and PharmaEssentia is also the first in Taiwan's biotech industry to introduce the experience of building a new drugs factory of biological products. Following the continuous optimization afterwards, the plant was granted the GMP certification from the EMA in January 2018 and passed the plant inspection conducted by the US FDA in September 2022 and the PMDA of Japan in December 2022. The plant meets the international standards for commercially producing the self-developed P1101 long-acting interferon. The drug license application for P1101 in the treatment of Polycythemia vera (PV) was approved by the E.U., U.S., and Japan in February 2019, November 2021, and March 2023, respectively, and P1101 is produced by the new plant of PharmaEssentia for manufacturing biological products. Having a factory for the development of biological products and new drugs that meets international

standards has enabled PharmaEssentia to expand its manufacturing abilities from R&D and laboratory processes to mass production standards that meet international codes. This has enabled the Company to implement better quality control measures and have the advantage of absolute control over costs.

PharmaEssentia's strategy for new drug development is focused on rare diseases because of the limited competition and higher drug prices. Furthermore, PV patients require continual administration of medication, as a result of which, the cumulative number of patients will continue to increase. The primary target markets for the treatment of rare hematological diseases are advanced European countries and the United States, which can afford costly new drugs. Furthermore, these countries prioritize the development of orphan drugs and offer preferential policies that are conducive to the sale of P1101 in these regions.

(D) Support from government policies around the world

In addition to considering the marketability of drugs, PharmaEssentia and its subsidiaries continue to develop drugs for treating the rare disease, polycythemia vera (PV). Rare diseases refer to diseases with low prevalence, rareness, and few affected people. PharmaEssentia's and its subsidiaries' strategy for new drug development is focused on rare diseases because of the limited competition and higher drug prices. Furthermore, PV patients require continual administration of medication, as a result of which, the cumulative number of patients will continue to increase. The primary target markets for the treatment of rare hematological diseases are advanced European countries and the United States, which can afford costly new drugs. Furthermore, these countries prioritize the development of orphan drugs and offer preferential policies that are conducive to the sale of P1101 in these regions. Moreover, P1101 is also used for the treatment of many indications. In particular, P1101 has obtained the orphan drug license from the US FDA in 2012 for treating PV in the U.S. and are entitled to monopoly on the market for seven years once introduced to the market after receiving the license from the US FDA in November 2021. Within the seven-year period, in principle, the US FDA will not approve other interferons as the treatment for PV. In addition, use of P1101 for the treatment of ET and MF had also been granted the orphan drug license by the US FDA in 2014, which is helpful for shortening the duration of review of the IND application.

(E) Multiple Products in Varied R&D Stages

PharmaEssentia's and its subsidiaries' timeline for developing new drugs is lengthy. Therefore, focusing on the development of a single product will mean that no other products will be ready to be commercialized and generate income after the developed product is launched. Furthermore, the redevelopment of products requires large amounts of time and resources, which can cause operational difficulties for the Company. In addition to developing the most advanced long-acting interferon, P1101, PharmaEssentia

has continued to develop other long-acting protein drugs such as PEG-GH (long-acting growth hormone) and PEG-EPO. PharmaEssentia has also initiated the development of new types of cancer immunotherapies for the next decade. In addition to the Company's own R&D, we have also brought in capabilities for developing new products and technologies (Oraxol oral cancer drug and 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. Future advantages, obstacles, and countermeasures

(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 US (ODD) and will be entitled to monopoly on the market for seven years 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. Possess key technology patents

The Company and its subsidiaries are 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. In addition to developing the most advanced long-acting interferon, P1101, PharmaEssentia has continued to develop other long-acting protein drugs, such as PEG-GH and PEG-EPO, and has initiated the development of new types of cancer immunotherapies for the next decade.

(b) Besides independent R&D, the Company is capable of introducing technologies for the development of new products. 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) Obstacles and countermeasures

Obstacles	Countermeasures
Development of protein drugs requires longer time and manufacturing of such drugs is rather difficult	The goal is to develop and improve the long-acting protein drugs currently available on the market by reducing the uncertainty of drug safety and shortening the time required for research and development and investment risks.
The market of biosimilar drugs is becoming more competitive	To develop biosimilar drugs with high technical thresholds and high entry barriers, a rigorous evaluation process should be conducted when selecting R&D products, including technology, market, patents and regulations, so as to ensure that product development can be successfully completed and drug inspection as well as license registration can be approved in the shortest possible time.
Shortage of biotech talents is a problem in Taiwan, especially those with practical experience in protein chemistry.	We actively cooperate with the government to launch the Training and Development Program for Advanced Biotech Talents to look for appropriate talents and provide training to suit our needs, so as to achieve a win-win situation between industry and academic

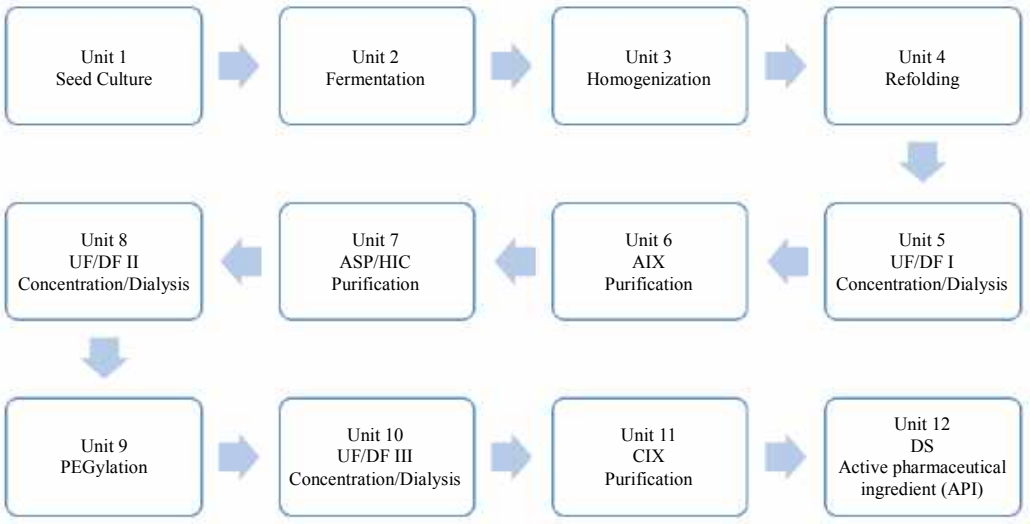
B. Important uses and production process of currently marketed products

i. Important applications of main products:

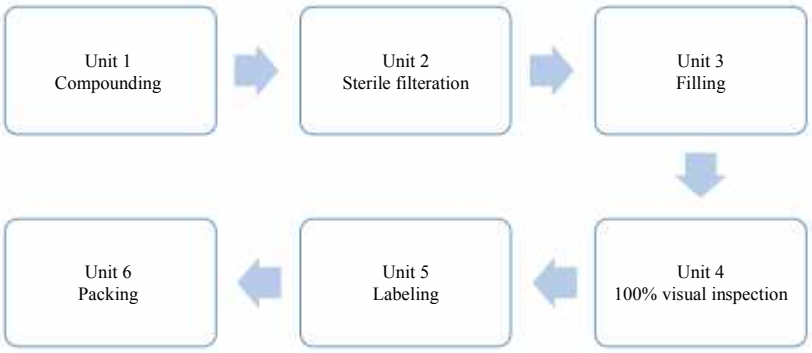
PharmaEssentia and its subsidiaries are companies that specialize in the R&D and manufacturing of new protein drugs by using its self-developed PEG platform for developing long-acting protein drugs and technology for synthesizing small molecule drugs. Our current focus is on developing drugs for the treatment of hematological diseases, infectious diseases, and tumors. In addition to the drug licenses for the indication of PV that have been granted in the US, Europe, Japan, Taiwan, and South Korea, we have also initiated multinational and multicenter ET clinical trials worldwide as part of our endeavors to expand product benefits.

ii. Production process of main products:

Production Process of API (active pharmaceutical ingredient)



Process of Filling Injections



For the Japanese, Taiwan and Korean markets, the Taichung plant produces API and fills injections. As for the US market, the Taichung plant will produce API and then filling of the injections will be completed by retained vendors in the United States. In the European market, the product is sold in the form of pen-type syringes, not injections, and the API is produced by the Taichung plant and then filling of the injections will be completed by retained vendors in Germany.

iii. Plant qualifications

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, in January 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. Afterwards, the US FDA and PMDA in Japan conducted plant inspection in September 2021 and December 2022, respectively, and the plant passed both of the GMP inspections. Thus far, the Company has obtained the license for P1101-PV in the E.U., U.S., South Korea, Japan, and Taiwan for treating PV and production can be started in the Taichung biologics plant and a global supply chain can be established based on global marketing planning and sales demands.

C. Supply of primary materials

PharmaEssentia and its subsidiaries are biotech and pharmaceutical companies that emphasize R&D and are dedicated to discovering new drugs and conducting clinical trials. During the drug development process, researchers select the raw materials with the highest quality and purity based on expert judgment from the literature and R&D results. PharmaEssentia and its subsidiaries prioritize the maintenance of the quality of our drugs and ensure that the materials used in each experimental stage are obtained from the same supplier. We avoid replacing suppliers of materials used in the development of new drugs. Consequently, we source our raw materials used in each stage of new drug development from internationally reputed vendors and major vendors have not yet reported any significant abnormalities in production capacity as well as production operations, and relevant vendors all meet the requirements of PIC/S GMP for pharmaceutical production, so as to ensure the quality and stability of the supply chain.

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 (%)
2022	2,882,042	812,288	2,069,754	71.82%
2023	5,105,615	610,544	4,495,071	88.04%

Explanation for Major Gross Profit Margin Change: The increase in gross profit margin in 2023 compared to 2022 was mainly due to the acquisition of new drug product P1101 PV US FDA approval in November 2021 and sales in the US market starting in December 2021, leading to a higher proportion of P1101 PV drug sales in 2023 compared to 2022.

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	2022				2023			
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	X Company	96,711	22.10	None	X Company	101,473	32.08	None
2	Y Company	77,613	17.70	None	Y Company	66,584	21.05	None
3	Z Company	77,421	17.70	None	ZZ Company	35,559	11.24	None
4	ZZ Company	46,206	10.60					
	Others	139,516	31.90		Others	112,672	35.63	
	Total	437,467	100		Total	316,288	100	

The main suppliers accounting for more than ten percent of the procurement amount in 2022 and 2023 are mainly suppliers of hemophilia drugs. Due to the impact of Covid pandemic, those vendors stocked up in full force in 2022, resulting in a relative decrease in the purchase of raw materials in 2023.

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	2022				2023			
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	E Company	613,830	21.30	None	B Company	1,050,720	20.58	None
2	A Company	531,273	18.43	None	Company	759,633	14.88	None
3	B Company	443,171	15.38	None	D Company	736,751	14.43	None
4	C Company	357,633	12.41		A Company	647,474	12.68	None
	Others	936,135	32.48		Others	1,911,037	37.43	
	Total	2,882,042	100.00		Total	5,105,615	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. For the American market, PharmaEssentia has obtained the drug license from FDA in November 2021. Therefore, the year 2022 is the first full year after obtaining the FDA drug certificate. The revenue contribution has grown significantly as there is great efforts from US subsidiary into building sales channels and increase insurance coverage.

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	2022			2023		
Volume / Product	Capacity	Quantity	Amount (Note)	Capacity	Quantity	Amount (Note)
P1101	-	65,603,900	904,445	-	67,333,800	635,451
PharmaQ10	-	864	3,325	-	834	1,555

Note: cost of goods manufactured.

G. Sales Volume for the Most Recent 2 Years:

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

Year	2022				2023			
Volume / Product	Domestic Sale		Export		Domestic Sale		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Sale of goods	819	300,877	105	2,578,526	758	310,699	54	4,783,531
Research Income	-	2,639	-	-	-	11,385	-	-
Total	819	303,516	105	2,578,526	758	322,084	54	4,783,531

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

Unit: Person; Year

Year		2022	2023	As of March 31, 2024
Number of Employees	Manager or above	134	194	198
	General employee	325	366	370
	Total	459	560	568
Average Age		40.74	42.42	42.96
Average Years of Service		3.89	4.02	4.04
Education Level Percentage (%)	PhD	53	73	72
	Master's Degree	236	273	273
	Bachelor's Degree	162	203	212
	High School or below	8	11	11

4. Environmental Protection Expenditures

(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 (valid till 2023/3/25); Permit no. for emitting stationary pollution: CTSPESD No. BC061-08 (valid till 2024/10/2)

B. Water pollution prevention:

Permit no. for water pollution prevention: CTSPEWP No. BD017-10 (valid till 2025/12/17)

C. Waste removal and disposal: Permit for the waste removal and disposal: No. B10110080005 (valid from 2023/1/19~2028/1/19)

D. Handling of toxic chemical substances：Permit for handling of toxic chemical substances from Taichung Environmental Protection Bureau No. 000023 (valid till 2025/3/11)

(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. Since the fourth quarter of 2022, the Environmental Protection Agency has required emergency generators (diesel) to be included in the scope of declaration, so there is no need to pay air pollution control fees.

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	2019	2020	2021	2022	2023
Amount	NT$138,000	NT$134,000	NT$123,000	NT$184,000	NT$210,000

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 2022 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	2019	2020	2021	2022	2023
Amount	NT$484,000	NT$632,000	NT$609,000	NT$671,000	NT$1,409,000

(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.
Vendor responsible for waste clearance	6. How Well Environmental Engineering Co., Ltd.	Waste Clearance Permit	111 Taichung City Fei-Jia-Qing No. 0131
	7. Skylark Technology Enterprise Co., Ltd.		108 Taichung City Fei-Qing No. 0074
	8. Nanke Environmental Technology Co., Ltd.		109 Taichung City Fei- Jia-Qing No. 0006
	9. Shin Shin Environmental Protection Engineering Co., Ltd.		110 Taichung City Fei-Yi-Qing No. 0060
Vendor responsible for waste disposal	1. Taichung City Incineration Plant	Waste Disposal Permit	-
	2. How Well Environmental Engineering Co., Ltd.		112 Nantou County Fei-Yi-Qing No. 0009
	3. How-Well Health Care Waste Treatment Co., Ltd.		Fu-Shou-Huan-Fei No. 1080285481
	4. Resource Recycling Facility, Environmental Resource Management 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(P103、P104、P105、P106) and sampling platforms, which will be included in the existing operating facilities (the Company has obtained the permit for emitting stationary pollution in October 2022)

(8) Workplace and Employee Safety and Protection Measures

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	Restrictions Restrictive covenants
Licensing agreement	AOP Orphan Pharmaceuticals GmbH (previously known as AOP Orphan Pharmaceuticals AG)	2009/9/1 ~2039/8/31	Said company is retained to conduct clinical trials of P110 on adult PV patients, ET patients, and IMF patients in Europe/Russia/middle East, and has the right to sell the drug in these areas.	In compliance with the provisions of the agreement
Clinical research	Company AA	2010/12/7 ~end of research	Said company is retained for Phase I and Phase II clinical trials of P1101 for chronic 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.	In compliance with the provisions of the agreement
Clinical research	Company BB	2020/3/15 ~trials completed	Said company was retained for Phase III clinical trials of P1101 for hepatitis C virus genotype 2 in China.	In compliance with the provisions of the agreement
Clinical research	Medpace Inc.	2020/8/14 ~trials completed	Said company was retained for conducting the clinical trial of P1101 for the treatment of essential thrombocythemia (ET) in the United States, Taiwan, and Hong Kong.	In compliance with the provisions of the agreement
Clinical research	EPS International Holdings Co., Ltd. (EPSI)	2020/9/29 ~trials completed	Said company was retained for clinical trials of P1101 for the treatment of essential thrombocythemia (ET) in Japan, South Korea, and China.	In compliance with the provisions of the agreement
Commissioned manufacturing	Company DD	2021/2/17 ~services completed	Original equipment manufacturer (OEM) of pharmaceuticals in Germany was retained for filling	In compliance with the provisions of the agreement

Contract type	Business partners	Contract period	Content	Restrictions Restrictive covenants
Joint venture agreement	Company FF	Effective on 2014/01/20	The main purpose of joint venture is to help with the application for clinical trials, conducting clinical trials, applying for drug license and marketing of P1101 after receiving drug approval in China	In compliance with the provisions of the agreement
Land bid	Taoyuan City Government	2022/9/19–title transfer completed	In response to future market need and production capacity expansion, the company purchase the land to build injection filling plants and warehousing and logistics centers	In compliance with the provisions of the agreement
Clinical research	Company GG	Effective on 2023/1/19	Said company was retained to conduct clinical trial of P1101 on adult PV patients and ET patients	In compliance with the provisions of the agreement
Engaging others to build on rented land	Company HH	Effective on 2023/03/15 and valid through the construction is completed and the warranty is ended	New construction of the Zhubei plant, planning of additional production lines and expansion of new plants	In compliance with the provisions of the agreement
Licensing agreement	Company Q	Effective on 2023/06/02 and valid through 10 years after the license for the first indication in Brazil is issued	Said company is retained for license application and commercial sales of P1101 in central and south America including Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru	In compliance with the provisions of the agreement

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. Consolidated Balance Sheet – IFRS

Unit: NT$1,000

Item \ Year		Consolidated Financial Data for the Past 5 Years				
		2019	2020	2021	2022	2023
Current Assets		1,919,122	4,147,424	4,926,661	13,374,973	22,896,158
Property, Plant, and Equipment		423,190	419,332	374,384	571,837	1,780,670
Intangible Assets		98,234	220,654	246,249	236,881	267,911
Other Asset		518,864	743,776	650,889	1,148,937	2,324,578
Total Assets		2,959,410	5,531,186	6,198,183	15,332,628	27,269,317
Current Liabilities	Before Distribution	336,678	1,086,699	1,411,962	2,550,348	2,152,093
	After Distribution	336,678	1,086,699	1,411,962	2,550,348	2,152,093
Noncurrent Liabilities		367,656	524,777	535,840	641,065	1,169,074
Total Liabilities	Before Distribution	704,334	1,611,476	1,947,802	3,191,413	3,321,167
	After Distribution	704,334	1,611,476	1,947,802	3,191,413	3,321,167
Equity Attributable to Owner of the Parent Company		2,255,076	3,919,710	4,250,381	12,141,215	23,948,150
Capital Stock		2,250,438	2,634,183	2,769,036	3,024,556	3,402,639
Capital Surplus		875,656	3,727,229	4,697,388	13,421,262	24,092,179
Retained Earnings	Before Distribution	(843,512)	(2,144,028)	(2,811,152)	(4,185,557)	(631,187)
	After Distribution	(843,512)	(2,144,028)	(2,811,152)	(4,185,557)	(631,187)
Other Equity		(27,506)	(40,435)	(60,150)	(31,544)	(110,373)
Treasury Shares		-	(257,239)	(344,741)	(87,502)	(2,805,108)
Noncontrolling Interests						
Total Equity	Before Distribution	2,255,076	3,919,710	4,250,381	12,141,215	23,948,150
	After Distribution	2,255,076	3,919,710	4,250,381	12,141,215	23,948,150

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				
	2019	2020	2021	2022	2023
Operating Revenue	305,692	557,257	656,506	2,882,042	5,105,615
Gross Profit	243,989	183,934	277,650	2,069,754	4,495,071
Income (Loss) from Operations	(849,223)	(1,715,852)	(2,822,408)	(2,082,192)	(1,913,394)
Nonoperating Income and Expenses	7,079	(232,164)	11,420	186,321	926,460
Profit (Loss) before Income Tax	(842,144)	(1,948,016)	(2,810,988)	(1,841,871)	(986,934)
Profit (Loss) from Continuing Operations	(842,994)	(1,948,142)	(2,810,988)	(1,374,810)	(623,835)
Loss from Discontinuing Operations					
Net Income (Loss)	(842,994)	(1,948,142)	(2,810,988)	(1,374,810)	(623,835)
Other Comprehensive Income (Loss) for the Year (Net After Income Tax)	926	(13,089)	(19,879)	29,011	119,374
Total Comprehensive Income (Loss) for the Year	(842,068)	(1,961,231)	(2,830,867)	(1,345,799)	(504,461)
Net Income (Loss) Attributable to: Owners of the Parent Company	(842,994)	(1,948,142)	(2,810,988)	(1,374,810)	(623,835)
Net Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	(842,068)	(1,961,231)	(2,830,867)	(1,345,799)	(504,461)
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Earnings Per Share (NT$)	(3.85)	(8.04)	(10.80)	(4.84)	(1.93)

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. Parent Company Only Balance Sheet – IFRS

Unit: NT$1,000

Item \ Year		Consolidated Financial Data for the Past 5 Years				
		2019	2020	2021	2022	2023
Current Assets		1,882,742	3,622,211	4,603,832	14,384,781	16,462,522
Investments Accounted for Using the Equity Method		53,300	301,528	141,121	289,446	6,419,839
Property, Plant, and Equipment		414,218	403,968	348,391	548,889	1,615,902
Intangible Assets		80,938	199,864	226,317	217,010	242,011
Other Asset		447,432	577,451	554,462	797,052	1,347,385
Total Assets		2,878,630	5,105,022	5,874,123	16,237,178	26,087,659
Current Liabilities	Before Distribution	314,540	780,100	1,060,082	678,634	1,284,378
	After Distribution	314,540	780,100	1,060,082	678,634	1,284,378
Noncurrent Liabilities		309,014	405,212	563,660	3,417,329	855,131
Total Liabilities	Before Distribution	623,554	1,185,312	1,623,742	4,095,963	2,139,509
	After Distribution	623,554	1,185,312	1,623,742	4,095,963	2,139,509
Equity Attributable to Owner of the Parent Company		2,250,438	2,634,183	2,769,036	3,024,556	3,402,509
Capital Stock		875,656	3,727,229	4,697,388	13,421,262	24,092,179
Retained Earnings	Before Distribution	(843,512)	(2,144,028)	(2,811,152)	(4,185,557)	(631,187)
	After Distribution	(843,512)	(2,144,028)	(2,811,152)	(4,185,557)	(631,187)
Other Equity		(27,506)	(40,435)	(60,150)	(31,544)	(110,373)
Treasury Shares			(257,339)	(344,741)	(87,502)	(2,805,108)
Noncontrolling Interests Total Equity	Before Distribution	2,255,076	3,919,710	4,250,381	12,141,215	23,948,150
	After Distribution	2,255,076	3,919,710	4,250,381	12,141,215	23,948,150

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. Parent Company Only Statement of Comprehensive Income – IFRS

Unit: NT$1,000

Item \ Year	Consolidated Financial Data for the Past 5 Years				
	2019	2020	2021	2022	2023
Operating Revenue	305,692	280,363	311,309	5,001,046	1,545,209
Gross Profit	243,989	152,939	179,269	4,293,026	1,128,897
Income (Loss) from Operations	(640,264)	(1,122,705)	(1,458,809)	(1,019,737)	(1,480,783)
Nonoperating Income and Expenses	(202,730)	(825,437)	(1,352,179)	(564,995)	862,893
Profit (Loss) before Income Tax	(842,994)	(1,948,142)	(2,810,988)	(1,584,732)	(617,890)
Profit (Loss) from Continuing Operations	(842,994)	(1,948,142)	(2,810,988)	(1,374,810)	(623,835)
Loss from Discontinuing Operations	-	-	-	-	-
Net Income (Loss)	(842,994)	(1,948,142)	(2,810,988)	(1,374,810)	(623,835)
Other Comprehensive Income (Loss) for the Year (Net After Income Tax)	926	(13,089)	(19,879)	29,011	119,374
Total Comprehensive Income (Loss) for the Year	(842,068)	(1,951,231)	(2,830,867)	(1,345,799)	(504,461)
Earnings Per Share (NT$)	(3.85)	(8.04)	(10.80)	(4.84)	(1.93)

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
2019	Chien-Ju Yu, Li-Huang Lin	Ernst & Young	An unqualified opinion (with emphasis of matter paragraph)
2020	Chien-Ju Yu, Li-Huang Lin	Ernst & Young	An unqualified opinion (with emphasis of matter paragraph)
2021	Chien-Ju Yu, Li-Huang Lin	Ernst & Young	An unqualified opinion (with emphasis of matter and other matter paragraph)
2022	Chien-Ju Yu, Li-Huang Lin	Ernst & Young	An unqualified opinion
2023	Chien-Ju Yu, Chiao-Ying Chang	Ernst & Young	An unqualified opinion

B. Reason for Change in CPA

Due to internal job rotation at Ernst & Young, Li-Huang Lin will be replaced by Chiao-Ying Chang, starting from the first quarter financial report of 2023.

2. Financial Analysis

(1) Consolidated financial analysis – IFRS

Analysis Item (Note) \ Year			Consolidated Financial Data for the Past 5 Years				
			2019	2020	2021	2022	2023
Financial Structure	Debt Ratio (%)		23.80	29.13	31.43	20.81	12.18
	Long-Term Fund for Property, Plant, and Equipment (%)		654.92	1,087.75	1,330.12	2,348.12	1,496.30
Solvency	Current Ratio (%)		570.02	381.65	348.92	524.44	1,063.90
	Quick Ratio (%)		473.86	337.11	277.63	473.70	979.02
	Times Interest Earned		(111.24)	(234.98)	(280.94)	(98.41)	(20.14)
Operating ability	Average Collection Turnover (Times)		2.74	1.71	1.43	4.56	4.84
	Average Collection Days for Receivables		133	213	255	80	75
	Average Inventory Turnover (Times)		0.27	0.94	0.53	0.75	0.44
	Average Payment Turnover (Times)		2.50	3.58	2.14	3.99	3.39
	Average Inventory Turnover Days		1,352	388	689	487	830
	Property, Plant, and Equipment Turnover (Times)		0.86	1.38	1.71	6.38	4.60
	Total Assets Turnover (Times)		0.11	0.13	0.11	027	0.24
Profitability	Return on Total Assets (%)		(29.04)	(45.73)	(47.79)	(12.63)	(2.75)
	Return on Equity (%)		(35.67)	(63.10)	(68.81)	(16.77)	(3.46)
	Pre-tax Income to Paid-in Capital Ratio (%)	Income from Operations	(37.74)	(65.14)	(101.93)	(67.06)	(56.23)
		Pre-tax Income	(37.50)	(73.96)	(101.52)	(60.90)	(29.00)
	Net Margin (%)		(275.77)	(349.59)	(428.17)	(47.70)	(12.22)
	Earnings Per Share (NT$)		(3.85)	(8.04)	(10.80)	(4.84)	(1.93)
Cash Flow	Cash Flow Ratio (%)		Note 1	Note 1	Note 1	Note 1	註 1
	Cash Flow Adequacy Ratio (%)		註 1	註 1	註 1	註 1	註 1
	Cash Flow Reinvestment Ratio (%)		註 1	註 1	註 1	註 1	註 1
Leverage	Operating Leverage		註 2	註 2	註 2	註 2	註 2
	Financial Leverage		註 2	註 2	註 2	註 2	註 2

The reasons for the 20% change in the financial ratios for the last two years are as follows:

1) Debt ratio: In 2023, the Company conducted a cash capital increase by issuing common shares to participate in the issuance of overseas depositary receipts, leading to an increase in total assets and a decrease in the ratio.
2) Long-term capital to property, plant and equipment: Due to the expansion of the Zhubei Plant and Taoyuan Aviation City construction projects, the property, plant and equipment increased significantly compared to 2023, resulting in a decrease in that ratio.
3) Current ratio and quick ratio: In 2023, the issuance of common stocks for participating in the issuance of overseas depositary receipts and the repayment of bank loans by subsidiaries resulted in an increase in current and quick assets and a decrease in current liabilities, leading to an increase in the ratio.
4) Interest coverage ratio: Due to significant revenue growth in 2023, the net loss decreased compared to 2022, leading to an increase in that ratio.
5) Inventory turnover and average selling days: Due to multiple countries approvals and setting up new production lines, inventory has increased, leading to a decrease in inventory turnover rate and an increase in average days of sales.
6) Property, plant and equipment turnover rate and total asset turnover rate: As the number of patients using the P1101-PV drug in the US market continues to increase, revenue has grown compared to 2022. Additionally, due to the expansion of the Zhubei factory and the construction project in the Taoyuan Aviation City, the property, plant and equipment have significantly increased. The increase in equipment is greater than the growth in revenue, resulting in a decrease in the ratio.
7) Profitability-related ratios: Due to increased sales contributions in the US market, the loss in 2023 narrowed slightly compared to 2022. Additionally, a cash capital increase was conducted in 2023 to issue common stock for participation in the issuance of overseas depositary receipts, leading to an increase in total assets and shareholders' equity, resulting in higher related ratios.

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				
			2019	2020	2021	2022	2023
Financial Structure	Debt Ratio (%)		21.66	23.22	27.64	25.23	8.20
	Long-Term Fund for Property, Plant, and Equipment (%)		649.54	1,089.61	1,435.27	2,984.14	1,638.18
Solvency	Current Ratio (%)		598.57	464.33	434.29	2,119.67	1,281.75
	Quick Ratio (%)		497.37	406.15	329.53	1,924.51	1,192.28
	Times Interest Earned (%)		(133.26)	(287.78)	(356.04)	(178.27)	(52.72)
Operating Ability	Average Collection Turnover (Times)		2.74	1.45	1.48	4.20	1.02
	Average Collection Days for Receivables		133	252	247	87	358
	Average Inventory Turnover (Times)		0.27	0.33	0.19	0.83	0.43
	Average Payment Turnover (Times)		2.51	4.66	5.84	25.83	12.05
	Average Inventory Turnover Days		1,352	1,106	1,921	440	849
	Property, Plant and Equipment Turnover (Times)		0.87	0.71	0.85	11.68	1.52
	Total Assets Turnover (Times)		0.11	0.07	0.06	0.45	0.07
Profitability	Return on Total Assets (%)		(29.56)	(48.67)	(51.09)	(12.37	(2.90)
	Return on Equity (%)		(35.67)	(63.10)	(68.81)	(16.77)	(3.46)
	As a Percentage of Paid-in Capital Ratio (%)	Income from Operations	(28.45)	(42.62)	(52.68)	(33.72)	(43.52)
		Pre-tax Income	(37.46)	(73.96)	(101.52)	(52.40)	(18.16)
	Net Margin (%)		(275.77)	(694.86)	(902.96)	(27.49)	(40.37)
	Earnings Per Share (NT$)		(3.85)	(8.04)	(10.80)	(4.84)	(1.93)
Cash Flow	Cash Flow Ratio (%)		Note 1	Note 1	Note 1	Note 1	130.01
	Cash Flow Adequacy Ratio (%)		Note 1	Note 1	Note 1	Note 1	46.29
	Cash Flow Reinvestment Ratio (%)		Note 1	Note 1	Note 1	Note 1	6.62
Leverage	Operating Leverage		Note 2	Note 2	Note 2	Note 2	Note 2
	Financial Leverage		Note 2	Note 2	Note 2	Note 2	Note 2

The reasons for the 20% change in financial ratios for the last two years are as follows:

1) Debt ratio: In 2023, the Company conducted a cash capital increase by issuing common shares to participate in the issuance of overseas depositary receipts, leading to an increase in total assets and a decrease in the ratio.
2) Long-term capital to property, plant and equipment ratio: Due to the expansion of the Zhubei Plant and Taoyuan Aviation City construction projects, the property, plant and equipment increased significantly compared to 2023, resulting in a decrease in that ratio.
3) Current ratio and quick ratio: The decrease in the ratio is due to the increase in current liabilities exceeding the increase in current assets and quick assets as a result of cash issued for overseas depositary receipts and continued investment in research and development during the current period.
4) Interest coverage ratio: Due to the appreciation of the US dollar in 2023, the net loss decreased compared to 2022, resulting in an increase in the ratio.
5) Receivables turnover rate and average collection days: Due to sufficient inventory within the group, sales to subsidiaries decreased in 2023 compared to 2022, resulting in a decrease in accounts receivable turnover and an increase in average collection days.
6) Payment turnover, inventory turnover rate and average inventory turnover days: Due to the increasing number of patients using medications as various countries obtain drug approvals, along with the establishment of new production lines leading to an increase in inventory, the average inventory has increased compared to 2022. This has resulted in a decrease in payment turnover, inventory turnover rate and average inventory turnover days.
7) Property, plant and equipment turnover rate and total asset turnover rate: Due to sufficient inventory levels within the group, sales to subsidiary decreased in 2023 compared to 2022, leading to a decrease in revenue. Additionally, the construction contract for the new building project in the Hsinchu Biomedical Park at the Zhubei factory led to an increase in property, plant, and equipment, resulting in a decrease in the ratio.
8) Profitability-related ratios:
   A. Return on Total Assets and Return on Equity (%): Benefiting from the appreciation of the US dollar and interest income in 2023, the net loss decreased compared to 2022. In addition, a cash capital increase was conducted in 2023 through the issuance of common shares for the issuance of overseas depositary receipts, resulting in an increase in total assets and shareholders' equity, leading to an increase in related ratios.
   B. Income from Operations and Pre-tax Income as a Percentage of Paid-in Capital Ratio: The decrease in revenue for this period compared to 2022, coupled with continued investments in research and development, led to an increase in operating expenses and operating losses compared to 2022. However, the exchange gains from the appreciation of the US dollar and interest income in 2023 resulted in a decrease in pretax net losses compared to 2022. In 2023, the company conduct a cash capital increase by issuing common stocks to participate in the issuance of overseas depositary receipts, resulting in a decrease in the ratio of operating profit to paid-in capital and an increase in the ratio of pre-tax net profit to paid-in capital.
   C. Net Margin and EPS: The decrease in revenue and after-tax loss in the current period compared to 2022 resulted in a lower profit margin and higher earnings per share.

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 2023 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

February 26, 2024

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 214 to 313 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 314 to 409 this Annual Report.

6. 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

   None.

VII. Financial Status, Operating Results, and Risk Management

1. Financial Status

(1) Consolidated – IFRS

Unit: NT$1,000; %

Item \ Year	2022	2023	Difference	
			Amount	Amount
Current Assets	13,374,973	22,896,158	9,521,185	71.19
Property, Plant, and Equipment	571,837	1,780,670	1,208,833	211.39
Intangible Assets	236,881	267,911	31,030	13.10
Other Assets	1,148,937	2,324,578	1,175,641	102.32
Total Assets	15,332,628	27,269,317	11,936,689	77.85
Current Liabilities	2,550,348	2,152,093	(398,255)	(15.62)
Noncurrent Liabilities	641,065	1,169,074	528,009	82.36
Total Liabilities	3,191,413	3,321,167	129,754	4.07
Capital Stock	3,024,556	3,402,639	378,083	12.50
Capital Surplus	13,421,262	24,092,179	10,670,917	79.51
Retained Earnings (Cumulative Loss)	(4,185,557)	(631,187)	3,554,370	(84.92)
Total Equity	12,141,215	23,948,150	11,806,935	97.25

Significant changes: (Change in amount of 10% or more and amount of 1% of total assets for the year)

1) The increase in current assets and total assets in 2023 is mainly due to the issuance of common stock for cash in order to participate in the issuance of Global Depositary Receipts.
2) The increase in property, plant and equipment was mainly due to the expansion of the Zhubei factory and the construction project in the Taoyuan Aviation City.
3) The increase in other assets was mainly due to the leasing of new space in 2023 to accommodate development and implementation of new drug research projects, leading to the increase in Right-of-use assets.
4) The decrease in current liabilities is mainly due to the subsidiary repaying bank loans.
5) The increase in noncurrent liabilities was mainly due to the leasing of new space in 2023 to accommodate development and implementation of new drug research projects, leading to the increase in lease liabilities.
6) The increase in capital stock, capital surplus and equity were mainly due to the issuance of common stocks to participate in the issuance of overseas depositary receipts resulted from a cash capital increase in 2023.
7) The decrease in accumulated losses was due to the shareholders' resolution at the 2023 Annual General Meeting to offset the losses with capital surplus and the decrease in net loss in 2023.

(2) Parent Company only – IFRS

Unit: NT$1,000; %

Item \ Year	2022	2023	Difference	
			Amount	Amount
Current Assets	14,384,781	16,462,522	2,077,741	14.44
Investment Accounted for Using the Equity Method	289,446	6,419,839	6,130,393	2,117.97
Property, Plant, and Equipment	548,889	1,615,902	1,067,013	194.40
Intangible Assets	217,010	242,011	25,001	11.52
Other Assets	797,052	1,347,385	550,333	69.05
Total Assets	16,237,178	26,087,659	9,850,481	60.67
Current Liabilities	678,634	1,284,378	605,744	89.26
Noncurrent Liabilities	3,417,329	855,131	(2,562,198)	(74.98)
Total Liabilities	4,095,963	2,139,509	(1,956,454)	(47.77)
Capital Stock	3,024,556	3,402,639	378,083	12.50
Capital Surplus	13,421,262	24,092,179	10,670,917	79.51
Retained Earnings (Cumulative Loss)	(4,185,557)	(631,187)	3,554,370	(84.92)
Total Equity	12,141,215	23,948,150	11,806,935	97.25

Significant changes: (Change of 10% or more and 1% of total assets for the year)

1) The increase in current assets and total assets in 2023 was mainly due to the issuance of common stock for cash in order to participate in the issuance of Global Depositary Receipts.
2) The increase in the investment accounted for using the equity method was mainly due to the Company's capital increase in its subsidiaries.
3) The increase in property, plant and equipment was mainly due to the expansion of the Zhubei factory and the construction project in the Taoyuan Aviation City.
4) The increase in other assets was mainly due to the leasing of new space in 2023 to accommodate development and implementation of new drug research projects, leading to the increase in Right-of-use assets.
5) The increase in current liabilities is due to ongoing investment in research and development, as well as services provided by subsidiary companies during the current period, leading to an increase in other payables (including related parties) compared to the same period last year.
6) The decrease in noncurrent liabilities and total liabilities was mainly due to the increase in capital of subsidiaries during the current period and their continuous revenue growth, resulting in their carrying amount being reclassified as investments accounted for using the equity method.
7) The increase in capital stock, capital surplus, and total equity was mainly due to the issuance of common stock for cash in order to participate in the issuance of Global Depositary Receipts.
8) The decrease in accumulated losses was due to the shareholders' resolution at the 2023 Annual General Meeting to offset the losses with capital surplus and the decrease in net loss in 2023.

2. Financial Performance

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

Unit: NT$1,000; %

Item \ Year	2022	2023	Increase/Decrease	
			Amount	% Variation
Operating Revenue	2,882,042	5,105,615	2,223,573	77.15
Net Operating Revenue	2,882,042	5,105,615	2,223,573	77.15
Operating Cost	(812,288)	(610,544)	201,744	(24.84)
Gross Profit	2,069,754	4,495,071	2,425,317	117.18
Operating Expenses	(4,097,946)	(6,408,465)	(2,310,519)	56.38
Income (Loss) from Operations	(2,028,192)	(1,913,394)	114,798	(5.66)
Nonoperating Income and Expenses	186,321	926,460	740,139	397.24
Income (Loss) Before Income Tax	(1,841,871)	(986,934)	854,937	(46.42)
Minus: Income Tax Expense	467,061	363,099	(103,962)	(22.26)
Other Comprehensive Income (Loss) for the Year	29,011	119,374	90,363	311.48
Net Profit (Loss) After Tax	(1,345,799)	(504,461)	841,338	(62.52)

Significant changes: (Change of 10% or more and 1% of total assets for the year)

1) Operating revenue and gross profit increased while operating loss and pre-tax net loss decreased primarily due to rising patient numbers in various international markets, leading to continued expansion of operations. Operating loss decreased as operating revenue and gross profit increased.
2) The increase in operating expenses was mainly due to the increase in expenses related to the hiring at the Company's subsidiaries during the period to accommodate the rising patient numbers in various markets.
3) The increase in non-operating income was due to the increase in foreign currency exchange gains as a result of the strengthening of the U.S. dollar exchange rate and interest revenue.

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

Unit: NT$1,000; %

Item \ Year	2022	2023	Increase/Decrease	
			Amount	% Variation
Operating Revenue	5,001,046	1,545,209	(3,455,837)	(69.10)
Net Operating Revenue	5,001,046	1,545,209	(3,455,837)	(69.10)
Operating Cost	(708,020)	(416,312)	291,708	(41.20)
Gross Profit	4,293,026	1,128,897	(3,164,129)	(73.70)
Operating Expenses	(1,533,168)	(2,758,584)	(1,225,416)	79.93
Income (Loss) from Operations	(1,019,737)	(1,480,783)	(461,046)	45.21
Nonoperating Income and Expenses	(564,995)	862,893	1,427,888	(252.73)
Income (Loss) before Income Tax	(1,584,732)	(617,890)	966,842	(61.01)
Minus: Income Tax Expense	(209,922)	5,945	215,867	(102.83)
Other Comprehensive Income (Loss) for the Year	29,011	119,374	90,363	311.48
Net Profit (Loss) After Tax	(1,345,799)	(504,461)	841,338	(62.52)

Significant changes: (Change of 10% or more and 1% of total assets for the year)

1) The decreases in operating revenue, costs, and gross profit were mainly due to the company's decision not to sell to its U.S. subsidiary in 2023 as the group's inventory is considered sufficient.
2) The increase in operating expenses was mainly attributed to the additional investment in research and development expenses in 2023, as well as the recognition of compensation costs for issuing restricted stock options to employees.
3) The increase in operating losses is mainly due to the early stage of business expansion, as current revenue is not yet able to cover the related operating costs. In addition, continued investment in clinical development projects has led to the increase in operating losses.
4) The increase in non-operating income (expenses) and other comprehensive income (loss) and the decrease in income (loss) before tax was mainly due to exchange gain from the appreciation of the US dollar and increased interest income. Additionally, higher investment income from the US subsidiary was attributed to the increasing penetration rate of pharmaceutical patients and insurance coverage in the US market.

(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	2022	2023	(Increase) Decrease	% (Increase) Decrease
Operating Activities	(1,505,489)	(705,562)	799,927	(53.13)
Investing Activities	(1,242,813)	(486,653)	756,160	(60.84)
Financing Activities	9,579,312	10,545,426	875,114	(9.14)

Analysis of changes:

1) The decrease in cash outflow from operating activities was mainly due to the decrease in net loss after tax for the period.
2) The decrease in cash outflow from investing activities was mainly due to the transfer of financial assets pledged as fixed deposits to current deposits.
3) The increase in cash inflows from financing activities in 2023 was due to issuing common shares and participating in the issuance of overseas depository receipts, as well as the reduction in short-term borrowings repaid by subsidiaries and the buyback of treasury shares.

B. Parent Company Only Financial Statement

Unit: NT$1,000; %

Year / Item	2022	2023	(Increase) Decrease	% (Increase) Decrease
Operating Activities	1,449,565	1,669,858	220,293	15.20
Investing Activities	(3,430,928)	(8,766,188)	(5,335,260)	155.50
Financing Activities	8,653,094	11,512,169	2,859,075	33.04

Analysis of changes:

1) The increase in cash inflow from operating activities was mainly due to the decrease in net loss after tax for the period.
2) The increase in cash outflows from investment activities is mainly due to the increase in capital injection into subsidiary companies compared to the previous period, as well as the acquisition of property, plant and equipment for the expansion of the Zhubei and Taoyuan Aviation City construction projects in the current period.
3) The increase in cash inflows from financing activities in 2023 was due to issuing common shares and participating in the issuance of overseas depository receipts, as well as the buyback of treasury shares.

(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
19,666,029	1,004,728	2,244,020	18,426,737	-	-

1. Cash flow analysis for the coming year
   1) Net inflow from operating activities: Mainly due to the growth in revenue and profit.
   2) Net outflow from investing activities: The net cash outflow from investing activities was mainly due to the acquisition of plant and equipment.
   3) Net inflow from financing activities: Mainly due to the expected increase in bank loans and equity.
2. Estimated cash shortage remediation and liquidity analysis: Not applicable.
3. Future cash flow analysis is based on the best estimate of the Company's management's current plans and the most likely scenario in the future. However, the planned events and economic environment may not be exactly as estimated, and the actual results may differ from the estimates.

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 2023 fiscal year, incurring a loss of NT$67,968,000 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$455,334,000 from equity method investments in the 2023 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 gained NT$505,949,000 from equity method investments in the year of 2023.

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$48,737,000 from equity method investments in the year of 2023.

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$102,500,000. For this subsidiary, PharmaEssentia lost NT$3,432,000 from equity method investments in the year of 2023.

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 loss of NT$3,540,000 from equity method investments in the year of 2023.

G. PharmaEssentia Innovation Research Center, Inc.

For the operation need of the Group, the Company established the wholly owned subsidiary PharmaEssentia Innovation Research Center, Inc. in December 2022. For this subsidiary, PharmaEssentia has a loss of NT$41,922,000 from equity method investments in the year of 2023.

(3) Investment Plans for the Coming Year

Japan Ministry of Health, Labour and Welfare (MHLW) approved the marketing authorization application of BESREMi for PV patients on March 27, 2023. In the future, the Company will continue to invest in PharmaEssentia Japan KK, to increase market share in the Japa market and support the generation of stable cash flow.

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 Nangang office in 2014 by taking out a collateral loan of NT$105,850 thousand with the bank. The nonoperating interest expenses for 2020, 2021, and 2022 was $1,415 thousand, NT$2,411 thousand, and NT$1,768 thousand, 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

Sales and procurement transaction currencies of the Company are mainly traded in New Taiwan dollars, US dollars, and euros. Some foreign currencies can be offset against each other in accounts receivable and payable, which can produce some hedging effects. Nonetheless, foreign currency net asset is still affected by the currency exchange rate fluctuation due to exchange gains and losses. In response to the possible operational risks caused by the exchange rate fluctuation in the future, the Company have developed following measures to respond to the risk of exchange rate fluctuation arising from future business activities:

i. The Finance Department of the Company will take into account relevant information and future trends i the exchange rate market and maintain appropriate foreign exchange portion to provide the Company's operational needs and reduce the impact of exchange rate changes on the Company's profits.

ii. The Company will keep close contact with the foreign exchange departments of various banks, pay attention to changes in the foreign exchange market at all time, and control the portions of foreign currency assets and liabilities, as well as the expected portions of foreign currency assets and liabilities, so as to reduce the impact of exchange rate fluctuations on the company's operations.

iii. The Procedures for the Acquisition or Disposal of Assets formulated by the Company specify the operating procedures related to derivative financial products and said procedures may be implemented when necessary depending on the foreign currency portions and currency fluctuations, so as to reduce the currency exchange risk caused by business operations of the

Company.

C. Impact of inflation on the company's profit and loss and future response measures

Inflation does not impact the Company's and its subsidiaries' 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 and its subsidiaries' 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	• Clinical trials of P1101 in other indications. • Completed the Phase III global clinical trial of P1101 for the treatment of ET in 8 countries including the United States, Taiwan, Japan, South Korea and China, and applied for drug certificates in various countries.
Mid-to-Long Term	• Continue to develop new protein drugs based on the PEGylation platform. • Develop new BiC/FiC protein drugs for cancer immunotherapy. • Continue to develop cell therapy and new indications. • Continue to cooperate with industry experts to develop next generation innovative drugs using AI and the biological platforms. Expand the PEGylation platform and continue the development of new drugs for PEGylated biologics.

The Company's total research and development expenses in 2023 was 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) Impact of changes in technology (including cybersecurity risks) and industry on the Company's finances, and response measures

The Company specializes in new protein drugs. Its latest development was a new generation longacting interferon drug called P1101. Interferon 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.

In order to comprehensively enhance information security awareness and protect business secrets and the rights and interests of stakeholders, the Company has performed evaluation on information security and cyber risk. After evaluation, cybersecurity risks of clinical trials and research, secret data of drug manufacturing as well as hacker attacks on the Company's network are higher, and therefore the Company has established an Information Security Management Team, which is responsible for the promotion, governance and supervision of information security and continuation of information security improvement. Hence, recent developments in technology (including cybersecurity risks) 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 and its subsidiaries upholds the value of ethical and robust management. Since its inception, the Company and its subsidiaries 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.

PharmaEssentia is building the Zhubei plant and the Houli plant in Taichung and plans to use the Houli plant in Taichung for the chemical process to produce PEG, and the Zhubei plant for the biological process including the production of interferon and coupling with PEG to generate long-acting interferon, i.e. drug substance of P1101 (hereafter referred to as DS which

is the active ingredient of the drug), and DS will then be filled into injections for sale. The new plants are expected to start contributing revenue in 2026.

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

The proportion of operating revenue of customers with an operating revenue ratio of more than 5% for the period of 2020~2022 and the first six months of 2023 was 93.85%, 81.78%, 90.83%, and 88.59%, respectively. The Company is principally engaged in the development of new drugs and sales of the drug products after obtaining the license. Our major product P1101 is used to treat myeloproliferative neoplasms (MPNs), liver diseases, and cancers, of which PV was officially granted a marketing authorization (MAA) by the EMA in February 2019. The Company has exclusively authorized Company A to conduct the sales of P1101 in the European market and consequently the European sales in 2020 was all contributed by the Company A. In addition, the Company has obtained the U.S. drug certificate for P1101 for the treatment of PV in November 2021, and said product is the first option approved by the U.S. Food and Drug Administration (FDA) for the treatment of adults with PV, regardless of whether the patient has received other treatments before. And P1101 is also the first interferon approved by the U.S. FDA for the treatment of PV and hence this product can reach more patients. Moreover, the Company has actively attempted to expand its market share through various marketing campaigns across the United States and has been included in private insurance and federal health insurance provided by some state governments, which contributed to the gradual increase of the revenue of the US market. Therefore, the revenue has increased with the growing number of patients treated with the drug and improved insurance penetration rate and as a result, the Company's sales proportion to other major customers decreased in 2023. In conclusion, the sales of P1101-PV has gradually started in various countries, which should help to diversify the source of customers and the risk of sales concentration should be reduced accordingly.

In terms of the suppliers for the period of 2020~2022 and the first six months of 2023, the top two suppliers by purchase amount are from the purchase transaction of finished drug products for treating hemophilia of the subsidiary Panco Healthcare Co., Ltd. However, the proportion showed a downward trend, and this is mainly because the Company has obtained the license for P1101-PV in February 2019 and November 2021 in the E.U. And the U.S., respectively. Moreover, with increased penetration rate and insurance coverage rate of patients treated with P1101-PV, licenses obtained in other countries, and the development of products for other indications, the purchase amount of each major supplier should be more dispersed. In summary, PharmaEssentia is a biotech and pharmaceutical company that emphasizes R&D and has obtained drug licenses of the developed products in various countries for sale in recent years. The Company is dedicated to discovering new drugs, conducting clinical trials, developing new drugs, and helping researchers select the raw materials with the highest quality and purity during the drug development process based on expert judgment from the literature and R&D results. The Company maintains good cooperative relations with all suppliers, and coordinates various departments to understand the schedule of raw materials required for production and procurement to reduce purchase risks. The Company has not experienced any shortages or shortages of materials up to date. Therefore, the source of supply of the Company is stable and risk of concentration of supply remains limited.

(10) Impacts, Risks, and Mitigation Measures Arising from Major Exchange or Transfer of Shares by Directors, Supervisors, or Shareholders with Over 10 Percent of Stake in the Company and Countermeasures

The Company did not transfer or change a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a ten percent 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) Litigation or non-litigation matters in which the Company's directors, supervisors, presidents, substantial persons-in-charge, major shareholders holding more than 10% of shares, or subordinate companies are involved that have been determined by verdict of the court or are still pending in a major litigation, non-litigation, or administrative litigation, the outcome of which may have a significant impact on shareholder equity or securities prices should be listed:

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	As of the date of publication of the annual report Company's response
PharmaEssentia Corporation	Black Gold Global Sdn. Bhd (BGG)	The Company authorized BGG to use the Q10 manufacturing technology in 2008, but BGG failed to pay the Company the licensing fee imposed in accordance with the agreement.	2012.4.18	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 102 and 2014 fiscal years, and it has no material impact to PharmaEssentia.
PharmaEssentia Corporation	AOP Orphan Pharmaceuticals GmbH, an Austrian corporation (Previously known as AOP Orphan Pharmaceuticals AG, a.k.a. AOP)	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 AOP, and AOP provides clinical trial data to PharmaEssentia. However, AOP failed to provide the Company with clinical data as disclosed in the agreement. Based on the agreement, any party's failure to provide information within 30 days constituted conditions for contract	2018.3.31	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 (from August 14, 2019 until receipt by AOP of this amount in full, payable on an

Company name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	As of the date of publication of the annual report Company's response
		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. However, at the end of March 2018, AOP filed a request for arbitration to the International Chamber of Commerce (ICC), claiming that PharmaEssentia failed to provide CMC information, which caused a delay in receiving drug approval, resulting in financial loss of AOP. AOP therefore requested for an arbitration to the International Chamber of Commerce (ICC).		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. However, the Federal Court of Justice in Germany still upheld the original ICC arbitral award that: (1) the validity of the license agreement and the manufacturing agreement have been established and (4) all other requests also remain dismissed. Moreover, during the period of the litigation against the original ICC arbitral award, AOP filed a claim of compulsory execution based on the arbitral award in dispute with the Austrian court in December 2020, the U.S. court in January 2021, the German district court in July 2021, and the Swiss district court in August 2021. The aforementioned claims of compulsory execution were all terminated and annulled after the German Federal Court of Justice canceled the arbitration judgment in dispute. There is no significant impact to the Company’s financial position and the business.
PharmaEssentia Corporation	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.	2019.11.27	In November 2019, the Company's former employee Wei brought civil litigation against the Company (Case No.: Shihlin District Court (Taiwan District Court (2020) Zhong Lao Zi No. 10, Taiwan High Court-Civil Appeals (Taiwan High Court (2020) 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 NT$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 NT$1,566 thousand at the Company's Yuanta Bank, Zhongzheng branch, based

Company name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	As of the date of publication of the annual report Company's response
				on the results of the judicial resolution and negotiation between the two parties, Mr. Wei Jun should return NT$1,148 thousand to the Company, and Wei Jun issued a check of sufficient amount, and the Company has already cashed the full amount.
PharmaEssentia Corporation	AOP	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.	2020.11.18	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 Corporation	AOP	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.	2020.12.22	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 case (Case No. 25925 PTA) filed on December 12, 2020 and the case (Case No. 25808 PTA) filed on November 18, and on February 18, 2021, the arbitration court decided: The case filed later (Case No. 25925 PTA) will be consolidated with the case filed earlier (Case No. 25808 PTA) for joint trial. In addition, the Statement of Claim filed by the Company in October 2021 requested 24.27 million as the compensation and the Company retain the right to claim additional damages. The Company, on March 26, 2022, was notified by its retained counsel, that 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:

Company name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	As of the date of publication of the annual report Company's response
				(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. In this regard, the Company has filed the Statement of Reply and Defense to Counterclaim on October 21, 2022 in response to its claims, including the damages that resulted from the delay caused by the reasons attributable to AOP during the EU Marketing Approval review and AOP's failure to fully realize Besremi's commercial value in its licensed territories. Accordingly, the claim amount of the damages has also been adjusted. In terms of the aforementioned Statement of Reply and Defense to Counterclaim of the Company, AOP submitted the Statement of Rejoinder and Reply to counterclaim on March 28, 2023 to the ICC, and after reviewing its contents, AOP simply provided supplementary evidence and replies to the claims of both parties under the original claims of both parties. The Company submitted the Statement of Rejoinder to Counterclaim on May 23, 2023 to the ICC and provided supplementary evidence specifically for the counterclaims. The arbitration court for this new arbitration case has conducted the hearing in Frankfurt, Germany from July 10, 2023 to July 20, 2023 to hear the claims of both parties and related witnesses and experts attended the hearing to give statements. Both parties has exchanged the written statements after the hearing on November 15, 2023 and December 13, 2023 under the directions of the arbitration court.

Company name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	As of the date of publication of the annual report Company's response
				The company has dealt with the case in a manner deemed appropriate to safeguard the rights and interests of the Company and shareholders. Currently there is no impact on the Company's finance and business.
PharmaEssentia Corporation	AOP	The Company was notified on October 18, 2022 that AOP filed a civil action against the Company and its US subsidiary in the Superior Court of Commonwealth of Massachusetts, claiming the following: (1) the transactions between the Company and its US subsidiary affected AOP's rights; and (2) the Company and its US subsidiary's request against AOP to amend the License Agreement constitutes unfair competition. However, AOP has not specified the claim amount.	2022.10.18	The Company has retained counsel to submitted the Statement of Reply to the court: The licensing agreement signed between AOP and the Company has expressly stipulated that any disputes related to or arising out of the licensing agreement shall be submitted to arbitration, and therefore this dispute related to the licensing agreement shall be subjected to arbitration. Hence, the litigation has obviously violate the provision of this agreement. AOP referenced other practical insights and German laws in the Statement of Reply on March 10, 2023 and claimed that the arbitration agreement signed by both parties is not applicable to the subsidiary in the U.S. and the related disputes are not relevant to the licensing agreement and hence are not an arbitratable issues. On April 3, 2023, the Company and its Subsidiaries in the U.S. replied to the aforementioned Statement of Reply of AOP again and claimed that the arbitration clause of the licensing agreement has expressively stipulated the ICC arbitration rules are applicable and governed by the New York Convention. In terms of whether breaching of the equitable principles is involved in this case, such matters shall be determined in accordance with the provisions of the Federal Arbitration Act of the U.S. The applicability result determined that the arbitration agreement stipulated in the licensing agreement signed by both parties is applicable to the subsidiary in the U.S. of the Company. Moreover, the related disputes claimed by AOP against the subsidiary in the U.S. of the Company are derived from the licensing agreement and the

Company name	Main parties to the dispute	Facts of the dispute	Date of litigation commencement	As of the date of publication of the annual report Company's response
				arbitration clause also applies to the licensing agreement. On August 7, 2023, Massachusetts District Court agreed on the Company's claims and decided that whether the claims made by AOP in the case in dispute are arbitratable shall be determined by the ICC arbitration court. In other words, the arbitration agreement signed by both parties has agreed on resolving the disputes between two parties by the ICC arbitration rules and the ICC arbitration rules has expressively stipulated the arbitrability of disputes shall be determined by the arbitration court and hence the issue of arbitrability of this case shall be decided by the arbitration court. The Company has dealt with this matter in a manner that it deems appropriate and has retained US lawyers to evaluate to respond to the legal action and will re-evaluate the reasonableness of the relevant approaches in each subsequent financial reporting period.

(13) Other important risks and mitigation measures taken

Item	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	• 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.	• 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 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, in January 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.

Item	Possible Risks	Response Measures
		Afterwards, the US FDA and PMDA in Japan conducted plant inspection in September 2021 and December 2022, respectively, and the plant passed both of the GMP inspections. Thus far, the Company has obtained the license for P1101-PV in the E.U., U.S., South Korea, Japan, and Taiwan for treating PV and production can be started in the Taichung biologics plant and a global supply chain can be established based on global marketing planning and sales demands.
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 to improve physicians' and patients' acceptance based on the superior effect on PV patients indicated by the long-term P1101 clinical data, so as to increase market share. • The Company's P1101 is a long-acting interferon with fewer side effects, high safety, and flexible dosing adjustment. At the beginning of 2018, the EMA issued GMP certificates to the Taichung Plant and Taipei Laboratory. The company was officially granted a drug license for the treatment of PV by EMA in February 2019. The Company has obtained the license from the U.S. FDA in November 2021, and also obtained the license from the PMDA in Japan in March 2023.
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 investigational new drug (IND) applications vary. • Amendments to health insurance and payment policies.	• First, gain international recognition by obtaining US FDA approval for an investigational new drug (IND) program, and then communicate with the competent authorities of other countries to expedite the clinical review process. • Prepare review documents by following the 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.

Item	Possible Risks	Response Measures
		• The Company's new drug, P1101, for treating PV obtained the license in the E.U. in February 2019, in Taiwan in May 2020, in South Korea in October 2021, in the U.S. in November 2021, and Japan in March 2023. As the sales of the drug gradually started in various 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(Note 1)	-
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%
PharmaEssentia Innvoation Research Center, Inc. (Note 2)	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, 2023, PharmaEssentia (Hong Kong) had only completed the registration process. The Company has not yet issued shares.

B. Basic Information of Affiliates

As of December 31, 2023; 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%	260,882
PharmaEssentia Biotechnology (Beijing) Co., Ltd.	Beijing	Biotechnology services	100%	124,940
PharmaEssentia Japan KK	Japan	Biotechnology services	100%	2,352,295
PharmaEssentia USA Corporation.	USA	Biotechnology services	100%	9,917,091
PharmaEssentia Korea Corporation.	Korea	Biotechnology services	100%	216,545
Panco Healthcare Co., Ltd.	Taiwan	Biotechnology services	100%	102,500
PharmaEssentia Singapore Pte Ltd.	Singarpore	Biotechnology services	100%	17,531

Affiliate Name	Region	Main Business Activity	Shareholding	Amount Invested
PharmaEssentia Innovation Research Center, Inc. (Note 2)	USA	Biotechnology services	100%	299,097

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, 2023, PharmaEssentia (Hong Kong) had only completed the registration process. The Company has not yet issued shares.

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 Warren Shen	-	-
PharmaEssentia Biotechnology (Beijing) Co., Ltd.	Executive Director	KoChung Lin	-	-
PharmaEssentia Japan KK	Director Supervisor	KoChung Lin ChingLeou Teng Snow Chang Katsuya Yonezu Toshiaki Sato ChanKou Hwang ChiaYen Su	-	-
PharmaEssentia USA Corporation.	Director	KoChung Lin ChingLeou Teng Lih-Ling Lin	-	-
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 Loh	-	-

Affiliate Name	Title	Name or Representative	Shareholding	
			Shares	%
		Ravi Chanthiran s/o Sathiavallu		
PharmaEssentia Innovation Research Center, Inc.	Director	KoChung Lin ChingLeou Teng LihLing Lin	-	-

F. Operational Highlights of Affiliates (Unconsolidated Financial Information)

As of December 31, 2023; 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	260,882	68,321	5,912	62,409	-	(19,739)	(67,968)
PharmaEssentia Biotechnology (Beijing) Co., Ltd.	124,940	64,272	13,133	51,139	-	(48,589)	(48,682)
PharmaEssentia Japan KK	2,352,595	1,773,814	537,763	1,236,051	96,499	(429,536)	(455,334)
PharmaEssentia USA Corporation.	9,917,091	9,539,966	1,157,853	8,382,113	4,475,626	180,979	505,949
PharmaEssentia Korea Corporation.	216,545	93,569	28,362	65,207	9,538	(49,106)	(48,737)
Panco Healthcare Co.,Ltd.	102,500	228,705	168,291	60,414	288,488	(2,723)	(3,432)
PharmaEssentia Singapore Pte. Ltd.	17,531	14,561	482	14,080	23	(3,063)	(3,540)
PharmaEssentia Innovation Research Center, Inc.	299,097	518,187	263,712	254,474	64,761	(62,544)	(41,922)

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

(2) Consolidated Financial Statements of Affiliates

Please see page 214 to 313 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				
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 reasonableness 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 (91) 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 relative timeliness and convenience associated with private placement and the fact that privately placed securities may not be freely reassigned within three years, private placement will better ensure the long-term relationship between the Company and its subscribers. In addition, private placement organized by authorizing the 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 placement needs to be organized.				
Date of payment:	Date of payment: December 30, 2019				
Information of subscribers	Target of private placement	Eligibility	Quantity subscribed	Relationship with the Company	Involvement in corporate operations
	Jan Ching-leou	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	116,280	Chairman	Insider or related party of the Company
	Chen Chao-He		581,396	Director	Insider or related party of the Company
	Chen Ben-Yuan		174,419	Director	Insider or related party of the Company
	Huang Zheng-Gu		23,256	Director	Insider or related party of the Company
	Xu Shi-Ying		186,047	Director	Insider or related party of the Company
	Lin Guo-Zhong		116,280	Chief Operation Officer	Insider or related party of the Company
	Luan Yen-Tung		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
	Zeng Ming-Kun	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	40,698	Shareholder	None
	Yu Rui-Yu		1279,070	Shareholder	None
	Huang Ma-Li		174,419	Shareholder	None
	Chen Li-Jin		290,698	Shareholder	None
	Zheng Shu-Yun		174,419	Shareholder	None
	Zheng Xian-Zhi		174,419	Shareholder	None
	Wang Jian-Ming		174,419	Shareholder	None
	Lin Yu-Zhen		93,024	Shareholder	None
	Zhan Yi-Ren		58,140	Shareholder	None
	You Guei-Zhi		290,698	Shareholder	None
	Wu Fu-Yu		23,256	Shareholder	None
	SuChiang Chemical & Pharmaceutical Co., Ltd.		174,419	Shareholder	None
	KGI Bank Fiduciary Investment Account of HONGKONG		174,000	Shareholder	None

	JOYRICH INVESTMENTS LIMITED				
	Hunya Foods Co., Ltd.		465,117	Shareholder	None
	Fan Gang-Ting		23,256	Employee	None
	Hsu Zhe		29,070	Employee	None
	Su Jing-Xing		17,442	Employee	None
	Lin Hui-Hua		34,884	Employee	None
	Xu Ming-Bin		34,884	Employee	None
	Lu Ming-Shan		17,442	Employee	None
	Wu Shi-Guan		23,256	Employee	None
	Cai You-Kui		17,442	Employee	None
	Li Wei-De		11,628	Employee	None
	Lin Da-Ran		11,628	Employee	None
	Xie Yue		23,256	None	None
	Huang Fan-Xiu		11,628	None	None
	I&K Engineering Co., Ltd.		581,395	None	None
Actual subscription price	NT$ 86 per share				
Difference between the actual subscription 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.				
The impact of the private placement of common stock on shareholders' equity	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.The actual private placement stock shares with paid-in capital totaling NT$487,465 thousand 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"). 2.By the end of the Q4 of 2023, the implementation schedule was 89.97%.				
Expressed benefits of private placement	(1)Reinvestment in PharmaEssentia Japan KK PharmaEssentia reinvested in the subsidiary in Japan with the private placement of common shares in 2019, the second private placement of common shares in 2021, and the issuance of overseas global depositary receipt in 2023 in the amount of NT$297,885 thousand, NT$208,830 thousand, and NT$2,439,600 thousand, respectively, totaled NT$2,946,315 thousand. Based on the aforementioned total reinvestment amount, the estimated payback period is 12.15 years. (2)Reinvestment in PharmaEssentia Biotechnology (Beijing) Co., Ltd. However, due to the delay caused by communication with the NMPA in China, the drug licensing application in China fell behind the schedule. Nevertheless, in 2021, PharmaEssentia and its subsidiary in Beijing has carried out phase II bridging study in accordance with the requirements of China's NMPA. The interim analysis results were released at the end of July 2022 and the drug licensing application was officially accepted by NMPA on February 13, 2023. PharmaEssentia Beijing is expected to obtain the drug license in 2024 and begin generating profits the same year, with a payback period of approximately 6.06 years, and profits are expected from the perspective of long term development of PharmaEssentia.				

<table>
<tr><td>Item</td><td colspan="5">First private placement in 2020
Date issued: June 24, 2020</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 5) within one year since the date when the decision was made through the shareholders' meeting.</td></tr>
<tr><td>Basis for and reasonableness 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 11, 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 (91) 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 relative timeliness and convenience associated with private placement and the fact that privately placed securities may not be freely reassigned within three years, private placement will better ensure the long-term relationship between the Company and its subscribers. In addition, private placement organized by authorizing the 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 placement needs to be organized.</td></tr>
<tr><td>Date of payment:</td><td colspan="5">Date of payment: June 24, 2020</td></tr>
<tr><td rowspan="8">Information of subscribers</td><td>Target of private placement</td><td>Eligibility</td><td>Quantity subscribed</td><td>Relationship with the Company</td><td>Involvement in corporate operations</td></tr>
<tr><td>Yuanta Commercial Bank is entrusted with the custody of the special investment account of Eon Capital Group Co., Ltd.</td><td>Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act</td><td>6,210,022</td><td>None</td><td>None</td></tr>
<tr><td>Taiwania Capital Buffalo II Bioventures, LP.</td><td>Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act</td><td>2,132,196</td><td>None</td><td>None</td></tr>
<tr><td>Mega International Commercial Bank Co., Ltd.</td><td>Article 43-6, Paragraph 1, Subparagraph 1 of the Securities and Exchange Act</td><td>530,000</td><td>None</td><td>None</td></tr>
<tr><td>Hunya Foods Co., Ltd.</td><td>Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act</td><td>426,440</td><td>Shareholder</td><td>None</td></tr>
<tr><td>Fruitful Orchard Properties Limited Taiwan Branch (B.V.I.)</td><td>Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act</td><td>319,830</td><td>Shareholder</td><td>None</td></tr>
<tr><td>Hongtai Investment Co., Ltd.</td><td>Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act</td><td>213,220</td><td>Companies in which the directors of the Company exercise controlling rights</td><td>Insider or related party of the Company</td></tr>
</table>

	Chen Chao-He	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	213,220	Director	Insider or related party of the Company
	Xu Shi-Ying	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	181,237	Director	Insider or related party of the Company
	Chen Ben-Yuan	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	127,932	Director	Insider or related party of the Company
	Zhang Jin-De	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	85,288	Director	Insider or related party of the Company
	Yu Rui-Yu	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	2,345,416	Shareholder	None
	Chen Li-Qing	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	1,599,147	None	None
	You Guei-Zhi	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	370,239	Shareholder	None
	Chen Li-Jin	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	213,220	Shareholder	None
	Luo Jian-Ming	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	181,237	Shareholder	None
	Liu Jing-Cun	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	159,9	Shareholder	None
	Li Shen-Yi	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	159,915	Shareholder	None
	Cai Wen-Xian	Article 43-6, Paragraph 1,	159,915	Shareholder	None

		Subparagraph 2 of the Securities and Exchange Act			
	Lai Min-Yang	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	159,915	Shareholder	None
	Liao Ping-Nan	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	165,000	Shareholder	None
	Chen Ying-Ru	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	106,610	None	None
	Lin Xiu-Qing	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	106,610	Shareholder	None
	Chen Mao-Tang	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	106,610	Shareholder	None
	Xu Jing-Ran	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	106,610	Shareholder	None
	Guo Lai-Fu	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	106,610	Shareholder	None
	Su Li-Hua	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	100,000	Shareholder	None
	Lin Shi-Ming	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	53,305	Shareholder	None
	Wang Zhen-Shan	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	53,305	Shareholder	None
	Chen Li-Hong	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities	21,322	None	None

		and Exchange Act			
	Zheng Zhao-Sheng	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	10,661	Employee	None
Actual subscription price	NT$ 93.8 per share				
Difference between the actual subscription 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.				
The impact of the private placement of common stock on shareholders' equity	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.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 thousand and the funds are reserved for increasing working capital and purchasing fixed assets 2.By the end of 2022, all of the funds had been used as scheduled.				
Expressed benefits of private placement	The total consolidated and parent company only current assets increased by $1,738,507 thousand and $1,084,442 thousand, respectively, from the end of June 2020 (before the capital raising) to the end of March 2020 (after the capital raising). The debt ratio also decreased, and the long-term capital to fixed assets, current and quick ratio increased significantly. Therefore, the Company indeed has strengthened the financial structure after capital raising and has continued to implement each new drug development business. In addition, the results of clinical trials are positive, indicating that the benefits of this capital raise project is obvious. Moreover, the funds were used for purchasing fixed assets including office equipment and replacement of equipment to maintain daily operation and professional improvement of the Company. In summary, the funds should have a positive impact on shareholders' equity in the long term.				

Item	First private placement in 2021 Date issued: December 10, 2021				
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 5) within one year since the date when the decision was made through the shareholders' meeting.				
Basis for and reasonableness 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 (91) 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 relative timeliness and convenience associated with private placement and the fact that privately placed securities may not be freely reassigned within three years, private placement will better ensure the long-term relationship between the Company and its subscribers. In addition, private placement organized by authorizing the 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 placement needs to be organized.				
Date of payment:	Date of payment: December 13, 2021				
Information of subscribers	Target of private placement	Eligibility (Note 5)	Quantity subscribed	Relationship with the Company	Involvement in corporate operations
	Chen Ben-Yuan	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	170,000	Director	Insider or related party of the Company
	Liao Ping-Nan	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	170,000	Shareholder	None
	Chen Chao-He		170,000	Shareholder	None
	Zeng Ming-Kun		4,000	Shareholder	None
	Su Li-Hua		100,000	Shareholder	None
	Chen Mao-Tang		57,000	Shareholder	None
	Chen Li-Jin		74,000	Shareholder	None
	Liu Jing-Cun		113,000	Shareholder	None
	Guo Lai-Fu		170,000	Shareholder	None
	Li Shen-Yi	Article 43-6, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act	100,000	Director	Insider or related party of the Company
	Lai Mei-Zhi	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	339,000	Shareholder	None
	Lai Qiu-Mei		339,000	Shareholder	None
	Jiang Yu-Ying		339,000	Shareholder	None
	You Heng-Zhi		1,130,000	Shareholder	None
	Huanwen Huang		198,000	Shareholder	None
	Yu Xi Investment Limited Company		198,000	Shareholder	None
	Huang Meng-Yong		1,130,000	Shareholder	None
	Li Zeng-Tian		198,000	Shareholder	None
	Huang Jin-Cai		100,000	Shareholder	None
	Cai Wen-Xian		170,000	Shareholder	None
	Taiwan Oasis Technology Co., Ltd.		170,000	Shareholder	None
	Li Xu-Feng		200,000	Shareholder	None
	Meili Tian		200,000	Shareholder	None
	Zheng Jun-Zhong		311,000	Shareholder	None
	YiJie Qiu		339,000	Shareholder	None
	Long Deed Corporation		113,000	Shareholder	None

Actual subscription price	NT$ 177 per share
Difference between the actual subscription price and the reference price	The actual subscription price is NT$ 177 per share, which is 80.31% of the reference price, NT$ 220.4 per share.
The impact of the private placement of common stock on shareholders' equity	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.The funds raised at this time will be used for addition of working capital. 2.By the end of 2022, all of the funds had been used as scheduled.
Expressed benefits of private placement	The private placement of common shares was used for addition of working capital, which has effectively improved the ratio of self-owned capital and strengthened the financial structure of the Company.

Item	Second private placement in 2021 Date issued: December 29, 2021				
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 5) within one year since the date when the decision was made through the shareholders' meeting.				
Basis for and reasonableness 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 (91) 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 relative timeliness and convenience associated with private placement and the fact that privately placed securities may not be freely reassigned within three years, private placement will better ensure the long-term relationship between the Company and its subscribers. In addition, private placement organized by authorizing the 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 placement needs to be organized.				
Date of payment:	Date of payment: December 29, 2021				
Information of subscribers	Target of private placement	Eligibility (Note 5)	Quantity subscribed	Relationship with the Company	Involvement in corporate operations
	China First Steel Cable Factory Co., Ltd.	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	256,000	Shareholder	None
	King King Energy Service Co., Ltd.		86,000	None	None
	Chung Shan Investment Co., Ltd.		213,000	None	None
	Huang Xing-Zhu		536,000	Shareholder	None
	Li Xu-Feng		150,000	Shareholder	None
	Wei Jian-Quan		149,000	None	None
	Guo Ying-Zhi		510,000	None	None
	Qiu Yi-Jie		128,000	Shareholder	None
	Chen Jun-Xiong		107,000	Shareholder	None
	Qiu Mei-Lan		128,000	Shareholder	None
	Liao Ping-Nan		130,000	Shareholder	None
	Huang Li-Zhen		62,000	Shareholder	None
	Chen En-Yi		103,000	Shareholder	None
	Wang Xuan-Huei		57,000	Shareholder	None
	Zhang Xue-Shun		213,000	None	None
	Chen Yu-Rong		107,000	None	None
	Wang Qing-Dong		383,000	None	None
	Chen Li-Wen		256,000	Shareholder	None
	Luo Jian-Ming		86,000	Shareholder	None
	Chen Ying-Ru		43,000	Shareholder	None
	Chen Yu-Xin		64,000	Shareholder	None
	Hung Zhong		320,000	Shareholder	None
	Yu Rui-Yu		639,000	Shareholder	None
	Guo Lai-Fu		100,000	Shareholder	None
	Yang Yue-Qiu		277,000	Shareholder	None
	Chen Neng-Sen		86,000	Shareholder	None
	Que Xiu-Ling		86,000	Shareholder	None
	Xu Jing-Ran		200,000	Shareholder	None
	Su Guan-Yu		298,000	Shareholder	None
	Yu Xin Investment Limited Company		192,000	Shareholder	None
	You Heng-Zhi		213,000	Shareholder	None
	Chen Mao-Tang		43,000	Shareholder	None

	Zhang Jun-Ning		256,000	None	None
	Meili Tian		111,000	Shareholder	None
	Zhuo Bo-Yuan		43,000	None	None
Actual subscription price	NT$ 235 per share				
Difference between the actual subscription price and the reference price	The actual subscription price is NT$ 235 per share, which is 80.01% of the reference price, NT$ 293.7 per share.				
The impact of the private placement of common stock on shareholders' equity	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.The funds raised from the private placement were used to reinvest in the subsidiaries to maintain the necessary staff, clinical trials and normal operations. 2.By the end of 2022, all of the funds had been used as scheduled.				
Expressed benefits of private placement	(1)Reinvestment in subsidiaries in the U.S. PharmaEssentia reinvested a total of NT$8,932,285 thousand raised from the cash capital raised before listing in 2016, cash capital raise in 2020, issuance of common shares through the second private capital raise in 2021, and issuance of overseas global depositary receipt (GDR) in 2023 in the amount of NT$569,960 thousand, NT$1,047,288 thousand, NT$1,216,037 thousand, and NT$6,099,000 thousand, respectively, in the U.S. Subsidiary. Based on the aforementioned total reinvestment amount, the estimated payback period is 9.07 years. (2)Reinvestment in PharmaEssentia Japan KK PharmaEssentia reinvested in the subsidiary in Japan with the private placement of common shares in 2019, the second private placement of common shares in 2021, and the issuance of overseas global depositary receipt in 2023 in the amount of NT$297,885 thousand, NT$208,830 thousand, and NT$2,439,600 thousand, respectively, totaled NT$2,946,315 thousand. Based on the aforementioned total reinvestment amount, the estimated payback period is 12.15 years. (3) Reinvestment in subsidiaries in Hong Kong The Company invested in the subsidiary in Beijing through its 100% holding subsidiary in Hong Kong and hence the proceeds of investment are recognized as the income of PharmaEssentia Beijing. In addition, to maintain the daily operations of the subsidiary in Hong Kong, the Company planned to reinvest in the subsidiary in Hong Kong with the funds, NT$44,058 thousand, raised from the second private placement of common shares in 2021, NT$14,058 thousand and NTS30,000 thousand in Q1 and Q4 of 2022, respectively, and based on the aforementioned total reinvestment amount in the subsidiary in Hong Kong, the estimated payback period is 3.61 years. (4) Reinvestment in subsidiaries in South Korea P1101 is used to treat Polycythemia Vera (PV) and has obtained the drug license on South Korea in the Q3 of 2020, and based on the aforementioned total reinvestment amount of NT$89,360 thousand raised in the second private capital raise in 2021, the estimated payback period is 4.77 years.				

Item	Third private placement in 2021 Date issued: May 3, 2022				
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 5) within one year since the date when the decision was made through the shareholders' meeting.				
Basis for and reasonableness 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$ 310.4 obtained with the simple average closing price of the common stocks for the 30 business days before the price determination date, that is, April 19, 2022, 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$250, which is 80.54% 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 (91) 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 relative timeliness and convenience associated with private placement and the fact that privately placed securities may not be freely reassigned within three years, private placement will better ensure the long-term relationship between the Company and its subscribers. In addition, private placement organized by authorizing the 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 placement needs to be organized.				
Date of payment:	Date of payment: May 3, 2022				
Date of delivery	May 26, 2022				
Information of subscribers	Target of private placement	Eligibility (Note 5)	Quantity subscribed	Relationship with the Company	Involvement in corporate operations
	China First Steel Cable Factory Co., Ltd.	Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	120,000	Shareholder	None
	SinoPac Venture Capital Co., Ltd.		300,000	None	None
	Hunya Foods Co., Ltd.		380,000	Shareholder	None
	Chan Chao International Co., Ltd.		200,000	None	None
	Infomedia Inc.		100,000	None	None
	SL Link Co., Ltd.		400,000	None	None
	CSC Venture Capital Corp.		40,000	None	None
	Wang Shu-Jun		580,000	Shareholder	None
	Wang Xiao-Yuan		70,000	Shareholder	None
	Meili Tian		100,000	Shareholder	None
	Yu Rui-Yu		640,000	Shareholder	None
	Li Zheng-Wei		20,000	Shareholder	None
	Lin Xing-Jin		500,000	Shareholder	None
	Lin Zong-Tan		100,000	Shareholder	None
	Lin Qiu-Fang		80,000	Shareholder	None
	Tang Qing-Sheng		140,000	Shareholder	None
	Juang Yu-Min		100,000	None	None
	Chen Ben-Yuan		120,000	Director	None
	Chen Mei-Fang		100,000	None	None
	Chen Mao-Tang		40,000	Shareholder	None

	Chen Chao-He		400,000	Shareholder	None
	Chen Han-Cheng		400,000	Shareholder	None
	Peng Shu-Zhu		250,000	Shareholder	None
	You Guei-Zhi		500,000	Shareholder	None
	Huang Huan-Wen		160,000	Shareholder	None
	Ye Yong-Jie		250,000	Shareholder	None
	Liao Ping-Nan		120,000	Shareholder	None
	Xiong Wen-Jun		300,000	Shareholder	None
	Liu Liang-Yin		100,000	Shareholder	None
	Tsai Pei-Yu		120,000	Shareholder	None
	Tsai Yue-Hua		120,000	Shareholder	None
	Lu Shu-Jing		134,000	Shareholder	None
	Xie Kai-Wen		150,000	None	None
	Jian Yu-Zhen		100,000	Shareholder	None
	Luo Tai-Song		100,000	None	None
Actual subscription price	NT$ 250 per share				
Difference between the actual subscription price and the reference price	The actual subscription price is NT$ 250 per share, which is 80.54% of the reference price, NT$ 310.4 per share.				
The impact of the private placement of common stock on shareholders' equity (e.g. Increase of the accumulated losses.....)	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.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$1,833,500 thousand and the funds are reserved for increasing working capital and purchasing fixed assets 2.By the end of the Q4 of 2023, the implementation rate was 86.84%.				
Expressed benefits of private placement	The Company's private placement of common shares at this time is used to enrich working capital and purchase machinery and equipment. The Company's total individual current assets at the end of March 2022 (after fundraising) increased by NT$1,658,726 thousand compared with that of the end of June 2022 (before fundraising). The debt ratio decreases and the ratio of long-term funds to fixed assets, current and quick ratios increased significantly. The Company has indeed strengthened its financial structure after fundraising. As for enriching working capital and purchasing machinery and equipment, the funds were used for daily operation and purchase of machinery and equipment. The Company continues to implement the plans as scheduled. In summary, the funds should have a positive impact on shareholders' equity in the long term.				

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.

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED

DECEMBER 31, 2023 and 2022

Address: 13F, No.3, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)
Telephone: 886-2-2655-7688

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Representation Letter Translated from Chinese

The companies that are required to be included in the combined financial statements of PharmaEssentia Corp. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PharmaEssentia Corp. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

PharmaEssentia Corp.

By

Teng, Ching-Leou
Chairman
February 26, 2024

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English Translation of Independent 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, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred to "the consolidated financial statements").

In our opinion, 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, 2023 and 2022, and its consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit for the year of 2023 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.

Revenue Recognition

The Company and its subsidiaries recognized consolidated operating revenue amounting to NTD 5,105,615 thousand in 2023. Main source of consolidated operating revenue comes from the sales of medicine products by the Company's subsidiary, PharmaEssentia USA Corporation. It is necessary for the Company and its subsidiaries to judge and determine the performance obligation of a contract and the timing of its satisfaction when recognizing the revenue. Therefore, we determined this is a key audit matter.

Our audit procedures included but are not limited to:

1. Evaluating the appropriateness of the accounting policy related to revenue recognition, performing walk through to understand the trading models of revenue from the sales of medicine products, and testing effectiveness of the internal controls over the revenue recognition, including to review the terms of transactions to determine the performance obligations and whether revenue is recognized when the performance obligation is satisfied.

2. Performing tests of details on samples selected from detail of sales of medicine products and obtaining the relevant documents to verify the accuracy of revenue recognition and the occurrence of transaction.

3. Reviewing transactions for certain period before and after the balance date, and selecting samples to perform cutoff procedures, tracing to relevant documents to verify that revenue has been recorded in the correct accounting period.

4. Performing analytical procedures to analyze the fluctuations and the reasonableness of the transactions.

Please refer to Note 4 and 6. (16) to the Company's consolidated financial statements for the accounting policies and information regarding revenue recognition.

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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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2023 and 2022.

Yu, Chien-Ju

Chang, Chiao-Ying

Ernst & Young, Taiwan
February 26, 2024

Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices in the Standards on Auditing of the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or the Standards on Auditing of 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 CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31,2023		December 31, 2022	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6	$19,666,029	72	$10,303,658	67
Current financial assets at amortized cost	4,6,8	22,181	-	976,245	7
Notes receivable, net	4	-	-	224	-
Accounts receivable, net	4,5,6	1,312,303	5	798,648	5
Other receivables	4	167,173	1	38,996	-
Current tax assets	4	68,909	-	2,222	-
Inventories	4,5,6	1,458,644	5	1,102,038	7
Prepayments	6	152,194	1	105,602	1
Other current assets		48,725	-	47,340	-
Total current assets		22,896,158	84	13,374,973	87
Non-current assets					
Non-current financial assets at fair value through other comprehensive income	4,6	163,924	1	43,235	-
Non-current financial assets at amortized cost	4,6,8	24,520	-	40,542	-
Property, plant and equipment	4,6,8	1,677,938	6	544,183	4
Right-of-use assets	4,6	1,055,201	4	473,550	3
Intangible assets	4,6	267,911	1	236,881	2
Deferred tax assets	4,6	958,462	4	483,424	3
Prepayments for business facilities		102,732	-	27,654	-
Other non-current assets, others	6	122,471	-	108,186	1
Total non-current assets		4,373,159	16	1,957,655	13
Total assets		$27,269,317	100	$15,332,628	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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of			
		December 31,2023		December 31, 2022	
		Amount	%	Amount	%
Current liabilities					
Current borrowings	4,6,8	$21,000	-	$993,875	6
Notes payable		10	-	41	-
Accounts payable		128,869	1	230,915	2
Other payables	6	1,181,066	4	749,611	5
Current tax liabilities	6	991	-	-	-
Current lease liabilities	4,6	211,853	1	77,763	1
Current portion of long-term borrowings	6,8	12,361	-	12,137	-
Current refund liabilities	4,6	227,149	1	135,888	1
Other current liabilities, others	5,6,9	368,794	1	350,118	2
Total current liabilities		2,152,093	8	2,550,348	17
Non-current liabilities					
Non-current portion of long-term borrowings	6,8	62,712	-	74,977	-
Deferred tax liabilities	4,6	105,962	-	8,217	-
Non-current lease liabilities	4,6	892,286	4	410,049	3
Net defined benefit liability, non-current	4,5,6	10,208	-	4,185	-
Other non-current liabilities, others		97,906	-	143,637	1
Total non-current liabilities		1,169,074	4	641,065	4
Total liabilities		3,321,167	12	3,191,413	21
Equity	4,6				
Share capital					
Ordinary share		3,402,639	12	3,024,556	20
Capital surplus		24,092,179	88	13,421,262	87
Retained earnings					
Accumulated deficit		(631,187)	(2)	(4,185,557)	(27)
Other equity interest		(110,373)	-	(31,544)	-
Treasury shares		(2,805,108)	(10)	(87,502)	(1)
Equity attributable to owners of parent		23,948,150	88	12,141,215	79
Non-controlling interests	4	-	-	-	-
Total equity		23,948,150	88	12,141,215	79
Total liabilities and equity		$27,269,317	100	$15,332,628	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, 2023 and 2022

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

Item	Notes	For the years ended December 31,			
		2023		2022	
		Amount	%	Amount	%
Operating revenue	4,6	$5,105,615	100	$2,882,042	100
Operating costs	4,6	(610,544)	(12)	(812,288)	(28)
Gross profit from operations		4,495,071	88	2,069,754	72
Operating expenses	6,7				
Selling expenses		(2,132,995)	(42)	(1,543,235)	(54)
Administrative expenses		(2,051,416)	(40)	(1,128,747)	(39)
Research and development expenses		(2,224,054)	(43)	(1,425,964)	(49)
Total operating expenses		(6,408,465)	(125)	(4,097,946)	(142)
Net operating loss		(1,913,394)	(37)	(2,028,192)	(70)
Non-operating income and expenses	4,6				
Interest income		585,127	12	40,441	1
Other income		20,622	-	48,780	2
Other gains and losses, net		367,402	7	115,628	4
Finance costs		(46,691)	(1)	(18,528)	(1)
Total non-operating income and expenses		926,460	18	186,321	6
Loss before income tax		(986,934)	(19)	(1,841,871)	(64)
Income tax benefit	4,6	363,099	7	467,061	16
Net loss		(623,835)	(12)	(1,374,810)	(48)
Other comprehensive income (loss)	4,6				
Items that will not be reclassified to profit or loss					
Losses on remeasurements of defined benefit plans		(9,190)	-	(507)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		24,689	-	4,015	-
Income tax related to items that will not be reclassified		1,838	-	912	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign financial statements		102,037	2	24,591	1
Income tax related to items that may be reclassified		-	-	-	-
Other comprehensive income (loss), net		119,374	2	29,011	1
Total comprehensive income (loss)		$(504,461)	(10)	$(1,345,799)	(47)
Net loss, attributable to:					
Owners of parent		$(623,835)		$(1,374,810)	
Non-controlling interests		-		-	
		$(623,835)		$(1,374,810)	
Comprehensive income (loss) attributable to:					
Owners of parent		$(504,461)		$(1,345,799)	
Non-controlling interests		-		-	
		$(504,461)		$(1,345,799)	
Earnings per share (in NTD)	6				
Basic loss per share		$(1.93)		$(4.84)	

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, 2023 and 2022

(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	Total equity attributable to owners of parent		
			Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation				
Balance on January 1, 2022	$2,769,036	$4,697,388	$(2,811,152)	$(21,370)	$(38,780)	$-	$(344,741)	$4,250,381	$-	$4,250,381
Net loss for the year ended December 31, 2022	-	-	(1,374,810)	-	-	-	-	(1,374,810)	-	(1,374,810)
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	405	24,591	4,015	-	-	29,011	-	29,011
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	(1,374,405)	24,591	4,015	-	-	(1,345,799)	-	(1,345,799)
Issue of shares	240,340	8,406,760	-	-	-	-	-	8,647,100	-	8,647,100
Share-based payments	15,180	317,114	-	-	-	-	257,239	589,533	-	589,533
Balance on December 31,2022	$3,024,556	$13,421,262	$(4,185,557)	$3,221	$(34,765)	$-	$(87,502)	$12,141,215	$-	$12,141,215
Balance on January 1, 2023	$3,024,556	$13,421,262	$(4,185,557)	$3,221	$(34,765)	$-	$(87,502)	$12,141,215	$-	$12,141,215
Other changes in capital surplus:										
Capital surplus used to offset accumulated deficits	-	(4,185,557)	4,185,557	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2023	-	-	(623,835)	-	-	-	-	(623,835)	-	(623,835)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	(7,352)	102,037	24,689	-	-	119,374	-	119,374
Total comprehensive income (loss) for year ended December 31, 2023	-	-	(631,187)	102,037	24,689	-	-	(504,461)	-	(504,461)
Issue of shares	340,000	13,536,760	-	-	-	-	-	13,876,760	-	13,876,760
Share-based payments	38,083	1,319,714	-	-	-	(205,555)	-	1,152,242	-	1,152,242
Purchase of treasury shares	-	-	-	-	-	-	(2,717,606)	(2,717,606)	-	(2,717,606)
Balance on December 31,2023	$3,402,639	$24,092,179	$(631,187)	$105,258	$(10,076)	$(205,555)	$(2,805,108)	$23,948,150	$-	$23,948,150

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,	
	2023	2022
Cash flows from (used in) operating activities:		
Loss before income tax	$(986,934)	$(1,841,871)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	229,106	204,011
Amortization expense	39,651	23,908
Interest expense	46,691	18,528
Interest income	(585,127)	(40,441)
Share-based payments	710,206	216,205
Loss on disposal of intangible assets	-	99
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	224	(224)
Decrease (increase) in accounts receivable	(513,655)	(332,604)
Decrease (increase) in other receivables	(128,177)	(11,756)
Decrease (increase) in inventories	(356,606)	(240,660)
Decrease (increase) in prepayments	(46,592)	(9,839)
Decrease (increase) in other current assets	(11,042)	5,318
Increase (decrease) in notes payable	(31)	(34)
Increase (decrease) in accounts payable	(102,046)	54,615
Increase (decrease) in other payables	431,455	254,123
Increase (decrease) in other payables to related parties	-	(296)
Increase (decrease) in current refund liabilities	91,261	135,888
Increase (decrease) in other current liabilities, others	15,125	(1,572)
Increase (decrease) in net defined benefit liability, non-current	(3,167)	(272)
Increase (decrease) in other non-current liabilities, others	(53,816)	37,342
Cash inflow (outflow) generated from operations	(1,223,474)	(1,529,532)
Interest received	594,784	29,718
Income taxes paid	(76,872)	(5,675)
Net cash flows from (used in) operating activities	(705,562)	(1,505,489)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	-	(989,125)
Proceeds from repayments of financial assets at amortized cost	970,141	-
Acquisition of financial assets at fair value through other comprehensive income	(96,000)	-
Acquisition of property, plant and equipment	(1,200,392)	(286,973)
Acquisition of intangible assets	(41,646)	(8,721)
Increase in prepayments for business facilities	(85,653)	(25,054)
Decrease (increase) in other non-current assets, others	(33,103)	67,060
Net cash flows from (used in) investing activities	(486,653)	(1,242,813)
Cash flows from (used in) financing activities:		
Increase in current borrowings	1,000	973,875
Decrease in current borrowings	(973,875)	-
Repayments of long-term borrowings (including current portion)	(12,041)	(12,028)
Payments of lease liabilities	(138,929)	(115,381)
Proceeds from issuing shares	13,876,760	8,647,100
Exercise of employee share options	453,672	96,007
Payments to acquire treasury shares	(2,717,606)	-
Interests paid	(34,555)	(10,261)
Net cash flows from (used in) financing activities	10,454,426	9,579,312
Effect of exchange rate changes on cash and cash equivalents	100,160	19,003
Net increase (decrease) in cash and cash equivalents	9,362,371	6,850,013
Cash and cash equivalents at the beginning of period	10,303,658	3,453,645
Cash and cash equivalents at the end of period	$19,666,029	$10,303,658

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, 2023 and 2022

(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), on November 13, 2021.

The Company's shares of stock were trading on the Taipei Exchange from July 19, 2016. The application for the Company's stock listing on Taiwan Stock Exchange was approved by the board of directors of the Taiwan Stock Exchange Corporation on December 25, 2023. 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 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, 2023 and 2022 were authorized for issue by the Board of Directors on February 26, 2024.

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, 2023. The adoption of these new standards and amendments and interpretations of initial application has 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, 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
B	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
C	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
D	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

A. 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.

B. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

C. Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

D. Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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, 2024. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A) and (C), it is not practicable to estimate their impact on the Group at this point in time. The remaining 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
C	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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 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. Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

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), 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, 2023 and 2022 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. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfers directly to retained earnings if required by other TIFRSs; and
F. recognizes differences in profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%) December 31, 2023	Percentage of ownership (%) December 31, 2022
The Company	PharmaEssentia (Hong Kong) Limited	Biotechnology Service, etc.	Note	Note
〃	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.	〃	100%	100%
〃	PharmaEssentia Innovation Research Center, Inc.	〃	100%	100%
PharmaEssentia Asia (Hong Kong) Limited	PharmaEssentia Biotechnology (Beijing) Limited	〃	100%	100%

Note: In order to expand the China market, the Group registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in 2013. However, as of December 31, 2023, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Group has not remitted payment for share.

(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 settlement 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.

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 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 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 represent 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 the Group 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.

<u>Group as a lessee</u>

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.

(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.

A summary of the policies applied to the Group's intangible assets is as follows:

	Trademarks and Licences	Patents	Computer software	Other intangible assets
Useful lives	Finite (10~12 years)	Finite (10~11years)	Finite (3~6 years)	Finite
Amortization method used	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 shorter of the period of the patent or estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired	Internally generated

(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.

Provisions for Sales returns and allowances

A provision has been recognized for sales returns and allowances in accordance with IFRS 15.

(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 arose.

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 arose.

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 Group'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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(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.

According to the temporary exception provided in the Amendments to IAS 12 “International Tax Reform-Pillar Two Model Rules,” the deferred tax assets and liabilities related to Pillar Two income tax shall not be recognized, and their related information is not disclosed.

(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).

(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. Inventories

Estimates of net realizable 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.

B. 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.

C. 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, 2023.

D. 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, 2023	December 31, 2022
Cash on hand / petty cash	$1,129	$1,435
Cash in banks	19,664,900	1,964,674
Time deposits	-	8,337,549
Total	$19,666,029	$10,303,658

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, 2023	December 31, 2022
Equity instrument investments designated as measured at fair value through other comprehensive income – non-current:		
Unlisted company stocks	$163,924	$43,235

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, 2023	December 31, 2022
Cash in banks	$46,701	$1,016,787
Less: loss allowance	-	-
Total	$46,701	$1,016,787
Current	$22,181	$976,245
Non-current	24,520	40,542
Total	$46,701	$1,016,787

A. The credit risk of financial assets at amortized cost is low based on evaluation (same as the initial assessment) as of December 31, 2023 and 2022; 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, 2023	December 31, 2022
Accounts receivable	$1,312,303	$798,648
Less: loss allowance	-	-
Total	$1,312,303	$798,648

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, 2023 and 2022 was $1,312,303 thousand and $798,648 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, 2023 and 2022, was as follows:

	As of December 31, 2023					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$1,047,884	$77,009	$-	$-	$187,410	$1,312,303
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$1,047,884	$77,009	$-	$-	$187,410	$1,312,303

	As of December 31, 2022					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$426,289	$134,577	$38,143	$22,112	$177,527	$798,648
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$426,289	$134,577	$38,143	$22,112	$177,527	$798,648

As of December 31, 2023 and 2022, allowance of the Group was both $0 thousand; there was no movement of allowance during the years ended December 31, 2023 and 2022, respectively.

D. The Group has an international arbitration event with counterparty – AOP Orphan Pharmaceuticals GmbH. As of December 31, 2023 and 2022, accounts receivable due from the counterparty was overdue for 180 days. Please refer to Note 9 for more details of such arbitration event. The Group has recognized related provision for overdue receivable.

(5) Inventories

	As of	
	December 31, 2023	December 31, 2022
Raw materials	$13,584	$33,838
Supplies	122,079	106,978
Work in progress	140,589	5,703
Finished goods	1,170,272	946,475
Purchased merchandise inventory	12,120	9,044
Total	$1,458,644	$1,102,038

A. Expense and loss incurred on inventories were as follows:

	For the years ended December 31,	
	2023	2022
Cost of inventories sold	$518,040	$777,885
Expense recognized (reversed) from inventory write-down to net realizable value	2,941	(7,476)
Others	65,343	37,983
Total	$586,324	$808,392

For the years ended December 31, 2023 and 2022, the Group recognized $2,941 thousand cost in operating from inventory write-down and $7,476 thousand related to reversal of inventory write-down, respectively. As the inventories which had recognized allowance have been sold in the current period, the related allowances have decreased, resulting in the reversal of write-down of inventories for the year ended December 31, 2022.

B. Inventories were not pledged.

(6) Prepayments

	As of	
	December 31, 2023	December 31, 2022
Current:		
Prepaid expenses (Note 1)	$132,540	$55,641
Other prepayments (Note 1)	19,654	49,961
Subtotal	152,194	105,602
Non-current:		
Prepaid application patent fees and others (Note 2)	22,133	35,242
Total	$174,327	$140,844

Note 1: Prepaid expenses and other prepayments were mainly prepaid for operating expenses such as commissioned research 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, 2023 and 2022 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, 2023	$58,241	$70,613	$472,456	$2,309	$60,160	$371,116	$234,559	$1,269,454
Additions	-	-	143,629	-	35,950	51,993	968,820	1,200,392
Disposals	-	-	(2,134)	-	(3,148)	-	-	(5,282)
Other changes (Note)	-	19	13,106	-	928	3,185	(14,894)	2,344
As of December 31,2023	$58,241	$70,632	$627,057	$2,309	$93,890	$426,294	$1,188,485	$2,466,908
As of January 1, 2022	$58,241	$70,523	$433,603	$2,309	$50,668	$341,609	$36,489	$993,442
Additions	-	-	42,792	-	9,109	27,524	207,548	286,973
Disposals	-	-	(3,966)	-	(68)	-	-	(4,034)
Other changes (Note)	-	90	27	-	451	1,983	(9,478)	(6,927)
As of December 31, 2022	$58,241	$70,613	$472,456	$2,309	$60,160	$371,116	$234,559	$1,269,454
Accumulated depreciation and impairment:								
As of January 1, 2023	$-	$19,673	$328,098	$2,115	$26,815	$348,570	$-	$725,271
Depreciation	-	1,985	43,727	146	12,594	9,317	-	67,769
Disposals	-	-	(2,134)	-	(3,148)	-	-	(5,282)
Other changes (Note)	-	10	8	-	1,193	1	-	1,212
As of December 31, 2023	$-	$21,668	$369,699	$2,261	$37,454	$357,888	$-	$788,970
As of January 1, 2022	$-	$17,645	$298,792	$1,969	$18,938	$296,560	$-	$633,904
Depreciation	-	1,991	33,272	146	7,486	52,010	-	94,905
Disposals	-	-	(3,966)	-	(68)	-	-	(4,034)
Other changes (Note)	-	37	-	-	459	-	-	496
As of December 31, 2022	$-	$19,673	$328,098	$2,115	$26,815	$348,570	$-	$725,271
Net carrying amount as of:								
December 31, 2023	$58,241	$48,964	$257,358	$48	$56,436	$68,406	$1,188,485	$1,677,938
December 31, 2022	$58,241	$50,940	$144,358	$194	$33,345	$22,546	$234,559	$544,183

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, 2023 and 2022.

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, 2023 and 2022 were as follows:

	Trademarks	Patents	Computer software	Other intangible assets	Total
Cost					
As of January 1, 2023	$7,773	$41,533	$24,312	$229,797	$303,415
Additions－acquired separately	30	482	41,134	-	41,646
Disposals	-	(386)	-	-	(386)
Other changes (Note)	1,168	2,194	25,341	386	29,089
As of December 31, 2023	$8,971	$43,823	$90,787	$230,183	$373,764
As of January 1, 2022	$6,501	$38,874	$16,335	$228,008	$289,718
Additions－acquired separately	-	-	8,721	-	8,721
Disposals	(159)	-	(909)	-	(1,068)
Other changes (Note)	1,431	2,659	165	1,789	6,044
As of December 31, 2022	$7,773	$41,533	$24,312	$229,797	$303,415
Accumulated Amortization and Impairment:					
As of January 1, 2023	$2,732	$30,781	$13,496	$19,525	$66,534
Amortization	929	2,494	18,180	18,048	39,651
Disposals	-	(386)	-	-	(386)
Other changes (Note)	8	-	8	38	54
As of December 31, 2023	$3,669	$32,889	$31,684	$37,611	$105,853
As of January 1, 2022	$1,936	$28,340	$11,818	$1,375	$43,469
Amortization	827	2,441	2,535	18,105	23,908
Disposals	(60)	-	(909)	-	(969)
Other changes (Note)	29	-	52	45	126
As of December 31, 2022	$2,732	$30,781	$13,496	$19,525	$66,534
Net carrying amount as of:					
December 31, 2023	$5,302	$10,934	$59,103	$192,572	$267,911
December 31, 2022	$5,041	$10,752	$10,816	$210,272	$236,881

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,	
	2023	2022
Operating costs	$30,090	$18,575
Administrative expenses	5,031	2,161
Research and development expenses	2,958	2,443
Selling expenses	1,572	729
Total	$39,651	$23,908

(9) Current borrowings

	As of	
	December 31, 2023	December 31, 2022
Unsecured bank loans	$21,000	$20,000
Secured bank loans	-	973,875
Total	$21,000	$993,875
Unused credit	$4,205,965	$50,000
Interest rates applied	2.003%~2.433%	1.30%~6.39%

Please refer to Note 8 for more details on assets pledged as security for current borrowings.

(10) Other payables

	As of	
	December 31, 2023	December 31, 2022
Salaries and bonus payable	$488,223	$298,576
Professional service fees payable	330,125	315,884
Commissioned research and clinical trial payable	152,174	52,993
Payable on equipment	43,701	2,712
Others	166,843	79,446
Total	$1,181,066	$749,611

(11) Long-term borrowings

A. Details of long-term borrowings as of December 31, 2023 and 2022 were as follows:

Creditor	As of December 31, 2023	Interest rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$62,768	2.90933%	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	2,000	2.595%	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	10,305	2.595%	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	75,073		
Less: current portion	(12,361)		
Total	$62,712		

Creditor	As of December 31, 2022	Interest rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$68,746	2.76356%	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	2,883	2.470%	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	15,485	2.470%	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	87,114		
Less: current portion	(12,137)		
Total	$74,977		

B. The Group' s unused credit of long-term borrowings was both $0 thousand as of December 31, 2023 and 2022.

C. Please refer to Note 8 for more details on assets pledged as security for long-term borrowings.

(12) Current refund liabilities

	Sales return and allowance
As of January 1, 2023	$135,888
Addition (reversal) for the current period	88,265
Exchange effect	2,996
As of December 31, 2023	$227,149

As of January 1, 2022	$-
Addition (reversal) for the current period	132,170
Exchange effect	3,718
As of December 31, 2022	$135,888

The refund liabilities of this Group were accrued for sales returns and allowances.

(13) 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, 2023 and 2022 were $46,781 thousand and $35,013 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 $566 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The duration of the defined benefits plan obligation as of December 31, 2023 and 2022 both were year of 2024.

Pension costs recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Current service cost	$-	$-
Net interest on the net defined benefit liabilities (assets)	50	20
Total	$50	$20

Changes in the defined benefit obligation and fair value of plan assets were as follows:

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Defined benefit obligation	$18,024	$8,732	$7,890
Plan assets at fair value	(7,816)	(4,547)	(3,940)
Net defined benefit liability, non-current recognized on the balance sheets	$10,208	$4,185	$3,950

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, 2022	$7,890	$(3,940)	$3,950
Current service cost	-	-	-
Interest expense (income)	40	(20)	20
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	40	(20)	20
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	(96)	-	(96)
Experience adjustments	898	(295)	603
Remeasurements of the defined benefit assets	-	-	-
Subtotal	802	(295)	507
Payments from the plan	-	-	-
Contribution by employer	-	(292)	(292)
As of December 31, 2022	8,732	(4,547)	4,185
Current service cost	-	-	-
Interest expense (income)	105	(55)	50
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	$105	$(55)	$50

	Defined benefit obligation	Plan assets at fair value	Benefit liabilities (assets)
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	-	-	-
Experience adjustments	9,187	3	9,190
Remeasurements of the defined benefit assets	-	-	-
Subtotal	9,187	3	9,190
Payments from the plan	-	-	-
Contribution by employer	-	(3,217)	(3,217)
As of December 31, 2023	$18,024	$(7,816)	$10,208

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2023	December 31, 2022
Discount rate	1.20%	1.20%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption was shown below:

	For the years ended December 31,			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	$-	$184	$-	$33
Discount rate decrease by 0.25%	190	-	33	-
Future salary increase by 0.25%	161	-	29	-
Future salary decrease by 0.25%	-	157	-	28

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.

(14) Equity

A. Common stock

As of December 31, 2023 and 2022, the Company's authorized capital was both $400,000 thousand shares, each at a par value of $10. The issued capital was $3,402,639 thousand and $3,024,556 thousand, respectively, which was divided into 340,264 thousand shares and 302,456 thousand shares, respectively.

The Company issued employee share options in January and September 2018. For the years ended December 31, 2022 and 2023, 1,518 thousand shares and 413 thousand shares of employee share options were converted to common shares and the registration was completed. Please refer to Note 6(15) for more details on employee share options.

The Company issued employee share options in June 2021. For the year ended December 31, 2023, 384 thousand shares of employee share options were converted to common shares and the registration was completed. Please refer to Note 6(15) for more details on employee share options.

On April 19, 2022, the Company's interim board of directors resolved to issue 7,334 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 $250 per share, the capital increase date was set as May 4, 2022 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 May 16, 2022.

On July 14, 2022, the Company's board of directors resolved to issue 16,700 thousand ordinary shares with a par value of $10 for cash. On September 6, 2022, the issuance of new shares has been declared effective by the competent authority. The new shares issued by cash were at a premium of $408 per share, the capital increase date was set as September 8, 2022 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 November 3, 2022.

On March 9, 2023, the Company's board of directors resolved to issue restricted stocks awarded for its employees in a total of 2,650 thousand ordinary shares with a par value of $10 each. The capital increase date was set as March 17, 2023 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 March 31, 2023. The Company had redeemed and cancelled 9 thousand shares of unvested restricted stocks issued for employees according to the issuance plan. The aforementioned reduction of capital was approved by the competent authority and the registration was completed on August 25, 2023.

On April 18, 2023, the Company issued 34,000 thousand units of Global Depository Shares ("GDS") on the Luxembourg Stock Exchange, each representing a unit of ordinary shares of the Company. And totals in new issuance of 34,000 thousand common stock shares, each unit of GDS was priced at US$ 13.61, equivalent to NT$415. Total shares amounted to US$ 462,740 thousand. The rights and obligations of the newly-issued shares were the same as the original shares, the capital increase date was set as April 18, 2023 and the full amount of the shares was received on that date. The aforementioned capital increase were approved and registered by the competent authority on April 27, 2023.

On December 8, 2023, the Company's board of directors resolved to issue restricted stocks awarded for its employees in a total of 370 thousand ordinary shares with a par value of $10 each. The capital increase date was set at December 21, 2023 and the full payment of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on December 29, 2023.

B. Capital surplus

	As of	
	December 31, 2023	December 31, 2022
Additional paid-in capital arising from ordinary share	$22,789,101	$12,666,795
Transaction of treasury shares	457,433	457,433
Restricted stock	576,758	-
Employee share options	268,887	297,034
Total	$24,092,179	$13,421,262

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.

In 2023, the transaction cost related to the issuance of GDS by the Company amounted to $233,239 thousand and was accounted for as a deduction from additional paid-in capital.

C. Treasury shares

As of December 31, 2023 and 2022, the treasury shares held by the Company were $2,805,108 thousand and $87,502 thousand; the number of treasury shares held by the Company was 8,905 thousand shares and 904 thousand shares, respectively.

To motivate the employees and retain a highly skilled workforce and global talent, a resolution of repurchasing and transferring shares to the employees was approved through the board of directors' meeting held on October 28, 2020, January 6, 2021, May 24, 2023, and July 28, 2023 respectively. The amount and share movement of treasury shares were as follows:

	Amount of repurchase	Amount granted	December 31, 2023
October 28, 2020	$275,239	$(275,239)	$-
January 6, 2021	87,502	-	87,502
May 24, 2023	1,366,174	-	1,366,174
July 28, 2023	1,351,432	-	1,351,432
Total	$3,080,347	$(275,239)	$2,805,108

	Repurchase shares (in thousands)	Granted shares (in thousands)	December 31, 2023 (in thousands)
October 28, 2020	2,935	(2,935)	-
January 6, 2021	904	-	904
May 24, 2023	4,001	-	4,001
July 28, 2023	4,000	-	4,000
Total	11,840	(2,935)	8,905

Please refer to Note 6(15) 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 had accumulated deficit for the year ended December 31, 2021, therefore the Company had resolved the distribution of the remaining portion by the shareholders' meeting on May 27, 2022, that there was no available earnings for distribution.

The Company had resolved by the shareholders' meeting held on May 24, 2023 to use capital surplus – additional paid-in capital of $4,185,557 thousand to cover accumulated deficits.

The Company had accumulated deficit for the year ended December 31, 2023, therefore the Company had resolved by the board of directors on February 26, 2024 to cover accumulated deficit by capital surplus – additional paid-in capital of $631,187 thousand.

Please refer to Note 6(17) for further details on employees' compensation and remuneration to directors and supervisors.

(15) 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 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 4,400 thousand units (Share-based payments plan A) and 3,000 thousand units (Share-based payments plan B), 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 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 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.

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$)
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,			
	2023		2022	
	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	4,373	$68	5,891	$63
Granted	-	-	-	-
Forfeited	(479)	45	-	-
Exercised (Note)	(797)	67	(1,518)	77
Expired	-		-	
Outstanding at end of period	3,097	$58	4,373	$68
Exercisable at end of period	2,235	$63	1,602	$80
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)		$-		

Note: The weighted average price at the implementation date of those options for the years ended December 31, 2023 and 2022 was $383 and $425, 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, 2023		
Share options outstanding at the end of the period	$74, $88 and $45	1.08、1.72 and 4.5
As of December 31, 2022		
Share options outstanding at the end of the period	$74, $88 and $45	2.08、2.72 and 5.5

(b) Treasury shares transferred to employees of the Company

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

(c) Capital increase by cash reserved for employee share options of the Company

On July 14, 2022, the interim board of directors meeting of the Company resolved a cash offering of new shares. 15% of the new shares shall be reserved for subscription by the qualified employees in compliance with requirements. The date of grant was based on the date of confirmation on the number of shares subscribed by the employees.

The subscription base date was September 8, 2022. The total newly issued shares for this capital increase by cash were 16,700 thousand shares and 2,505 thousand shares were reserved for the employees' subscription. The actual number of shares purchased by the employees was 2,034 thousand shares. The abovementioned cash offering of new shares was issued at NT$408 per share, and October 17, 2022 was set as the capital increase base date. The relevant information was as follows:

Agreement type	Date of grant	Shares (in thousands)	Contract period	Vested condition	Date of transferring
Reserved for employee share options	September 8, 2022	2,034	-	Vested immediately	October 17, 2022

The fair value of employee share options was as follow:

Agreement type	Date of grant	Stock price	Exercise price	Fair value (per unit)
Reserved for employee share options	September 8, 2022	$483.50	$408.00	$75.5

(d) Restricted stock plan for employees of the Company

On May 27, 2022, the shareholders meeting approved to issue restricted stocks of 6,650 thousand ordinary shares in installments. The Company was authorized to issue restricted stocks in one tranche or in installments, within one year from the resolution date. On March 9, 2023 and December 8, 2023, the Company's board of directors resolved to issue of restricted stocks 2,650 thousand and 370 thousand for ordinary shares employees, and the stock price on the grant date was $451 and $331.5 per share, respectively. The details of the plan were as follows:

Agreement type	Date of grant	Offering shares	Contract period	Vesting condition
Restricted stock plan for employees (Note 1)	March 17, 2023	2,650,000	36 months	Performance conditions are met (Note 2)
Restricted stock plan for employees (Note 1)	December 21, 2023	370,000	12 months	Performance conditions are met (Note 3)

Note 1: The eligible employees shall not sell, pledge, transfer, endow, set as guarantees, or dispose of by other means before the vesting conditions are met. The voting rights in the shareholders' meeting and the shareholders' rights to distribute or subscribe shares or dividends of the aforementioned shares are the same as other ordinary shares issued by the Company, but allotment dividends must be placed int the custody of stock trust. If an eligible employee voluntarily resigns during the vesting period, other types of termination of employment relationship, retirement, unpaid leave, parental leave, general death, physical inability in occupational accidents and inability to continue working or death, and transfer, etc., the Company will reclaim and cancel the unvested restricted stocks at the original offering price.

Note 2: Performance conditions include completion of ET clinical trials, obtaining drug license for PV treatment in Japan, and employees remain employed by the Company on the second and third anniversaries of the grant date of restricted employee stocks. The maximum percentages of accumulative shares to be vested shares are 37.5%, 37.5%, 12.5% and 12.5%.

Note 3: Performance conditions include obtaining drug license for PV treatment in China and employees remain employed by the Company on the first anniversaries of the grant date of restricted employee stocks. The maximum percentages of accumulative shares to be vested shares are 50.7% and 49.3%.

The fair value of restricted stock plan for employees was as follow:

Agreement type	Date of grant	Stock price	Exercise price	Fair value (per unit)
Restricted stock plan for employees	March 17, 2023	$451	$136	$315
Restricted stock plan for employees	December 21, 2023	$331.5	$102	$229.5

As of December 31, 2023, since employees have not yet met the vesting conditions, the balance of unearned compensation accounted for the deduction of equity was $205,555 thousand, which would be recognized as salary expenses in future vesting periods.

(e) Expense recognized for share-based payment transactions was as follows:

	For the years ended December 31,	
	2023	2022
Total expense arising from equity-settled share-based payment transactions	$710,206	$216,205

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 in the abovementioned contract can be completed on schedule, LSE would acquire 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 revision of the agreement framework and time schedule, the agreement was arranged in December 2015. As of September 30, 2023, the Company haven't exercised the share option yet, so there is no applicable share-based payment accounting treatment. In addition, although the execution schedule has been adjusted, LSE continued to perform agreed milestone. Therefore, the Company evaluate that the share option could have great possibility to be exercised, and it is optimal estimate to be recognized as liability. The total recognized liabilities as of December 31, 2023 and 2022 were $1,535 thousand and $1,512 thousand, respectively, it was putted under the other current liabilities-other account.

(16) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers		
Sale of medicine products	$4,940,655	$2,879,403
Other sales revenue	153,575	-
Revenue arising from rendering of services	11,385	2,639
Total	$5,105,615	$2,882,042

A. The Group is a single operating department. For the years ended December 31, 2023 and 2022, the revenue of medicine product sales from contracts with customers was recognized 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. The Group recognized in revenues from contract liabilities which contract duration is less than one year. There are no unfulfilled performance obligations or recognized assets from the costs incurred in obtaining or fulfilling customer contracts.

(17) 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,					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Wages and salaries	$286,197	$2,126,606	$2,412,803	$202,012	$1,286,533	$1,488,545
Labor and health insurance	14,185	52,184	66,369	11,599	19,752	31,351
Pension	7,776	39,055	46,831	6,553	28,480	35,033
Other employee benefits expense	4,898	108,259	113,157	3,805	41,681	45,486
Depreciation	81,146	147,960	229,106	89,072	114,939	204,011
Amortization	30,090	9,561	39,651	18,575	5,333	23,908

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, 2023 and 2022, because of the net loss before tax, there was no estimated amounts of the employees' compensation and remuneration to directors.

(18) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	$577,787	$37,606
Interest income from financial assets measured at amortized cost	7,147	2,788
Other interest income	193	47
Total	$585,127	$40,441

B. Other income

	For the years ended December 31,	
	2023	2022
Others	$20,622	$48,780

C. Other gains and losses

	For the years ended December 31,	
	2023	2022
Foreign exchange gains, net	$375,696	$122,360
Other losses	(8,294)	(6,633)
Loss on disposal of intangible assets	-	(99)
Total	$367,402	$115,628

D. Finance costs

	For the years ended December 31,	
	2023	2022
Interest expenses of borrowings from bank	$34,555	$1,768
Interest expenses on lease liabilities	12,136	16,760
Total	$46,691	$18,528

(19) Components of other comprehensive income

For the year ended December 31, 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax related to items that will not be reclassified	Other comprehensive income (loss), net
Items that will not be reclassified to profit or loss:					
Gains (losses) on remeasurement of defined benefit plans	$(9,190)	$-	$(9,190)	$1,838	$(7,352)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	24,689	-	24,689	-	24,689
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign financial statements	102,037	-	102,037	-	102,037
Total	$117,536	$-	$117,536	$1,838	$119,374

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax related to items that will not be reclassified	Other comprehensive income (loss), net
Items that will not be reclassified to profit or loss:					
Gains (losses) on remeasurement of defined benefit plans	$(507)	$-	$(507)	$912	$405
Unrealized gains (losses) from	4,015	-	4,015	-	4,015

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax related to items that will not be reclassified	Other comprehensive income (loss), net
investments in equity instruments measured at fair value through other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign financial statements	24,591	-	24,591	-	24,591
Total	$28,099	$-	$28,099	$912	$29,011

(20) Income tax

A. The major components of tax expense (benefit) for the years ended December 31, 2023 and 2022 were as follows:

Income tax recognized in profit or loss

	For the years ended December 31,	
	2023	2022
Current income tax expense (benefit):		
Current income tax charge	$5,816	$-
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary differences	87,120	(62,562)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(91,326)	-
Deferred income tax expense (benefit) related to changes in tax rate or the imposition of new taxes	-	4,020
Income tax expense (benefit) recognized in the period for previously unrecognized tax loss or temporary differences of prior periods	(364,709)	(408,519)
Total income tax expense (benefit)	$(363,099)	$(467,061)

Income tax recognized in other comprehensive income (loss)

	For the years ended December 31,	
	2023	2022
Deferred income tax expense (benefit):		
Remeasurements of defined benefit	$(1,838)	$(912)

B. A reconciliation between income tax expense (benefit) and loss before income tax multiplied by applicable tax rates was as follows:

	For the years ended December 31,	
	2023	2022
Accounting loss before tax from continuing operations	$(986,934)	$(1,841,871)
Tax at the domestic rates applicable to profits in the country concerned	$(197,388)	$(368,374)
Tax effect of non-taxable income and non-deductible expenses	4,567	(468)
Tax effect of deferred tax assets/liabilities	(168,670)	(68,107)
Tax effect of statutory income tax rate difference in other jurisdictions	(1,608)	(30,112)
Total income tax expense (benefit)	$(363,099)	$(467,061)

C. Significant components of deferred income tax assets and liabilities were as follows:

For the year ended December 31, 2023:

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized provisions	$142,363	$10,382	$-	$3,004	$155,749
Allowance for inventory valuation loss	18,092	588	-	-	18,680
Unrealized exchange (gains) losses	(6,028)	(71,211)	-	(22)	(77,261)
Depreciation differences for tax purpose	(2,189)	(26,246)	-	(266)	(28,701)
Others	3,605	(633)	1,838	-	4,810
Unused tax losses	319,364	456,035	-	3,824	779,223
Deferred income tax benefit (expense)		$368,915	$1,838	$6,540	
Net deferred tax assets (liabilities)	$475,207				$852,500
Reflected in balance sheets as follows:					
Deferred tax assets	$483,424				$958,462
Deferred tax liabilities	$(8,217)				$(105,962)

For the year ended December 31, 2022:

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized provisions	$-	$138,468	$-	$3,895	$142,363
Allowance for inventory valuation loss	-	18,092	-	-	18,092
Unrealized exchange (gains) losses	-	(6,028)	-	-	(6,028)
Depreciation differences for tax purpose	-	(2,130)	-	(59)	(2,189)
Others	-	2,693	912	-	3,605
Unused tax losses	-	315,966	-	3,398	319,364
Deferred income tax benefit (expense)		$467,061	$912	$7,234	
Net deferred tax assets (liabilities)	$-				$475,207
Reflected in balance sheets as follows:					
Deferred tax assets	$-				$483,424
Deferred tax liabilities	$-				$(8,217)

D. The following table contains information of the unused tax losses of the Group:

		Unused tax losses as of December 31,		
Year	Deficit Amount	2023	2022	Expiration year
The Company:				
2016	$983,636	$348,741	$365,005	2026
2017	848,158	848,158	848,158	2027
2018	867,392	867,392	867,392	2028
2019	653,000	653,000	653,000	2029
2020	1,093,535	1,093,535	1,093,535	2030
2021	1,459,219	1,459,219	1,459,219	2031
2023 (Estimated)	969,941	969,941	-	2033
Subsidiaries:	4,902,301	4,902,301	2,802,655	Note
		$11,142,287	$8,088,964	

Note: Subsidiaries' unused tax losses were in accordance with the regulations of the countries where the subsidiaries located and applied to local expiration years.

E. The following table contains information of the unused investment tax credit of the Company:

Regulations of compliance	Item	Year	Unused tax losses as of December 31, 2023	Unused tax losses as of December 31, 2022	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 1
〃	〃	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	39,769	〃
〃	〃	2020	31,288	31,288	〃
〃	〃	2021	57,399	113,626	〃
〃	〃	2022(Filed)	137,479	60,046	〃
			$850,108	$828,902	

Regulations of compliance	Item	Year	Unused tax losses as of December 31, 2023	Unused tax losses as of December 31, 2022	Expiration year
Act for the development of biotech and new pharmaceuticals industry	Machinery and equipment acquired from manufacturing business	2022(Filed)	$710	$-	Note 2

Note 1: For a period of 5 years from the time it is subject to corporate income tax, the Company enjoys a reduction in its corporate income tax payable.

Note 2: For a period of 3 years from the time it is subject to corporate income tax, the Company enjoys a reduction in its corporate income tax payable.

The differences of unused amount as of December 31, 2023 and 2022 were due to filed amount and approved amount and also between estimated filed amount and actual filed amount.

F. As of December 31, 2023 and 2022, the total unrecognized deferred tax assets associated with deductible temporary differences, carry forward of unused tax credits and unused tax losses amounted to $13,478,344 thousand and $13,785,940 thousand, and the total unrecognized unused investment tax credits amounted to $850,818 thousand and $828,920 thousand, respectively.

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 2021
Panco Healthcare Co., Ltd	Assessed and approved up to 2020

(21) 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,	
	2023	2022
A. Basic earnings (losses) per share		
Loss attributable to ordinary equity holders of the Company (in thousands of NTD)	$(623,835)	$(1,374,810)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	322,479	284,207
Basic earnings (losses) per share (NTD)	$(1.93)	$(4.84)

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, 2023 and 2022, the net profit attributed to the ordinary shareholders of the parent company were both loss after tax which caused the potential ordinary shares into anti-dilutive. Therefore, the Company only disclosed basic losses per share.

(22) Leases

A. Group as a lessee

The Group leases various properties, including real estate (such as land, buildings and structures) 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, 2023	December 31, 2022
Land	$267,223	$285,791
Buildings and structures	786,248	186,949
Transportation equipment	1,288	810
Machinery and equipment	442	-
Total	$1,055,201	$473,550

During the years ended December 31, 2023 and 2022, the Group had additions to right-of-use assets amounted to $739,986 thousand and $174,520 thousand, respectively.

ii. Lease liabilities

	As of	
	December 31, 2023	December 31, 2022
Lease liabilities	$1,104,139	$487,812
Current	$211,853	$77,763
Non-current	$892,286	$410,049

Please refer to Note 6(18)D for the interest expense on lease liabilities recognized for the year ended December 31, 2023 and 2022, and refer to Note 12 for the maturity analysis of lease liabilities as of December 31, 2023 and 2022.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2023	2022
Land	$18,568	$18,430
Buildings and structures	142,069	90,247
Transportation equipment	553	429
Machinery and equipment	147	-
Total	$161,337	$109,106

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2023	2022
Expenses relating to short-term leases	$10,700	$10,098
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	2,519	1,582
The expenses relating to variable lease payments not included in the measurement of lease liabilities	-	-
Total	$13,219	$11,680

(d) Cash outflow relating to leasing activities

During for the years ended December 31, 2023 and 2022, the Group's total cash outflows for leases amounted to $152,148 thousand and $127,061 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.

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,	
	2023	2022
Sage Advisors, LLC	$-	$418

Above purchase of services were separately recorded as operating expenses of $0 thousand and $418 thousand for the years ended December 31, 2023 and 2022, respectively.

B. Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	$222,722	$185,167
Post-employment benefits	3,665	2,950
Share-based payment	186,890	28,292
Total	$413,277	$216,409

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:

Assets pledged for security	Carrying amount as of December 31, 2023	Carrying amount as of December 31, 2022	Secured liabilities
Current Financial assets at amortized cost	$22,181	$976,245	Current borrowings and performance bonds
Non-Current Financial assets at amortized cost	24,520	40,542	Performance bonds
Property, plant and equipment – land and buildings, net	106,727	108,330	Long-term borrowings
Total	$153,428	$1,125,117	

9. Significant contingencies and unrecognized contractual commitments

Other than unsettled litigation, endorsement and guarantee, the Group discloses contract amount over NTD 100,000 thousand as of December 31, 2023 as below:

(1) As of December 31, 2023, the Group provided endorsement and guarantee to subsidiaries were amounted to USD 78,882 thousand, and the actual expenditure was amounted to USD 447 thousand. Please refer to Table 2 for relevant information.

(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(15) 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, 2023, the Company has paid USD 3,550 thousand in license fees. The bankruptcy proceedings filed by Athenex, Inc does not affect the abovementioned license agreement. Based on the bankruptcy proceedings, the winning bidder of Athenex's assets will succeed the abovementioned license agreement, so the Company assesses that its rights and obligations thereof will not be affected.

(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, 2023, the Company has paid USD 1,640 thousand and USD 500 thousand, respectively. The bankruptcy proceedings filed by Athenex, Inc. related to development of KX-01, is still ongoing. After a professional evaluation was made by an external lawyer for bankruptcy, the bankruptcy filing should not affect the licensing rights of the previous contract, so the Company assessed that its rights and obligations thereof would not be affected.

(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 NTD 288,969 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2023, the Company has paid NTD 166,605 thousand.

(6) The Company and a Japanese 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 15,728 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2023, the Company has paid USD 7,551 thousand.

(7) 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, 2023, the Company has paid related costs of EUR 1,381 thousand.

(8) In 2009, the Company and 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 an unfavorable arbitration award. To protect the rights and interests of the Company, the Company retained legal counsels to file a lawsuit to revoke the arbitration award. On February 15, 2022, the Company was notified by a German counsel of the final rulings of the revocation lawsuit. The German Federal Court of Justice held that the original rulings in the ICC arbitration award should be officially set aside regarding AOP's damages claims and the part regarding the costs sharing of the arbitration costs borne by the Company. Although the counterclaim filed by the Company against AOP to terminate the license agreement in the same arbitration proceeding was dismissed. As of the date this financial report was authorized for issue, both of the foregoing disputes have reached a definitive end.

Since the rulings of the German Federal Court of Justice had already been finalized, AOP's damages claim previously awarded had been invalidated. The Company has considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter.

(9) 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.

On February 18, 2021, the ICC notified the Company that the two separate requests for arbitration were consolidated (hereinafter referred to as the "New Arbitration"), and the arbitrators appointed by each party collectively chose the chief arbitrator to constitute the arbitral tribunal. In accordance with the arbitration timetable, the first statement of claim was filed on October 22, 2021 by the Company (Statement of Claim). Against the Statement of Claim filed by the Company, AOP filed a statement of defense and counterclaim with the ICC on March 25, 2022 (Statement of Defense and Counterclaim). In addition to submitting the defenses, AOP filed a counterclaim asserting damages claims as follows: (1) the losses arising from violation of License Agreement by the Company; (2) illegal use of AOP's clinical trial data by the Company; (3) the service fees that should be paid by the Company to AOP and the overpaid product prices paid by AOP. In sum, AOP counterclaimed to the Company for compensation amounting to approximately EUR 6,000,000 thousand, and the Company is actively responding to this. In this regard, the Company has filed the Statement of Reply and Defense to Counterclaim on October 21, 2022 in response to its claims, including the damages that resulted from the delay caused by the reasons attributable to AOP during the EU Marketing Approval review and AOP's failure to fully realize Besremi's commercial value in its licensed territories.

Accordingly, the claim amount of the damages has also been adjusted. In response to the Statement of Reply and Defense to Counterclaim("SoDCC") submitted by the Company, AOP submitted a Statement of Rejoinder and Reply to Counterclaim("RRCC") to the ICC on March 28, 2023. The majority of the relevant submissions in the RRCC are based on the same assertions as already made in the SoDCC. Afterward, the Company filed the Statement of Rejoinder to Counterclaim with the ICC on May 23, 2023 in response to the counterclaim asserted by AOP.

The arbitration hearings were held in Frankfurt from July 10 to July 20, 2023. The main purposes of the hearings were to hear the assertions of both parties, and the testimonies of relevant witnesses and expert witnesses from both parties. Per tribunal's order, both parties had submitted Post-Hearing Briefs on November 15 and December 13, 2023, respectively.

The Company has dealt with this matter in a manner that it deems appropriate and will re-evaluate the reasonableness of the relevant approaches in each subsequent financial reporting period.

(10) The Company was notified on October 18, 2022 that AOP filed a civil action against the Company and its US subsidiary c, claiming the following: (1) the transactions between the Company and its US subsidiary affected AOP's rights; and (2) the Company and its US subsidiary's request against AOP to amend the License Agreement constitutes unfair competition. The Company has retained lawyers to submit the brief claiming that: the license agreement between AOP and the Company has provided that all the disputes related to or resulting from the license agreement shall be compelled to arbitration. Thus, the legal proceeding brought by AOP is in violation of the license agreement as the dispute related to the license agreement shall be compelled to arbitration. On March 10, 2023, AOP in its brief claimed that the US subsidiary of the Company is not eligible to apply the arbitration clause between the parties of the license agreement and the dispute is not arbitrable as it is not relevant to the license agreement by citing other case law and German law. On April 3, 2023, the Company and its US subsidiary replied AOP's brief by claiming that the parties have agreed to be bound by the ICC arbitration rules in the arbitration clause that is subject to the New York Convention, so the Federal Arbitration Act shall be applied to decide whether the equitable estoppel principles are violated. Accordingly, the US subsidiary of the Company can enforce the arbitration clause in the license agreement; nevertheless, the lawsuit brought by AOP against the US subsidiary of the Company resulted from the license agreement, which also lead to the same conclusion that the arbitration clause shall be applied.

On August 7, 2023, the Superior Court of Commonwealth of Massachusetts ruled that the motion filed by the Company is granted, and the arbitrability of AOP's assertion shall be determined by the arbitral panel. In short, the arbitration clause specifically incorporates the ICC rules as governing the dispute between the parties, and the ICC rules clearly delegate threshold issues of arbitrability to the arbitral panel, so it is for the arbitral panel to determine the arbitrability of the case in dispute.

The Company has dealt with this matter in a manner that it deems appropriate and has retained US lawyers to evaluate to respond to the legal action and will re-evaluate the reasonableness of the relevant approaches in each subsequent financial reporting period.

(11) The Company signed the "Taoyuan Airport City Priority Industrial Zone Land Tendering Project E Land Contract" with the Taoyuan City Government. The Company will pay the corresponding amount in the future according to the respective stages stipulated in the Contract, and the total amount of payments payable for purchasing E Land payable NTD 1,100,029 thousand. The Company has paid NTD 330,009 thousand as of December 31, 2023. Please refer to Table 5 for relevant information.

(12) In order to conduct the global phase III clinical trial of essential thrombocythemia (P1101 ET clinical trial), the Company entered into a Master Services Agreement (MSA), its Task Order 1 (Task Order 1) and its amendment (Amendment 1) with an American clinical research organization, which was entrusted to conduct the P1101 ET clinical trials at multiple clinical trial centers in the countries of Taiwan, the United States, Hong Kong, and moreover expanded to Canada, Singapore, and five European countries (Bulgaria, Czech Republic, France, Hungary, Poland), and the total related expenses payable are about USD 12,090 thousand. As of December 31, 2023, the Company has paid related expenses of USD 11,904 thousand.

(13) In order to support the growing demand for the Company's production the global market, the Company planned to add new production lines and expand new factories and entered into a contract with a domestic construction company for the new construction of the Zhubei plant in the Biomedical Park of Hsinchu Science Park. The contract amount reached NTD 3,126,000 thousand. As of December 31, 2023, the Company has paid related expenses of NTD 651,081 thousand. Please refer to Table 5 for relevant information.

(14) After the Company entered into a Master Services Agreement (MSA) with clinical research corporation , Canada, on January 19, 2023, the parties further entered into the Services Work Order 1 and Service Work Order 2 on May 19 and August 14, 2023, respectively, by which the corporation was entrusted to conduct: (1) a Phase IIIb, Randomized, Open-Label, Parallel Group, Multicenter Study to Access Efficacy, Safety, and Tolerability of Two Dosing Regimens of Ropeginterferon alfa-2b-njft (P1101) in Adult Patients with Polycynthemia Vera (PV) and (2) A Single-arm, Multicenter Study to Assess the Efficacy, Safety, and Tolerability of Ropeginterferon alfa-2b-njft (P1101) in Adult Patients with Essential Thrombocythemia (ET). The total expenses payable for clinical trial amount to approximately USD 27,393 thousand. As of December 31, 2023, and the Company has paid USD 906 thousand.

10. Losses due to major disasters

No such circumstances.

11. Significant subsequent events

The Company's listing application for the Taiwan Stock Exchange (TWSE) of its ordinary shares was approved by the Taiwan Stock Exchange Corporation under approval letter Tai-Cheng-Shang-Yi-Zi No. 1121806134 on December 25, 2023. The Company's shares of stock were listed on the TWSE starting on January 25, 2024. In addition, under the approval letter Cheng-Gui-Jian-Zi No. 11300511932 on January 18, 2024 from the Taipei Exchange, the Company's common stocks ceased to be traded on the Taipei Exchange on January 25, 2024, and were listed on the TWSE on the same day.

12. Others

(1) Financial instruments

Financial assets

	As of	
	December 31, 2023	December 31, 2022
Financial assets at fair value through other comprehensive income (including non-current)	$163,924	$43,235
Financial assets at amortized cost		
Cash and cash equivalents (excluding cash on hand and petty cash)	19,664,900	10,302,223
Receivables	1,312,303	798,872
Other receivables	167,173	38,996
Financial assets at amortized cost (including non-current)	46,701	1,016,787
Refundable deposits (accounted under other non-current assets, others)	100,337	72,944
Subtotal	21,291,414	12,229,822
Total	$21,455,338	$12,273,057

Financial liabilities

	As of	
	December 31, 2023	December 31, 2022
Financial liabilities at amortized cost:		
Current borrowings	$21,000	$993,875
Notes and accounts payable	128,879	230,956
Other payables (including related parties)	1,181,066	749,611
Long-term borrowings (including current portion)	75,073	87,114
Lease liabilities (including non-current)	1,104,139	487,812
Total	$2,510,157	$2,549,368

(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, 2023 and 2022 to increase/ decrease by $96 thousand and decrease/increase by $7,257 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.

As of December 31, 2023 and 2022, accounts receivable from top ten customers represent both 99% of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

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, 2023					
Current borrowings (including interest to be paid)	$21,431	$-	$-	$-	$21,431
Payables (including other payables)	1,309,945	-	-	-	1,309,945
Long-term borrowings (including interest to be paid)	14,293	20,925	14,178	37,195	86,591
Lease liabilities (including non-current)	228,645	344,279	225,254	381,848	1,180,026
As of December 31, 2022					
Current borrowings (including interest to be paid)	$1,006,903	$-	$-	$-	$1,006,903
Payables (including other payables)	980,567	-	-	-	980,567
Long-term borrowings (including interest to be paid)	14,421	27,427	14,268	45,457	101,573
Lease liabilities (including non-current)	79,755	74,276	146,238	228,893	529,162

(6) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2023:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2023	$993,875	$87,114	$487,812	$1,568,801
Cash flows	(972,875)	(12,041)	(138,929)	(1,123,845)
Non-cash changes	-	-	755,256	755,256
As of December 31, 2023	$21,000	$75,073	$1,104,139	$1,200,212

For the year ended December 31, 2022:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	$20,000	$99,142	$417,096	$536,238
Cash flows	973,875	(12,028)	(115,381)	846,466
Non-cash changes	-	-	186,097	186,097
As of December 31, 2022	$993,875	$87,114	$487,812	$1,568,801

(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, 2023:

	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	$-	$-	$163,924	$163,924

As of December 31, 2022:

	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	$-	$-	$43,235	$43,235

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, 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

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, 2023	$43,235
Total gains (losses) recognized for the year ended December 31, 2023:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	24,689
Acquisition for the year ended December 31, 2023	96,000
As of December 31, 2023	$163,924

	At fair value through other comprehensive income
	Stocks
As of January 1, 2022	$39,220
Total gains (losses) recognized for the year ended December 31, 2022:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	4,015
As of December 31, 2022	$43,235

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, 2023:

	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 and market 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 $970 thousand

As of December 31, 2022:

	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 $618 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, 2023:

	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 amortized cost				
Time deposits	$-	$46,701	$-	$46,701
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including currents portion)	-	75,073	-	75,073

As of December 31, 2022:

	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 amortized cost				
Time deposits	$-	$1,016,787	$-	$1,016,787
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including currents portion)	-	87,114	-	87,114

(9) Significant assets and liabilities denominated in foreign currencies

(In thousands)

	As of December 31, 2023				
			Carrying	Sensitivity analysis	
	Foreign currencies	Exchange rate	amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
USD	$348,124	31.2350	$10,873,643	1%	$108,736
EUR	11,494	34.3500	394,811	1%	3,948
CNY	7,659	4.3940	33,652	1%	337
JPY	20,919	0.2201	4,604	1%	46
Financial liabilities					
Monetary items					
EUR	$9,619	34.3500	$330,401	1%	$3,304
USD	1,467	31.2350	45,833	1%	458
JPY	66,943	0.2201	14,734	1%	147
CNY	270	4.3940	1,185	1%	12

(In thousands)

	As of December 31, 2022				
			Carrying	Sensitivity analysis	
	Foreign currencies	Exchange rate	amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
EUR	$10,409	32.6000	$339,333	1%	$3,393
USD	43,054	30.6250	1,318,527	1%	13,185
CNY	7,422	4.3940	32,610	1%	326
JPY	266	0.2255	60	1%	1
Financial liabilities					
Monetary items					
EUR	$10,084	32.6000	$328,724	1%	3,287
USD	925	30.6250	28,319	1%	283
CNY	1,063	4.3940	4,669	1%	47
JPY	76,225	0.2255	17,195	1%	172

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, 2023 and 2022 the Group's incurred foreign exchange gains (losses) were $375,696 thousand and $122,360 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.

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, please refer to table 5 for more details.

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 6 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 7 for more details.

I. Derivative instruments transactions, no such circumstances.

J. Significant intercompany transactions between consolidated entities, please refer to table 8 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 9 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 6 and table 7, there were no such circumstances for above (1) A~F and I.

(3) Information on investments in Mainland China

Please refer to table 10 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	6.48%

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,	
	2023	2022
Taiwan	$322,084	$306,596
Asia (excluding Taiwan)	131,309	30,293
Europe	301,286	613,830
America	4,350,936	1,931,323
Total	$5,105,615	$2,882,042

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, 2023 and 2022 were as follows:

	For the years ended December 31,			
	2023		2022	
	Sales Amount	%	Sales Amount	%
Company A	$1,050,720	20.58%	$443,171	15.38%
Company B	759,633	14.88%	357,633	12.41%
Company C	736,531	14.43%	285,551	9.91%
Company D	647,474	12.68%	531,273	18.43%
Company E	147,711	2.89%	613,830	21.30%

PharmaEssentia Corp. and subsidiaries

Notes to consolidated financial statements

Table 1: Financings provided to others

(Unit: thousands of foreign currency/NTD)

No. <Note1>	Financing company	Counter-party <Note9>	Financial statement account	Related party	Maximum balance for the period <Note2>	Ending balance <Note3>	Amount actually 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	$541,000	$-	$-	0.00%	2	$-	Operating Capital	$-	-	-	$2,394,815	$9,579,260

<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 higher of the transaction amount for procurement 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 subsidiaries 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 subsidiaries finance to the Company: The maximum of financing total amount is 40% of the financing company's net worth.

<Note9> All transactions listed above were eliminated in the consolidated financial statements.

<Note10> 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 rates were as follows:

USD:NTD 1:31.235

Table 2: Endorsements/guarantees provided to others

(Unit: thousands of foreign currency/NTD)

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 the Company <Note4>	Guarantee provided by a subsidiary <Note4>	Guarantee provided to subsidiaries in Mainland China <Note4>
		Name	Nature of relationship <Note2>										
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	2	$10,776,668	USD 78,182 ($2,519,428)	USD 78,182 ($2,443,028)	USD 0 $0	-	10%	$10,776,668	Y	-	-
0	PharmaEssentia Corp.	PharmaEssentia Innovation Research Center, Inc	2	10,776,668	USD 700 ($22,558)	USD 700 ($21,865)	USD 447 ($13,971)	-	0%	10,776,668	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.

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 45% of the net equity per latest financial statements of the Company; the amount of accumulated endorsement/guarantee shall not exceed 45% 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 guarantee 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 1:31.235

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	Ending balance				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	67,924	8.08%	67,924	
PharmaEssentia Corp.	AcadeMab Biomedical Inc.	—	Financial assets at fair value through other comprehensive income	4,000	96,000	8.66%	96,000	

Table 4: Aggregate purchases or sales of the same securities reaching NTD 300 million or 20% 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	10,200	$2,975,791	22,500	$6,941,300	-	-	-	-	32,700	$9,917,091
PharmaEssentia Corp.	Stocks	Investments accounted for using equity method	PharmaEssentia Japan KK	Parent company and subsidiary	58,997	735,595	146,674	1,616,700	-	-	-	-	205,671	2,352,295

<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 NTD 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: Acquisition of individual real estate properties at costs of at least NTD 300 million or 20% of paid-in capital or more

(Unit: thousands of NTD)

Company Name	Nature of Property	Transaction Date (Note)	Transaction amount	Payment term	Counterparty	Nature of relationships	Prior transaction of related counter-party				Price reference	Purpose of acquisition	Other terms
							Owner	Relationships	Transfer date	Amount			
PharmaEssentia Corp.	Land	July 28, 2022	$1,100,029	15% of the third installment was paid.	Taoyuan City Government	Non-related party	-	-	-	-	Referring to the market price of the land in nearby area and reserve price.	Operating Capital	Expected to make payments accordingly after the achievement of contractual conditions.
PharmaEssentia Corp.	Plant construction	March 15, 2023	3,126,000	21% of the construction cost was paid.	True-Dreams Construction Co., Ltd.	Non-related party	-	-	-	-	Evaluaed in accordance with the appraisal report.	Operating Capital	Expected to make payments accordingly after the achievement of contractual conditions.

<Note> Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counter-party and monetary amount of the transaction, whichever date is earlier.

Table 6: 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)

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 Japan KK	Subsidiary	Sales revenue	$985,333	64	About 150 days	Similar to general terms and conditions	About 150 days	$423,567	48	
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Service revenue	156,498	10	About 60 days	Similar to general terms and conditions	About 60 days	156,498	18	
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Service revenue	125,114	3	About 60 days	Similar to general terms and conditions	About 60 days	125,114	13	

<Note> Percentage to total purchases (sales) and accounts receivable (accounts payable).

Table 7: Receivables due from related parties amounting to at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD)

Company name	Counter-party	Nature of relationship	Financial statement account	Ending balance	Turnover ratio	The reason that trade terms different from general transactions		Amounts received in subsequent period	Allowance for bad debts
						Amount	Procedure		
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Accounts receivable due from related parties	$156,498	-	$-	-	$-	$-
PharmaEssentia Corp.	PharmaEssentia Japan KK	Subsidiary	Accounts receivable due from related parties	423,567	-	-	-	-	-
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Accounts receivable due from related parties	125,114	-	-	-	-	-
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Other receivables due from related parties	165,060	-	-	-	-	-

Table 8: 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 Japan KK	1	Accounts receivable	$423,567	Similar to general terms and conditions	2
0	PharmaEssentia Corp.	PharmaEssentia Japan KK	1	Sales revenue	985,333	Similar to general terms and conditions	19
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Accounts receivable	156,498	Similar to general terms and conditions	1
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Service revenue	156,498	Similar to general terms and conditions	3
1	PharmaEssentia USA Corporation	PharmaEssentia Corp.	2	Accounts receivable	125,114	Similar to general terms and conditions	0
1	PharmaEssentia USA Corporation	PharmaEssentia Corp.	2	Service revenue	125,114	Similar to general terms and conditions	2
2	PharmaEssentia Innovation Research Center, Inc.	PharmaEssentia Corp.	2	Accounts receivable	64,981	Similar to general terms and conditions	1
2	PharmaEssentia Innovation Research Center, Inc.	PharmaEssentia Corp.	2	Service revenue	64,981	Similar to general terms and conditions	1

<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 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> This table only discloses the intercompany transactions with amount larger than NT$50 millions.

Table 9: 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.	$260,882	$196,292	17,200	100%	$62,409	$(67,968)	$(67,968)	
PharmaEssentia Corp.	PharmaEssentia (Hong Kong) Limited	〃	〃	-	-	-	-	-	-	-	<Note1>
PharmaEssentia Corp.	PharmaEssentia Japan KK	Japan	〃	2,352,295	735,595	205,671	100%	365,916	(455,334)	(455,334)	<Note2>
PharmaEssentia Corp.	PharmaEssentia USA Corporation	USA	〃	9,917,091	2,975,791	32,700	100%	5,608,946	505,949	505,949	<Note2>
PharmaEssentia Corp.	PharmaEssentia Korea Corporation	Korea	〃	216,544	147,970	1,794	100%	53,600	(48,737)	(48,737)	<Note2>
PharmaEssentia Corp.	Panco Healthcare Co., Ltd.	Taiwan	〃	102,500	102,500	10,000	100%	60,414	(3,432)	(3,432)	
PharmaEssentia Corp.	PharmaEssentia Singapore Pte. Ltd.	Singapore	〃	17,531	1,394	753	100%	14,080	(3,540)	(3,540)	
PharmaEssentia Corp.	PharmaEssentia Innovation Research Center, Inc.	USA	〃	299,097	45,937	950	100%	254,474	(41,922)	(41,922)	

<Note1> In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share holdings in 2013.

However, as of December 31, 2023, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

<Note2> The carrying amount held at the end of the period has adjusted the unrealized profit from sales.

Table 10: Informations on investments in Mainland China

(Unit: thousands of foreign currency/NTD)

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, 2023	Investment flows		Accumulated outflow of investment from Taiwan at the end of period	Net income (loss) of the investee company	Percentage of ownership	Share of profits/losses	Carrying amount at the end of period	Accumulated inward remittance of earnings at the end of period
					Outflow	Inflow						
PharmaEssentia Biotechnology (Beijing) Limited	Biotechnology service, etc.	$124,940 (USD 4,000)	<Note1(2)>	$124,940 (USD 4,000)	$-	$-	$124,940 (USD 4,000)	$(48,682) (- CNY 11,052)	100.00%	$(48,682) (- CNY 11,052) <Note 2(2)2>	$51,388 CNY 11,695	$-

Accumulated Investment in Mainland China at The End of Period	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit of Investment (60% of the Company's net worth)
$124,940 (USD 4,000)	$124,940 (USD 4,000)	$14,368,890

<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.

<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 were as follows:

1. Ending investment balance as of reporting date were translated using the exchange rates as follows:

USD:NTD 1: 31.235

CNY:NTD 1: 4.394

2. Investment gains or losses were translated using the average rates for the year ended December 31, 2023 as follows:

USD:NTD 1: 31.12917

CNY:NTD 1: 4.40467

PHARMAESSENTIA CORP.

PARENT COMPANY ONLY

FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED

DECEMBER 31, 2023 and 2022

Address: 13F, No.3, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)
Telephone: 886-2-2655-7688

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

安永聯合會計師事務所

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English Translation of Independent 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, 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, 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, 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, 2023 and 2022, and its financial performance and cash flows for the years ended December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on the reports of our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit for the year of 2023 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.

Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method

The share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method recognized by the Company for the year ended December 31, 2023 was mainly derived from the operating revenue of medicine products sales from PharmaEssentia USA Corporation. It is necessary to judge and determine the performance obligation of a contract and the timing of its satisfaction when recognizing the revenue, and the judgement results were material to the operating revenue of medicine products sales from PharmaEssentia USA Corporation. Consequently, it has a significant impact on the share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method in the parent company only financial statements of Pharmaessentia Corporation. Therefore, we determined this is a key audit matter.

Our audit procedures included but are not limited to:

1. Evaluating the appropriateness of the accounting policy related to revenue recognition, performing walk through to understand the trading models of revenue from the sales of medicine products, and testing effectiveness of the internal controls over the revenue recognition, including to review the terms of transactions to determine the performance obligations and whether revenue is recognized when the performance obligation is satisfied.

2. Performing tests of details on samples selected from detail of sales of medicine products and obtaining the relevant documents to verify the accuracy of revenue recognition and the occurrence of transaction.

3. Reviewing transactions for certain period before and after the balance date, and selecting samples to perform cutoff procedures, tracing to relevant documents to verify that revenue has been recorded in the correct accounting period.

4. Performing analytical procedures to analyze the fluctuations and the reasonableness of the transactions.

Please refer to Note 4 to the parent company only financial statements for the accounting policies and information regarding revenue recognition.

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.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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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 2023 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yu, Chien-Ju

Chang, Chiao-Ying

Ernst & Young, Taiwan
February 26, 2024

Taipei, Taiwan
Republic of China

PHARMAESSENTIA CORP.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31,			
		2023		2022	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6	$14,348,443	55	$9,932,604	61
Current financial assets at amortized cost	4,6,8	22,181	-	976,245	6
Notes receivable, net	4,6	-	-	224	-
Accounts receivable, net	4,5,6	292,021	1	187,147	1
Accounts receivable due from related parties, net	4,5,6,7	591,380	3	1,961,926	12
Other receivables	4	33,457	-	26,128	-
Other receivables due from related parties	7	-	-	502,594	3
Current tax assets		59,418	-	2,219	-
Inventories	4,5,6	1,040,780	4	691,819	4
Prepayments	6	28,527	-	57,749	1
Other current assets		46,315	-	46,126	1
Total current assets		16,462,522	63	14,384,781	89
Non-current assets					
Non-current financial assets at fair value through other comprehensive income	4,6	163,924	1	43,235	-
Non-current financial assets at amortized cost	4,6,8	21,709	-	37,786	-
Investments accounted for using equity method	4,6	6,419,839	25	289,446	2
Property, plant and equipment	4,6,8	1,513,455	6	521,235	3
Right-of-use assets	4,6	816,274	3	426,673	3
Intangible assets	4,5,6	242,011	1	217,010	1
Deferred tax assets	4,6	277,463	1	216,863	1
Prepayments for business facilities		102,447	-	27,654	-
Other non-current assets, others	6	68,015	-	72,495	1
Total non-current assets		9,625,137	37	1,852,397	11
Total assets		$26,087,659	100	$16,237,178	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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of December 31,			
		2023		2022	
		Amount	%	Amount	%
Current liabilities					
Current borrowings	6	$1,000	-	$-	-
Notes payable		10	-	41	-
Accounts payable		36,057	-	32,963	-
Other payables	6	375,671	2	225,766	2
Other payables to related parties	7	368,874	1	17,568	-
Current lease liabilities	4,6	142,094	1	58,710	-
Current portion of long-term borrowings	6,8	5,978	-	5,978	-
Other current liabilities, others	5,6,9	354,694	1	337,608	2
Total current liabilities		1,284,378	5	678,634	4
Non-current liabilities					
Non-current portion of long-term borrowings	6,8	56,790	-	62,768	-
Deferred tax liabilities	4,6	70,736	-	6,029	-
Non-current lease liabilities	4,6	709,312	3	375,949	2
Net defined benefit liability, non-current	4,5,6	10,208	-	4,185	-
Other non-current liabilities, others	6	8,085	-	2,968,398	19
Total non-current liabilities		855,131	3	3,417,329	21
Total liabilities		2,139,509	8	4,095,963	25
Equity	4,6				
Share capital					
Ordinary share		3,402,639	13	3,024,556	19
Capital surplus		24,092,179	92	13,421,262	83
Retained earnings					
Accumulated deficit		(631,187)	(2)	(4,185,557)	(26)
Other equity interest		(110,373)	-	(31,544)	-
Treasury shares		(2,805,108)	(11)	(87,502)	(1)
Total equity		23,948,150	92	12,141,215	75
Total liabilities and equity		$26,087,659	100	$16,237,178	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, 2023 and 2022

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

Item	Notes	For the years ended December 31,			
		2023		2022	
		Amount	%	Amount	%
Operating revenue	4,6,7	$1,545,209	100	$5,001,046	100
Operating costs	4,6	(416,312)	(27)	(708,020)	(14)
Gross profit from operations		1,128,897	73	4,293,026	86
Unrealized profit from sales	4	(938,175)	(61)	(4,063,465)	(81)
Realized profit from sales		1,087,079	71	283,870	6
Gross profit from operations		1,277,801	83	513,431	11
Operating expenses	6,7				
Selling expenses		(77,585)	(5)	(77,797)	(2)
Administrative expenses		(890,155)	(58)	(581,043)	(12)
Research and development expenses		(1,790,844)	(116)	(874,328)	(17)
Total operating expenses		(2,758,584)	(179)	(1,533,168)	(31)
Net operating loss		(1,480,783)	(96)	(1,019,737)	(20)
Non-operating income and expenses	4,6,7,9				
Interest income		574,508	37	43,721	1
Other income		21,027	1	44,787	1
Other gains and losses, net		393,845	26	137,799	3
Finance costs		(11,503)	(1)	(8,840)	-
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(114,984)	(7)	(782,462)	(16)
Total non-operating income and expenses		862,893	56	(564,995)	(11)
Loss before income tax		(617,890)	(40)	(1,584,732)	(31)
Income tax (expense) benefit	4,6	(5,945)	-	209,922	4
Net loss		(623,835)	(40)	(1,374,810)	(27)
Other comprehensive income (loss)	4,6				
Items that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans		(9,190)	(1)	(507)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		24,689	2	4,015	-
Income tax related to items that will not be reclassified		1,838	-	912	-
Items that may be reclassified subsequantly to profit or loss					
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss		102,037	7	24,591	-
Income tax related to items that may be reclassified		-	-	-	-
Other comprehensive income (loss), net		119,374	8	29,011	-
Total comprehensive income (loss)		$(504,461)	(32)	$(1,345,799)	(27)
Earnings per share (in NTD)	6				
Basic loss per share		$(1.93)		$(4.84)	

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Summary	Share capital	Capital surplus	Retained earnings earnings	Other equity interest			Treasury shares	Total equity
			Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation		
Balance on January 1, 2022	$2,769,036	$4,697,388	$(2,811,152)	$(21,370)	$(38,780)	$-	$(344,741)	$4,250,381
Net loss for the year ended December 31, 2022	-	-	(1,374,810)	-	-	-	-	(1,374,810)
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	405	24,591	4,015	-	-	29,011
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	(1,374,405)	24,591	4,015	-	-	(1,345,799)
Issue of shares	240,340	8,406,760	-	-	-	-	-	8,647,100
Share-based payments	15,180	317,114	-	-	-	-	257,239	589,533
Balance on December 31, 2022	$3,024,556	$13,421,262	$(4,185,557)	$3,221	$(34,765)	$-	$(87,502)	$12,141,215
Balance on January 1, 2023	$3,024,556	$13,421,262	$(4,185,557)	$3,221	$(34,765)	$-	$(87,502)	$12,141,215
Other changes in capital surplus:								
Capital surplus used to offset accumulated deficits	-	(4,185,557)	4,185,557	-	-	-	-	-
Net loss for the year ended December 31, 2023	-	-	(623,835)	-	-	-	-	(623,835)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	(7,352)	102,037	24,689	-	-	119,374
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	(631,187)	102,037	24,689	-	-	(504,461)
Issue of shares	340,000	13,536,760	-	-	-	-	-	13,876,760
Share-based payments	38,083	1,319,714	-	-	-	(205,555)	-	1,152,242
Purchase of treasury shares	-	-	-	-	-	-	(2,717,606)	(2,717,606)
Balance on December 31, 2023	$3,402,639	$24,092,179	$(631,187)	$105,258	$(10,076)	$(205,555)	$(2,805,108)	$23,948,150

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,	
	2023	2022
Cash flows from (used in) operating activities:		
Loss before income tax	$(617,890)	$(1,584,732)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	169,697	169,321
Amortization expense	36,553	21,879
Interest expense	11,503	8,840
Interest income	(574,508)	(43,721)
Share-based payments	707,833	180,865
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	114,984	782,462
Unrealized profit from sales	938,175	4,063,465
Realized profit from sales	(1,087,079)	(283,870)
Loss on disposal of intangible assets	-	99
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	224	(224)
Decrease (increase) in accounts receivable	(104,874)	(13,404)
Decrease (increase) in accounts receivable due from related parties	1,370,546	(1,903,639)
Decrease (increase) in other receivables	(7,329)	(7,681)
Decrease (increase) in inventories	(348,961)	127,311
Decrease (increase) in prepayments	29,222	12,694
Decrease (increase) in other current assets	(9,846)	4,232
Increase (decrease) in notes payable	(31)	(34)
Increase (decrease) in accounts payable	3,094	11,219
Increase (decrease) in other payables	149,905	(19,768)
Increase (decrease) in other payables to related parties	351,306	(102,194)
Increase (decrease) in other current liabilities, others	13,535	(4,445)
Increase (decrease) in net defined benefit liability, non-current	(3,167)	(272)
Cash inflow (outflow) generated from operations:	1,142,892	1,418,403
Interest received	584,165	32,998
Income taxes paid	(57,199)	(1,836)
Net cash flows from (used in) operating activities	1,669,858	1,449,565
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	-	(992,633)
Proceeds from repayments of financial assets at amortized cost	970,141	-
Acquisition of financial assets at fair value through other comprehensive income	(96,000)	-
Acquisition of investments accounted for using equity method	(8,960,461)	(1,881,624)
Acquisition of property, plant and equipment	(1,049,559)	(284,127)
Acquisition of intangible assets	(33,197)	(8,721)
Decrease (increase) in other receivables to related parties	502,594	(321,580)
Increase in prepayments for business facilities	(85,368)	(25,054)
Decrease (increase) in other non-current assets, others	(14,338)	82,811
Net cash flows from (used in) investing activities	(8,766,188)	(3,430,928)
Cash flows from (used in) financing activities:		
Increase in current borrowings	1,000	-
Repayments of long-term borrowings (including current portion)	(5,978)	(5,978)
Payments of lease liabilities	(93,739)	(82,331)
Proceeds from issuing shares	13,876,760	8,647,100
Exercise of employee share options	453,672	96,007
Payments to acquire treasury shares	(2,717,606)	-
Interests paid	(1,940)	(1,704)
Net cash flows from (used in) financing activities	11,512,169	8,653,094
Net increase (decrease) in cash and cash equivalents	4,415,839	6,671,731
Cash and cash equivalents at the beginning of period	9,932,604	3,260,873
Cash and cash equivalents at the end of period	$14,348,443	$9,932,604

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, 2023 and 2022

(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), on November 13, 2021.

The Company's shares of stock were trading on the Taipei Exchange from July 19, 2016. The application for the Company's stock listing on Taiwan Stock Exchange was approved by the board of directors of the Taiwan Stock Exchange Corporation on December 25, 2023. 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 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, 2023 and 2022 were authorized for issue by the Board of Directors on February 26, 2024.

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 endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments and interpretations of initial application has 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, 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
B	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
C	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
D	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

A. 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.

B. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

C. Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

D. Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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, 2024. As the Company is still currently determining the potential impact of the standards and interpretations listed under (A) and (C), it is not practicable to estimate their impact on the Company at this point in time. The remaining 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
C	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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 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. Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

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), 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, 2023 and 2022 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 settlement 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.

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.

A summary of the policies applied to the Company's intangible assets is as follows:

	Trademarks and Licences	Patents	Computer software	Other intangible assets
Useful lives	Finite (10~12 years)	Finite (10~11years)	Finite (3~6 years)	Finite
Amortization method used	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 shorter of the period of the patent or estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or Acquired	Acquired	Acquired	Acquired	Internally generated

(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.

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 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 arose.

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 arose.

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. Fair value measurement. 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(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.

According to the temporary exception provided in the Amendments to IAS 12 “International Tax Reform-Pillar Two Model Rules,” the deferred tax assets and liabilities related to Pillar Two income tax shall not be recognized, and their related information is not disclosed.

(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).

(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. Inventories

Estimates of net realizable 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.

B. 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.

C. 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, 2023.

D. 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, 2023	December 31, 2022
Cash on hand / petty cash	$1,129	$1,435
Cash in banks	14,347,314	1,593,620
Time deposits	-	8,337,549
Total	$14,348,443	$9,932,604

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, 2023	December 31, 2022
Equity instrument investments designated as measured at fair value through other comprehensive income – non-current:		
Unlisted company stocks	$163,924	$43,235

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, 2023	December 31, 2022
Cash in banks	$43,890	$1,014,031
Less: loss allowance	-	-
Total	$43,890	$1,014,031
Current	$22,181	$976,245
Non-current	21,709	37,786
Total	$43,890	$1,014,031

A. The credit risk of financial assets at amortized cost is low based on evaluation (same as the initial assessment) as of December 31, 2023 and 2022; 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 receivable due from related parties

	As of	
	December 31, 2023	December 31, 2022
Accounts receivable	$292,021	$187,147
Less: loss allowance	-	-
Subtotal	292,021	187,147
Accounts receivable due from related parties	591,380	1,961,926
Less: loss allowance	-	-
Subtotal	591,380	1,961,926
Total	$883,401	$2,149,073

A. Accounts receivables were not pledged.

B. Accounts receivable credit terms are generally from 30 to 180 days. The total carrying amount as of December 31, 2023 and 2022 was $883,401 thousand and $2,149,073 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, 2023 and 2022, was as follows:

	As of December 31, 2023					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$695,991	$-	$-	$-	$187,410	$883,401
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$695,991	$-	$-	$-	$187,410	$883,401

	As of December 31, 2022					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$1,971,436	$110	$-	$-	$177,527	$2,149,073
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$1,971,436	$110	$-	$-	$177,527	$2,149,073

As of December 31, 2023 and 2022, allowance of the Company was both $0 thousand; there was no movement of allowance during the years ended December 31, 2023 and 2022, respectively.

D. The Company has an international arbitration event with counterparty – AOP Orphan Pharmaceuticals GmbH. As of December 31, 2023 and 2022, accounts receivable due from the counterparty was overdue for 180 days. Please refer to Note 9 for more details of such arbitration event. The Company has recognized related provision for overdue receivable.

(5) Inventories

	As of	
	December 31, 2023	December 31, 2022
Raw materials	$13,584	$17,750
Supplies	103,139	106,249
Work in progress	140,589	5,703
Finished goods	780,518	561,220
Purchased merchandise inventory	2,950	897
Total	$1,040,780	$691,819

A. Expense and loss incurred on inventories were as follows:

	For the years ended December 31	
	2023	2022
Cost of inventories sold	$191,061	$680,640
Expense recognized (reversed) from inventory write-down to net realizable value	2,941	(7,444)
Others	222,310	34,824
Total	$416,312	$708,020

For the years ended December 31, 2023 and 2022, the Company recognized $2,941 thousand cost in operating from inventory write-down and $7,444 thousand related to reversal of inventory write-down, respectively. As the inventories which had recognized allowance have been sold in the current period, the related allowances have decreased, resulting in the reversal of write-down of inventories the year ended December 31, 2022.

B. Inventories were not pledged.

(6) Prepayments

	As of	
	December 31, 2023	December 31, 2022
Current:		
Prepaid expenses (Note 1)	$22,961	$26,167
Other prepayments (Note 1)	5,566	31,582
Subtotal	28,527	57,749
Non-current:		
Prepaid application patent fees and others (Note 2)	22,133	35,242
Total	$50,660	$92,991

Note 1: Prepaid expenses and other prepayments were mainly prepaid for operating expenses such as commissioned research expenses.

Note 2: Accounting for other non-current assets, other.

(7) Investments accounted for using equity method

	As of			
	December 31, 2023		December 31, 2022	
Investee companies	Carrying amount	% of ownership	Carrying amount	% of ownership
Subsidiaries				
PharmaEssentia (Hong Kong) Limited (Note1)	$-	-%	$-	-%
PharmaEssentia Asia (Hong Kong) Limited	62,409	100%	66,991	100%
PharmaEssentia Japan KK	365,916	100%	73,652	100%
PharmaEssentia USA Corporation	5,608,946	100%	(2,968,398)	100%
PharmaEssentia Korea Corporation	53,600	100%	37,736	100%
Panco Healthcare Co., Ltd.	60,414	100%	63,846	100%
PharmaEssentia Singapore Pte. Ltd.	14,080	100%	1,474	100%
PharmaEssentia Innovation Research Center, Inc.	254,474	100%	45,747	100%
Net of investments accounted for using equity method	$6,419,839		$(2,678,952)	
Investments accounted for using equity method	$6,419,839		$289,446	
Less: Credit balance of investments accounted for using equity method (Note2)	-		(2,968,398)	
Total	$6,419,839		$(2,678,952)	

Investments in subsidiaries was represented as “Investments accounted for using equity method” and adjusted for the valuation if necessary.

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, 2023, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

Note 2: Accounted for other non-current liabilities, others.

(8) Property, plant and equipment

A. Movements of property, plant and equipment of the Company for the years ended December 31, 2023 and 2022 were as follows:

	Land	Buildings and structures	Machinery equipment	Transportaion equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost:								
As of January 1, 2023	$58,241	$69,639	$472,456	$2,309	$31,473	$350,646	$232,959	$1,217,723
Additions	-	-	67,489	-	6,981	6,269	968,820	1,049,559
Disposals	-	-	(2,134)	-	(3,148)	-	-	(5,282)
Other changes (Note)	-	-	12,847	-	-	3,083	(13,294)	2,636
As of December 31, 2023	$58,241	$69,639	$550,658	$2,309	$35,306	$359,998	$1,188,485	$2,264,636
As of January 1, 2022	$58,241	$69,639	$433,603	$2,309	$24,701	$321,716	$36,489	$946,698
Additions	-	-	42,792	-	6,840	26,947	207,548	284,127
Disposals	-	-	(3,966)	-	(68)	-	-	(4,034)
Other changes (Note)	-	-	27	-	-	1,983	(9,478)	(7,468)
As of December 31, 2022	$58,241	$69,639	$472,456	$2,309	$31,473	$350,646	$234,559	$1,219,323
Accumulated depreciation and impairment:								
As of January 1, 2023	$-	$19,174	$328,097	$2,114	$19,238	$329,465	$-	$698,088
Depreciation	-	1,844	41,485	146	6,410	8,490	-	58,375
Disposals	-	-	(2,134)	-	(3,148)	-	-	(5,282)
As of December 31, 2023	$-	$21,018	$367,448	$2,260	$22,500	$337,955	$-	$751,181
As of January 1, 2022	$-	$17,318	$298,792	$1,969	$14,722	$278,761	$-	$611,562
Depreciation	-	1,856	33,271	145	4,584	50,704	-	90,560
Disposals	-	-	(3,966)	-	(68)	-	-	(4,034)
As of December 31, 2022	$-	$19,174	$328,097	$2,114	$19,238	$329,465	$-	$698,088
Net carrying amount as of:								
As of December 31, 2023	$58,241	$48,621	$183,210	$49	$12,806	$22,043	$1,188,485	$1,513,455
As of December 31, 2022	$58,241	$50,465	$144,359	$195	$12,235	$21,181	$234,559	$521,235

Note: Other changes included reclassifications from prepaid equipment, transfer out by nature.

B. There was no capitalization on interest expense to property, plant and equipment for the years ended December 31, 2023 and 2022.

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, 2023 and 2022 were as follows:

	Trademarks	Patents	Computer software	Other intangible assets	Total
Cost:					
As of January 1, 2023	$6,257	$41,533	$22,523	$210,405	$280,718
Additions－acquired separately	31	482	32,684	-	33,197
Other changes (Note)	1,137	1,808	25,026	-	27,971
As of December 31, 2023	$7,425	$43,823	$80,233	$210,405	$341,886
As of January 1, 2022	$5,125	$38,874	$14,711	$210,405	$269,115
Additions－acquired separately	-	-	8,721	-	8,721
Other changes (Note)	1,132	2,659	(909)	-	2,882
As of December 31, 2022	$6,257	$41,533	$22,523	$210,405	$280,718
Accumulated Amortization and Impairment:					
As of January 1, 2023	$2,352	$30,782	$12,697	$17,877	$63,708
Amortization	827	2,494	16,730	16,502	36,553
Other changes (Note)	-	(386)	-	-	(386)
As of December 31, 2023	$3,179	$32,890	$29,427	$34,379	$99,875
As of January 1, 2022	$1,683	$28,341	$11,399	$1,375	$42,798
Amortization	729	2,441	2,207	16,502	21,879
Other changes (Note)	(60)	-	(909)	-	(969)
As of December 31, 2022	$2,352	$30,782	$12,697	$17,877	$63,708
Net carrying amount as of:					
As of December 31, 2023	$4,246	$10,933	$50,806	$176,026	$242,011
As of December 31, 2022	$3,905	$10,751	$9,826	$192,528	$217,010

Note: Other changes included reclassifications by nature and disposal.

B. Amortization expense of intangible assets was stated as follows:

	For the years ended December 31	
	2023	2022
Operating costs	$30,090	$16,972
Selling expenses	827	729
Administrative expenses	3,074	1,735
Research and development expenses	2,562	2,443
Total	$36,553	$21,879

(10) Current borrowings

	As of	
	December 31, 2023	December 31, 2022
Unsecured bank loans	$1,000	$-
Unused credit	$489,000	$50,000
Interest rate applied	2.003%	-%

Current borrowings were not pledged.

(11) Other payables

	As of	
	December 31, 2023	December 31, 2022
Commissioned research and clinical trial payable	$152,174	$52,993
Salaries and bonus payable	81,166	70,368
Professional service fees payable	70,053	62,761
Others	72,278	39,644
Total	$375,671	$225,766

(12) Long-term borrowings

A. Details of long-term borrowings as of December 31, 2023 and 2022 were as follows:

Creditor	As of December 31, 2023	Interest rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$62,768	2.90933%	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	62,768		
Less: current portion	(5,978)		
Total	$56,790		

Creditor	As of December 31, 2022	Interest rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$68,746	2.76356%	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	68,746		
Less: current portion	(5,978)		
Total	$62,768		

B. The Company' s unused credit of long-term borrowings was both $0 thousand as of December 31, 2023 and 2022.

C. Please refer to Note 8 for more details on assets pledged as security for long-term borrowings.

(13) 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, 2023 and 2022 were $16,263 thousand and $13,747 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 $566 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The duration of the defined benefits plan obligation as of December 31, 2023 and 2022 both were year of 2024.

Pension costs recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Current service cost	$-	$-
Net interest on the net defined benefit liabilities (assets)	50	20
Total	$50	$20

Changes in the defined benefit obligation and fair value of plan assets were as follows:

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Defined benefit obligation	$18,024	$8,732	$7,890
Plan assets at fair value	(7,816)	(4,547)	(3,940)
Net defined benefit liability, non-current recognized on the balance sheets	$10,208	$4,185	$3,950

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, 2022	$7,890	$(3,940)	$3,950
Current service cost	-	-	-
Interest expense (income)	40	(20)	20
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	40	(20)	20
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	(96)	-	(96)
Experience adjustments	898	(295)	603
Remeasurements of the defined benefit assets	-	-	-
Subtotal	802	(295)	507
Payments from the plan	-	-	-
Contribution by employer	-	(292)	(292)
As of December 31, 2022	8,732	(4,547)	4,185
Current service cost	-	-	-
Interest expense (income)	105	(55)	50
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	105	(55)	50
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	-	-	-
Experience adjustments	9,187	3	9,190
Remeasurements of the defined benefit assets	-	-	-
Subtotal	9,187	3	9,190
Payments from the plan	-	-	-
Contribution by employer	-	(3,217)	(3,217)
As of December 31, 2023	$18,024	$(7,816)	$10,208

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2023	December 31, 2022
Discount rate	1.20%	1.20%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption was shown below:

	For the years ended December 31,			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	$-	$184	$-	$33
Discount rate decrease by 0.25%	190	-	33	-
Future salary increase by 0.25%	161	-	29	-
Future salary decrease by 0.25%	-	157	-	28

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.

(14) Equity

A. Common stock

As of December 31, 2023 and 2022, the Company's authorized capital was both $400,000 thousand shares, each at a par value of $10. The issued capital was $3,402,639 thousand and $3,024,556 thousand, respectively, which was divided into 340,264 thousand shares and 302,456 thousand shares, respectively.

The Company issued employee share options in January 2018 and September 2018. For the year ended December 31, 2022 and 2023, 1,518 thousand shares and 413 thousand shares of employee share options were converted to common shares and the registration was completed. Please refer to Note 6(15) for more details on employee share options.

The Company issued employee share options in June 2021. For the year ended December 31, 2023, 384 thousand shares of employee share options were converted to common shares and the registration was completed. Please refer to Note 6(15) for more details on employee share options.

On April 19, 2022, the Company's interim board of directors resolved to issue 7,334 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 $250 per share, the capital increase date was set as May 4, 2022 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 May 16, 2022.

On July 14, 2022, the Company's board of directors resolved to issue 16,700 thousand ordinary shares with a par value of $10 for cash. On September 6, 2022, the issuance of new shares was receipted effective registration from the competent authority. The new shares issued by cash were at a premium of $408 per share, the capital increase date was set as Septemper 8, 2022 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 November 3, 2022.

On March 9, 2023, the Company's board of directors resolved to issue restricted stocks awarded for its employees in a total of 2,650 thousand ordinary shares with a par value of $10 each. The capital increase date was set as March 17, 2023 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 March 31, 2023. The Company had redeemed and cancelled 9 thousand shares of unvested restricted stocks issued for employees according to the issuance plan. The aforementioned reduction of capital was approved by the competent authority and the registration was completed on August 25, 2023.

On April 18, 2023, the Company issued 34,000 thousand units of Global Depository Shares ("GDS") on the Luxembourg Stock Exchange, each representing a unit of ordinary shares of the Company. And totals in new issuance of 34,000 thousand common stock shares, each unit of GDS was priced at US$ 13.61, equivalent to NT$415. Total shares amounted to US$ 462,740 thousand. The rights and obligations of the newly-issued shares were the same as the original shares, the capital increase date was set as April 18, 2023 and the full amount of the shares was received on that date. The aforementioned capital increase were approved and registered by the competent authority on April 27, 2023.

On December 8, 2023, the Company's board of directors resolved to issue restricted stocks awarded for its employees in a total of 370 thousand ordinary shares with a par value of $10 each. The capital increase date was set at December 21, 2023 and the full payment of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on December 29, 2023.

B. Capital surplus

	As of	
	December 31, 2023	December 31, 2022
Additional paid-in capital arising from ordinary share	$22,789,101	$12,666,795
Transaction of treasury shares	457,433	457,433
Restricted stock	576,758	-
Employee share options	268,887	297,034
Total	$24,092,179	$13,421,262

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.

In 2023, the transaction cost related to the issuance of GDS by the Company amounted to $233,239 thousand and was accounted for as a deduction from additional paid-in capital.

C. Treasury shares

As of December 31, 2023 and 2022, the treasury shares held by the Company were $2,805,108 thousand and $87,502 thousand; the number of treasury shares held by the Company was 8,905 thousand shares and 904 thousand shares, respectively.

To motivate the employees and retain a highly skilled workforce and global talent, a resolution of repurchasing and transferring shares to the employees was approved through the board of directors' meeting held on October 28, 2020, January 6, 2021, May 24, 2023, and July 28, 2023 respectively. The amount and share movement of treasury shares were as follows:

	Amount of repurchase	Amount granted	December 31, 2023
October 28, 2020	$275,239	$(275,239)	$-
January 6, 2021	87,502	-	87,502
May 24, 2023	1,366,174	-	1,366,174
July 28, 2023	1,351,432	-	1,351,432
Total	$3,080,347	$(275,239)	$2,805,108

	Repurchase Shares (in thousands)	Granted Shares (in thousands)	December 31, 2023 (in thousands)
October 28, 2020	2,935	(2,935)	-
January 6, 2021	904	-	904
May 24, 2023	4,001	-	4,001
July 28, 2023	4,000	-	4,000
Total	11,840	(2,935)	8,905

Please refer to Note 6(15) 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 had accumulated deficit for the year ended December 31, 2021, therefore the Company had resolved the distribution of the remaining portion by the shareholders' meeting on May 27, 2022, that there was no available earnings for distribution.

The Company had resolved by the shareholders' meeting held on May 24, 2023 to use capital surplus – additional paid-in capital of $4,185,557 thousand to cover accumulated deficits.

The Company had accumulated deficit for the year ended December 31, 2023, therefore the Company had resolved by the board of directors on February 26, 2024 to cover accumulated deficit by capital surplus – additional paid-in capital of $631,187 thousand.

Please refer to Note 6(17) for further details on employees' compensation and remuneration to directors and supervisors.

(15) 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 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 4,400 thousand units (Share-based payments plan A) and 3,000 thousand units (Share-based payments plan B), 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 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 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.

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$)
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,			
	2023		2022	
	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	4,373	$68	5,891	$63
Granted	-	-	-	-
Forfeited	(479)	45	-	-
Exercised (Note)	(797)	67	(1,518)	77
Expired	-	-	-	-
Outstanding at end of period	3,097	$58	4,373	$68
Exercisable at end of period	2,235	$63	1,602	$80
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)		$-		

Note: The weighted average price at the implementation date of those options for the years ended December 31, 2023 and 2022 was $383 and $425, 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, 2023		
Share options outstanding at the end of the period	$74, $88 and $45	1.08、1.72 and4.5
As of December 31, 2022		
Share options outstanding at the end of the period	$74, $88 and $45	2.08、2.72 and5.5

(b) Treasury shares transferred to employees of the Company

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

(c) Capital increase by cash reserved for employee share options of the Company

On July 14, 2022, the interim board of directors meeting of the Company resolved a cash offering of new shares. 15% of the new shares shall be reserved for subscription by the qualified employees in compliance with requirements. The date of grant was based on the date of confirmation on the number of shares subscribed by the employees.

The subscription base date was September 8, 2022. The total newly issued shares for this capital increase by cash were 16,700 thousand shares and 2,505 thousand shares were reserved for the employees' subscription. The actual number of shares purchased by the employees was 2,034 thousand shares. The abovementioned cash offering of new shares was issued at NT$408 per share, and October 17, 2022 was set as the capital increase base date. The relevant information was as follows:

Agreement type	Date of grant	Shares (in thousands)	Contract period	Vested condition	Date of transferring
Reserved for employee share options	September 8, 2022	2,034	–	Vested immediately	October 17, 2022

The fair value of employee share options was as follow:

Agreement type	Date of grant	Stock price	Exercise price	Fair value (per unit)
Reserved for employee share options	September 8, 2022	$483.50	$408.00	$75.5

(d) Restricted stock plan for employees of the Company

On May 27, 2022, the shareholders meeting approved to issue restricted stocks of 6,650 thousand ordinary shares in installments. The Company was authorized to issue restricted stocks in one tranche or in installments, within one year from the resolution date. On March 9, 2023 and December 8, 2023, the Company's board of directors resolved to issue the first installment of restricted stocks 2,650 thousand and 370 thousand for ordinary shares employees, and the stock price on the grant date was $451 and $331.5 per share, respectively. The details of the plan were as follows:

Agreement type	Date of grant	Offering shares	Contract period	Vesting condition
Restricted stock plan for employees (Note 1)	March 17, 2023	2,650,000	36 months	Performance conditions are met (Note 2)
Restricted stock plan for employees (Note 1)	December 21, 2023	370,000	12 months	Performance conditions are met (Note 3)

Note 1: The eligible employees shall not sell, pledge, transfer, endow, set as guarantees, or dispose of by other means before the vesting conditions are met. The voting rights in the shareholders' meeting and the shareholders' rights to distribute or subscribe shares or dividends of the aforementioned shares are the same as other ordinary shares issued by the Company, but allotment dividends must be placed int the custody of stock trust. If an eligible employee voluntarily resigns during the vesting period, other types of termination of employment relationship, retirement, unpaid leave, parental leave, general death, physical inability in occupational accidents and inability to continue working or death, and transfer, etc., the Company will reclaim and cancel the unvested restricted stocks at the original offering price.

Note 2: Performance conditions include completion of ET clinical trials, obtaining drug license for PV treatment in Japan, and employees remain employed by the Company on the first, second, and third anniversaries of the grant date of restricted employee stocks. The maximum percentages of accumulative shares to be vested shares are 37.5%, 37.5%, 12.5% and 12.5%.

Note 3: Performance conditions include obtaining drug license for PV treatment in China and employees remain employed by the Company on the first anniversaries of the grant date of restricted employee stocks. The maximum percentages of accumulative shares to be vested shares are 50.7% and 49.3%.

The fair value of restricted stock plan for employees of the Company was as follow:

Agreement type	Date of grant	Stock price	Exercise price	Fair value (pe unit)
Restricted stock plan for employees	March 17, 2023	$451	$136	$315
Restricted stock plan for employees	December 21, 2023	$331.5	$102	$229.5

As of December 31, 2023, since employees have not yet met the vesting conditions, the balance of unearned compensation accounted for the deduction of equity was $205,555 thousand, which would be recognized as salary expenses in future vesting periods.

(e) Expense recognized for share-based payment transactions was as follows:

	For the years ended December 31	
	2023	2022
Total expense arising from equity-settled share-based payment transactions	$707,833	$180,865

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 in the abovementioned contract can be completed on schedule, LSE would acquire 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 revision of the agreement framework and time schedule, the agreement was arranged in December 2015. As of September 30, 2023, the Company haven't exercised the share option yet, so there is no applicable share-based payment accounting treatment. In addition, although the execution schedule has been adjusted, LSE continued to perform agreed milestone. Therefore, the Company evaluate that the share option could have great possibility to be exercised, and it is optimal estimate to be recognized as liability. The total recognized liabilities as of December 31, 2023 and 2022 were $1,535 thousand and $1,512 thousand, respectively, and were accounted for under other current liabilities-other account.

(16) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers		
Sale of medicine products	$1,235,136	$5,000,986
Revenue arising from rendering of services	156,498	60
Other sales revenue	153,575	-
Total	$1,545,209	$5,001,046

A. The Company is a single operating department. For the years ended December 31, 2023 and 2022, the revenue of medicine products sales from contracts with customers was recognized 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. The Comany recognized in revenues from contract liabilities which contract duration is less than one year. There are no unfulfilled performance obligations or recognized assets from the costs incurred in obtaining or fulfilling customer contracts

(17) 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,					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Wages and salaries (Note)	$431,102	$660,434	$1,091,536	$202,012	$322,267	$524,279
Labor and health insurance	14,185	16,386	30,571	11,599	13,663	25,262
Pension	7,776	8,537	16,313	6,553	7,214	13,767
Remuneration to directors	-	5,700	5,700	-	5,700	5,700
Other employee benefits expense	4,898	7,186	12,084	3,805	9,567	13,372
Depreciation	81,146	88,551	169,697	89,071	80,250	169,321
Amortization	30,090	6,463	36,553	16,972	4,907	21,879

Note: Partial salary expenses have not yet been realized in the operating costs, but kept in the balance of finished goods of inventory.

B. As of December 31, 2023 and 2022, the Company had 329 and 295 employees, respectively. There were both 8 non-employee directors for each year.

C. Employee benefits and salaries

	For the years ended December 31,	
	2023	2022
Average employee benefits (Note1)	$3,584	$2,009
Average employee salaries (Note 2)	3,400	1,827
Adjustment the movement of average employee salary cost (Note 3) (Note 4)	86.15%	(47.64)%

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 years ended December 31, 2022 due to the Company transferred its the issuance of new shares for restricted employee rights generating related expenses, and for the years ended December 31, 2023, no such circumstances.

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 there to 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, 2023 and 2022 because of the net loss before tax, there was no estimated amounts of the employees' compensation and remuneration to directors.

(18) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	$565,645	$37,488
Interest income from financial assets measured at amortized cost	7,147	2,788
Other interest income	1,716	3,445
Total	$574,508	$43,721

B. Other income

	For the years ended December 31,	
	2023	2022
Other income	$21,027	$44,787

C. Other gains and losses

	For the years ended December 31,	
	2023	2022
Loss on disposal of intangible assets	$-	$(99)
Foreign exchange gains, net	401,248	139,085
Other losses	(7,403)	(1,187)
Total	$393,845	$137,799

D. Finance costs

	For the years ended December 31,	
	2023	2022
Interest expenses of borrowings from bank	$1,940	$1,704
Interest expenses on lease liabilities	9,563	7,136
Total	$11,503	$8,840

(19) Components of other comprehensive income

For the year ended December 31, 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax related to items that will not be reclassified	Other comprehensive income (loss), net
Items that will not be reclassified to profit or loss:					
Gains (losses) on remeasurement of defined benefit plans	$(9,190)	$-	$(9,190)	$1,838	$(7,352)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	24,689	-	24,689	-	24,689
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	102,037	-	102,037	-	102,037
Total	$117,536	$-	$117,536	$1,838	$119,374

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax related to items that will not be reclassified	Other comprehensive income (loss), net
Items that will not be reclassified to profit or loss:					
Gains (losses) on remeasurement of defined benefit plans	$(507)	$-	$(507)	$912	$405
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	4,015	-	4,015	-	4,015
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	24,591	-	24,591	-	24,591
Total	$28,099	$-	$28,099	$912	$29,011

(20) Income tax

A. The major components of tax expense (benefit) for the years ended December 31,2023 and 2022 were as follows:

Income tax recognized in profit or loss

	For the years ended December 31,	
	2023	2022
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) relating to origination and reversal of temporary differences	$64,753	$(8,699)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(58,808)	-
Income tax expense (benefit) recognized in the period for previously unrecognized tax loss or temporary differences of prior periods	-	(201,223)
Total income tax expense (benefit)	$5,945	$(209,922)

Income tax recognized in other comprehensive income

	For the years ended December 31,	
	2023	2022
Deferred income tax expense (benefit):		
Gains (losses) on Remeasurement of defined benefit plans	$(1,838)	$(912)

B. A reconciliation between income tax expense (benefit) and loss before income tax multiplied by applicable tax rates was as follows:

	For the years ended December 31,	
	2023	2022
Accounting loss before tax from continuing operations	$(617,890)	$(1,584,732)
Tax expense at the statutory income tax rate	$(123,578)	$(316,946)
Tax effect of non-taxable income and non-deductible expenses	63	(3,253)
Tax effect of deferred tax assets/liabilities	129,460	110,277
Total income tax expense (benefit)	$5,945	$(209,922)

C. Significant components of deferred income tax assets and liabilities were as follows:

For the year ended December 31, 2023:

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Allowance for inventory valuation loss	$18,092	$588	$-	$18,680
Unrealized exchange losses (gains)	(6,029)	(64,707)	-	(70,736)
Others	3,605	(634)	1,838	4,809
Unused tax losses	195,166	58,808	-	253,974
Deferred income tax benefit (expense)		$(5,945)	$1,838	
Net deferred tax assets (liabilities)	$210,834			$206,727
Reflected in balance sheets as follows:				
Deferred tax assets	$216,863			$277,463
Deferred tax liabilities	$(6,029)			$(70,736)

For the year ended December 31, 2022:

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Allowance for inventory valuation loss	$-	$18,092	$-	$18,092
Unrealized exchange losses (gains)	-	(6,029)	-	(6,029)
Others	-	2,693	912	3,605
Unused tax losses	-	195,166	-	195,166
Deferred income tax benefit (expense)		$209,922	$912	
Net deferred tax assets (liabilities)	$-			$210,834
Reflected in balance sheets as follows:				
Deferred tax assets	$-			$216,863
Deferred tax liabilities	$-			$(6,029)

D. The following table contains information of the unused tax losses of the Company:

Year	Tax losses for the period	Unused tax losses as of December 31, 2023	Unused tax losses as of December 31, 2022	Expiration year
2016	$983,636	$348,741	$365,005	2026
2017	848,158	848,158	848,158	2027
2018	867,392	867,392	867,392	2028
2019	653,000	653,000	653,000	2029
2020	1,093,535	1,093,535	1,093,535	2030
2021	1,459,219	1,459,219	1,459,219	2031
2023(Estimated)	969,941	969,941	-	2033
		$6,239,986	$5,286,309	

E. The following table contains information of the unused investment tax credit of the Company:

Regulations of compliance	Item	Year	Unused tax losses as of December 31, 2023	Unused tax losses as of December 31, 2022	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 1
〃	〃	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	39,769	〃
〃	〃	2020	31,288	31,288	〃
〃	〃	2021	57,399	113,626	〃
〃	〃	2022(Filed)	137,479	60,046	〃
			$850,108	$828,902	
Act for the development of biotech and new pharmaceuticals industry	Machinery and equipment	2022(Filed)	$710	$-	Note 2

Note 1: For a period of 5 years from the time it is subject to corporate income tax, the Company enjoys a reduction in its corporate income tax payable.

Note 2: For a period of 3 years from the time it is subject to corporate income tax, the Company enjoys a reduction in its corporate income tax payable.

The differences of unused amount as of December 31, 2023 and 2022 were due to filed amount and approved amount and also between estimated filed amount and actual filed amount.

F. As of December 31, 2023 and 2022, the total amounts of all deductible temporary differences, carry forward of unused tax credits and unused tax losses, in the balance sheet are $11,997,869 thousand and $11,474,489 thousand, and the total unrecognized unused investment tax credits amounted to $850,818 thousand and $828,920 thousand, respectively.

G. The assessment of The company's income tax returns of the Company before for all the fiscal year up to 2021 (including) have been assessed and was approved by the R.O.C Tax Authority tax collection office.

(21) 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,	
	2023	2022
A. Basic earnings (losses) per share		
Loss attributable to ordinary equity holders of the Company (in thousands of NTD)	$(623,835)	$(1,374,810)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	322,479	284,207
Basic earnings (losses) per share (NTD)	$(1.93)	$(4.84)

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, 2023 and 2022 were both loss after tax which caused the potential ordinary shares into anti-dilutive. Therefore, the Company only disclosed basic losses per share.

(22) Leases

A. Company as a lessee

The Company leases various properties, including 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, 2023	December 31, 2022
Land	$267,223	$285,791
Buildings and structures	549,051	140,882
Total	$816,274	$426,673

During the years ended December 31, 2023 and 2022, the Company had additions to right-of-use assets amounted to $500,923 thousand and $170,846 thousand, respectively.

ii. Lease liabilities

	As of	
	December 31, 2023	December 31, 2022
Lease liabilities	$851,406	$434,659
Current	$142,094	$58,710
Non-current	$709,312	$375,949

Please refer to Note 6(18)D for the interest expense on lease liabilities recognized for the years ended December 31, 2023 and 2022, and refer to Note 12 liquidity risk management for the maturity analysis for lease liabilities as of December 31, 2023 and 2022.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2023	2022
Land	$18,568	$18,430
Buildings and structures	92,754	60,331
Total	$111,322	$78,761

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2023	2022
The expenses relating to short-term leases	$10,613	$10,098
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	2,519	1,582
Total	$13,132	$11,680

(d) Cash outflow relating to leasing activities

During for the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounted to $106,871 thousand and $94,011 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 as operating leases, the undiscounted lease payments to be received as of December 31, 2023 and 2022 were both $1,440 thousand with the remaining years which were not later than one year.

	For the years ended December 31,	
	2023	2022
Lease income for operating leases		
Fixed lease payments	$1,440	$1,440

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 Korea (PEC (Korea))	Subsidiary of the Company
PharmaEssentia Japan KK (PEC (Japan))	Subsidiary of the Company
PharmaEssentia USA Corporation (PEC (USA))	Subsidiary of the Company
PharmaEssentia Innovation Research Center, Inc.(PIRC)	Subsidiary of the Company
PharmaEssentia Singapore Pte Ltd (PEC (Signapore))	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. Operating revenue

	For the years ended December 31,	
	2023	2022
PEC (Japan)	$985,333	$-
PEC (USA)	156,498	4,324,930
PEC (Korea)	11,674	10,119
Total	$1,153,505	$4,335,049

For the years ended December 31, 2023 and 2022, the amount for sales to related parties include unrealized profit from sales were $938,175 thousand and $4,063,465 thousand, respectively. The terms for sales to related parties were not significantly different from those of sales to third parties. The collection period was about 60 to 150 days after sales.

B. The Company's purchase of services

	For the years ended December 31,	
	2023	2022
PEC (USA)	$125,114	$14,748
PIRC	64,981	-
PANCO	18,721	7,449
PEC (Singapore)	23	-
Sage Advisors, LLC	-	418
PEC (Japan)	-	125
Total	$208,839	$22,740

For the years ended December 31, 2023 and 2022, purchase of services were recorded as operating expenses of $208,839 thousand and $22,740 thousand, respectively.

C. Accounts receivable

	As of	
	December 31, 2023	December 31, 2022
PEC (Japan)	$423,567	$-
PEC (USA)	156,498	1,961,926
PEC (Korea)	11,315	-
Total	$591,380	$1,961,926

D. Other receivables

	As of	
	December 31, 2023	December 31, 2022
PEC (USA)	$-	$502,594

Please refer to Note 13 for more details of the Company financings provided to related parties.

E. Other payables

	As of	
	December 31, 2023	December 31, 2022
PEC (USA)	$290,174	$15,163
PIRC	76,114	-
PANCO	2,562	2,281
PEC (Singapore)	24	-
PEC (Japan)	-	124
Total	$368,874	$17,568

The Company's other payables to PEC (USA) and PIRC included the parts of collected payments were amounted to $165,060 thousand and $11,133 thousand, respectively.

F. Interest revenue

	For the years ended December 31,	
	2023	2022
PEC (USA)	$1,528	$2,049
PEC (Japan)	-	846
PEC (Korea)	-	144
Total	$1,528	$3,039

G. Rental revenue

	For the years ended December 31,	
	2023	2022
PANCO	$1,440	$1,440

H. Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	$49,993	$60,169
Post-employment benefits	188	171
Share-based payment	185,939	25,664
Total	$236,120	$86,004

I. 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:

Assets pledged for security	Carrying amount as of December 31, 2023	Carrying amount as of December 31, 2022	Secured liabilities
Current Financial assets at amortized cost	$22,181	$976,245	Short-term borrowings by subsidiaries and performance bonds
Non-Current Financial assets at amortized cost	21,709	37,786	Performance bonds
Property, plant and equipment – land and buildings, net	106,727	108,330	Long-term borrowings
Total	$150,617	$1,122,361	

9. Significant contingencies and unrecognized contractual commitments

Other than unsettled litigation, endorsement and guarantee, the Company discloses contract amount over NTD 100,000 thousand as of December 31, 2023 as below:

(1) As of December 31, 2023, the Company provided endorsement and guarantee to subsidiaries were amounted to USD 78,882 thousand, and the actual expenditure was amounted to USD 447 thousand. Please refer to Table 2 for relevant information.

(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(15) 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, 2023, the Company has paid USD 3,550 thousand in license fees. The bankruptcy proceedings filed by Athenex, Inc does not affect the abovementioned license agreement. Based on the bankruptcy proceedings, the winning bidder of Athenex's assets will succeed the abovementioned license agreement, so the Company assesses that its rights and obligations thereof will not be affected.

(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, 2023, the Company has paid USD 1,640 thousand and USD 500 thousand, respectively. The bankruptcy proceedings related to KX-01 filed by Athenex, Inc is still on progress. After professional evaluation by an external lawyer for bankruptcy, it should not affect the authorization rights of the previous contract, so the Company assessed that its rights and obligations thereof would not be affected.

(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 $288,969 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2023, the Company has paid $166,605 thousand.

(6) The Company and a Japanese 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 15,728 thousand, which the Company will pay at each stage based on the agreement. As of December 31, 2023, the Company has paid USD 7,551 thousand.

(7) 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, 2023, the Company has paid related costs of EUR 1,381 thousand.

(8) 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 an unfavorable arbitration award. To protect the rights and interests of the Company, the Company retained legal counsels to file a lawsuit to revoke the arbitration award. On February 15, 2022, the Company was notified by a German counsel of the final rulings of the revocation lawsuit. The German Federal Court of Justice held that the original rulings in the ICC arbitration award should be officially set aside regarding AOP's damages claims and the part regarding the costs sharing of the arbitration costs borne by the Company. Although the counterclaim filed by the Company against AOP to terminate the license agreement in the same arbitration proceeding was dismissed. As of the date this financial report was authorized for issue, both of the foregoing disputes have reached a definitive end.

Since the rulings of the German Federal Court of Justice had already been finalized, AOP's damages claim previously awarded had been invalidated. The Company has considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter.

(9) 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.

On February 18, 2021, the ICC notified the Company that the two separate requests for arbitration were consolidated (hereinafter referred to as the "New Arbitration"), and the arbitrators appointed by each party collectively chose the chief arbitrator to constitute the arbitral tribunal. In accordance with the arbitration timetable, the first statement of claim was filed on October 22, 2021 by the Company (Statement of Claim). Against the Statement of Claim filed by the Company, AOP filed a statement of defense and counterclaim with the ICC on March 25, 2022 (Statement of Defense and Counterclaim). In addition to submitting the defenses, AOP filed a counterclaim asserting damages claims as follows: (1) the losses arising from violation of License Agreement by the Company; (2) illegal use of AOP's clinical trial data by the Company; (3) the service fees that should be paid by the Company to AOP and the overpaid product prices paid by AOP. In sum, AOP counterclaimed to the Company for compensation amounting to approximately EUR 6,000,000 thousand, and the Company is actively responding to this. In this regard, the Company has filed the Statement of Reply and Defense to Counterclaim on October 21, 2022 in response to its claims, including the damages that resulted from the delay caused by the reasons attributable to AOP during the EU Marketing Approval review and AOP's failure to fully realize Besremi's commercial value in its licensed territories. Accordingly, the claim amount of the damages has also been adjusted.

Accordingly, the claim amount of the damages has also been adjusted. In response to the Statement of Reply and Defense to Counterclaim("SoDCC") submitted by the Company, AOP submitted a Statement of Rejoinder and Reply to Counterclaim("RRCC") to the ICC on March 28, 2023. The majority of the relevant submissions in the RRCC are based on the same assertions as already made in the SoDCC. Afterward, the Company filed the Statement of Rejoinder to Counterclaim with the ICC on May 23, 2023 in response to the counterclaim asserted by AOP.

The arbitration hearings were held in Frankfurt from July 10 to July 20, 2023. The main purposes of the hearings were to hear the assertions of both parties, and the testimonies of relevant witnesses and expert witnesses from both parties. Per tribunal's order, both parties had submitted Post-Hearing Briefs on November 15 and December 13, 2023, respectively.

The Company has considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter.

(10) The Company was notified on October 18, 2022 that AOP filed a civil action against the Company and its US subsidiary in the Superior Court of Commonwealth of Massachusetts, claiming the following: (1) the transactions between the Company and its US subsidiary affected AOP's rights; and (2) the Company and its US subsidiary's request against AOP to amend the License Agreement constitutes unfair competition. The Company has retained lawyers to submit the brief claiming that: the license agreement between AOP and the Company has provided that all the disputes related to or resulting from the license agreement shall be compelled to arbitration. Thus, the legal proceeding brought by AOP is in violation of the license agreement as the dispute related to the license agreement shall be compelled to arbitration. On March 10, 2023, AOP in its brief claimed that the US subsidiary of the Company is not eligible to apply the arbitration clause between the parties of the license agreement and the dispute is not arbitrable as it is not relevant to the license agreement by citing other case law and German law. On April 3, 2023, the Company and its US subsidiary replied AOP's brief by claiming that the parties have agreed to be bound by the ICC arbitration rules in the arbitration clause that is subject to the New York Convention, so the Federal Arbitration Act shall be applied to decide whether the equitable estoppel principles are violated. Accordingly, the US subsidiary of the Company can enforce the arbitration clause in the license agreement; nevertheless, the lawsuit brought by AOP against the US subsidiary of the Company resulted from the license agreement, which also lead to the same conclusion that the arbitration clause shall be applied.

On August 7, 2023, the Superior Court of Commonwealth of Massachusetts ruled that the motion filed by the Company is granted, and the arbitrability of AOP's assertion shall be determined by the arbitral panel. In short, the arbitration clause specifically incorporates the ICC rules as governing the dispute between the parties, and the ICC rules clearly delegate threshold issues of arbitrability to the arbitral panel, so it is for the arbitral panel to determine the arbitrability of the case in dispute.

The Company has dealt with this matter in a manner that it deems appropriate and has retained US lawyers to evaluate to respond to the legal action and will re-evaluate the reasonableness of the relevant approaches in each subsequent financial reporting period.

(11) The Company signed the "Taoyuan Airport City Priority Industrial Zone Land Tendering Project E Land Contract" with the Taoyuan City Government. The Company will pay the corresponding amount in the future according to the respective stages stipulated in the Contract, and the total amount of payments payable for purchasing E Land payable $1,100,029 thousand. The Company has paid $330,009 thousand as of December 31, 2023. Please refer to Table 5 for relevant information.

(12) In order to conduct the global phase III clinical trial of essential thrombocythemia (P1101 ET clinical trial), the Company entered into a Master Services Agreement (MSA), its Task Order 1 (Task Order 1) and its amendment (Amendment 1) with an American clinical research organization, which was entrusted to conduct the P1101 ET clinical trials at multiple clinical trial centers in the countries of Taiwan, the United States, Hong Kong, and moreover expanded to Canada, Singapore, and five European countries (Bulgaria, Czech Republic, France, Hungary, Poland), and the total related expenses payable are about USD 12,090 thousand. As of December 31, 2023, the Company has paid related expenses of USD 11,904 thousand.

(13) In order to support the growing demand for the Company's production the global market, the Company planned to add new production lines and expand new factories and entered into a contract with a domestic construction company for the new construction of the Zhubei plant in the Biomedical Park of Hsinchu Science Park. The contract amount reached $3,126,000 thousand. As of December 31, 2023, the Company has paid related expenses of $651,081 thousand. Please refer to Table 5 for relevant information.

(14) After the Company entered into a Master Services Agreement (MSA) with clinical research corporation , Canada, on January 19, 2023, the parties further entered into the Services Work Order 1 and Service Work Order 2 on May 19 and August 14, 2023, respectively, by which the corporation was entrusted to conduct: (1) a Phase IIIb, Randomized, Open-Label, Parallel Group, Multicenter Study to Access Efficacy, Safety, and Tolerability of Two Dosing Regimens of Ropeginterferon alfa-2b-njft (P1101) in Adult Patients with Polycynthemia Vera (PV) and (2) A Single-arm, Multicenter Study to Assess the Efficacy, Safety, and Tolerability of Ropeginterferon alfa-2b-njft (P1101) in Adult Patients with Essential Thrombocythemia (ET). The total expenses payable for clinical trial amount to approximately USD 27,393 thousand. As of December 31, 2023, and the Company has paid USD 906 thousand.

10. Losses due to major disasters

No such circumstances.

11. Significant subsequent events

The Company's listing application for the Taiwan Stock Exchange (TWSE) of its ordinary shares was approved by the Taiwan Stock Exchange Corporation under approval letter Tai-Cheng-Shang-Yi-Zi No. 1121806134 on December 25, 2023. The Company's shares of stock were listed on the TWSE starting on January 25, 2024. In addition, under the approval letter Cheng-Gui-Jian-Zi No. 11300511932 on January 18, 2024 from the Taipei Exchange, the Company's common stocks ceased to be traded on the Taipei Exchange on January 25, 2024, and were listed on the TWSE on the same day.

12. Others

(1) Financial instruments

Financial assets

	As of	
	December 31, 2023	December 31, 2022
Financial assets at fair value through other comprehensive income (including non-current)	$163,924	$43,235
Financial assets at amortized cost		
Cash and cash equivalents (excluding cash on hand and petty cash)	14,347,314	9,931,169
Receivables (related parties included)	883,401	2,149,297
Other receivables (related parties included)	33,457	528,722
Financial assets at amortized cost (non-current included)	43,890	1,014,031
Refundable deposits (accounted under other non-current assets, others)	45,882	37,253
Subtotal	15,353,944	13,660,472
Total	$15,517,868	$13,703,707

Financial liabilities

	As of	
	December 31, 2023	December 31, 2022
Financial liabilities at amortized cost:		
Current borrowings	$1,000	$-
Notes and accounts payable (including related parties)	36,067	33,004
Other payables (including related parties)	744,545	243,334
Long-term borrowings (including current portion)	62,768	68,746
Lease liabilities (including non-current)	851,406	434,659
Total	$1,695,786	$779,743

(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, 2023 and 2022 to increase/decrease and decrease/increase by $64 thousand and $8,269 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.

AAs of December 31, 2023 and 2022, accounts receivable from top ten customers represent both 99% of the total accounts receivable of the Company, respectively. The credit concentration risk of other accounts receivable is insignificant.

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, 2023					
Current borrowings (including interest to be paid)	$1,016	$-	$-	$-	$1,016
Payables (including other payables)	780,612	-	-	-	780,612
Long-term borrowings (including interest to be paid)	7,705	14,886	14,178	37,195	73,964
Lease liabilities (non-current included)	155,180	265,345	168,347	326,707	915,579
As of December 31, 2022					
Payables (including other payables)	$276,338	$-	$-	$-	$276,338
Long-term borrowings (including interest to be paid)	7,878	14,914	14,268	45,456	82,516
Lease liabilities (non-current included)	59,973	58,911	126,877	228,893	474,654

(6) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2023:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2023	$-	$68,746	$434,659	$503,405
Cash flows	1,000	(5,978)	(93,739)	(98,717)
Non-cash changes	-	-	510,486	510,486
As of December 31, 2023	$1,000	$62,768	$851,406	$915,174

For the year ended December 31, 2022:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	$-	$74,724	$339,008	$413,732
Cash flows	-	(5,978)	(82,331)	(88,309)
Non-cash changes	-	-	177,982	177,982
As of December 31, 2022	$-	$68,746	$434,659	$503,405

(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, 2023:

	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	$-	$-	$163,924	$163,924

As of December 31, 2022:

	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	$-	$-	$43,235	$43,235

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, 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

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, 2023	$43,235
Total gains (losses) recognized for the year ended December 31, 2023:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	24,689
Acquisition for the year ended December 31, 2022	96,000
As of December 31, 2023	$163,924

	At fair value through other comprehensive income
	Stocks
As of January 1, 2022	$39,220
Total gains (losses) recognized for the years ended December 31, 2022:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	4,015
As of December 31, 2022	$43,235

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, 2023:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	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 and market 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 $970 thousand

As of December 31, 2022:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	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 $618 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, 2023:

	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	$-	$43,890	$-	$43,890
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including current portion)	-	62,768	-	62,768

As of December 31, 2022:

	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	$-	$1,014,031	$-	$1,014,031
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including current portion)	-	68,746	-	68,746

(9) Significant assets and liabilities denominated in foreign currencies

(In thousands)

	As of December 31, 2023				
				Sensitivity analysis	
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
USD	$367,398	31.2350	$11,475,680	1%	$114,757
EUR	11,494	34.3500	394,811	1%	3,948
CNY	7,659	4.3940	33,652	1%	337
JPY	20,919	0.2201	4,604	1%	46
Non-monetary items					
USD	275,728	31.2350	8,612,370	1%	86,124
HKD	15,598	4.0010	62,409	1%	624
KRW	2,707,961	0.0241	65,208	1%	652
JPY	5,615,977	0.2201	1,236,077	1%	12,361
Financial liabilities					
Monetary items					
USD	1,467	31.2350	45,833	1%	458
EUR	9,619	34.3500	330,401	1%	3,304
CNY	270	4.3940	1,185	1%	12
JPY	66,943	0.2201	14,734	1%	147

	As of December 31, 2022				
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Sensitivity analysis	
				Fluctuation	Effect on income
Financial assets					
Monetary items					
USD	$121,325	30.6250	$3,715,591	1%	$37,156
EUR	10,409	32.6000	339,333	1%	3,393
CNY	7,422	4.3940	32,610	1%	326
HKD	1,400	3.9400	5,516	1%	55
Non-monetary items					
USD	18,234	30.6250	558,418	1%	5,584
HKD	17,003	3.9400	66,991	1%	670
KRW	1,915,358	0.0237	45,404	1%	454
JPY	326,618	0.2255	73,652	1%	737
Financial liabilities					
Monetary items					
USD	$925	30.6250	$28,319	1%	$2,832
EUR	10,084	32.6000	328,724	1%	3,287
CNY	1,063	4.3940	4,669	1%	47
JPY	76,255	0.2255	17,195	1%	172

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, 2023 and 2022 the Company's incurred foreign exchange gains (losses) were $401,248 thousand and $139,085 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.

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, please refer to table 5 for more details.

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 6 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 7 for more details.

I. Derivative instruments transactions, no such circumstances.

J. Significant intercompany transactions between consolidated entities, please refer to table 8 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 6 and table 7, 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	6.48%

PharmaEssentia Corp.

Notes to parent company only financial statements

Table 1: Financings provided to others

(Unit: thousands of foreign currency/NTD)

No. <Note1>	Financing company	Counter-party <Note9>	Financial statement account	Related party	Maximum balance for the period <Note2>	Ending balance <Note3>	Amount actually 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	$541,000	$-	$-	0.00%	2	$-	Operating Capital	$-	-	$-	$2,394,815	$9,579,260

<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 higher of the transaction amount for procurement 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 subsidiaries 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 subsidiaries 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 rates were as follows:

USD:NTD 1:31.235

Table 2: Endorsements/guarantees provided to others (Unit: thousands of foreign currency/NTD)

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 the Company <Note4>	Guarantee provided by a subsidiary <Note4>	Guarantee provided to subsidiaries in Mainland China <Note4>
		Name	Nature of relationship <Note2>										
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	2	$10,776,668	USD 78,182 ($2,519,428)	USD 78,182 ($2,443,028)	USD 0 $0	$-	10%	$10,776,668	Y	-	-
0	PharmaEssentia Corp.	PharmaEssentia Innovation Research Center, Inc	2	10,776,668	USD 700 ($22,558)	USD 700 ($21,865)	USD 447 ($13,971)	-	0%	10,776,668	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 45% of the net equity per latest financial statements of the Company; the amount of accumulated endorsement/guarantee shall not exceed 45% 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 guarantee 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 1:31.235

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	Ending balance				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	67,924	8.08%	67,924	
PharmaEssentia Corp.	AcadeMab Biomedical Inc.	—	Financial assets at fair value through other comprehensive income	4,000	96,000	8.66%	96,000	

Table 4: Aggregate purchases or sales of the same securities reaching NTD 300 million or 20% 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	10,200	$2,975,791	22,500	$6,941,300	-	$-	$-	$-	32,700	$9,917,091
PharmaEssentia Corp.	Stocks	Investments accounted for using equity method	PharmaEssentia Japan KK	Parent company and subsidiary	58,997	735,595	146,674	1,616,700	-	-	-	-	205,671	2,352,295

<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 NTD 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: Acquisition of individual real estate properties at costs of at least NTD 300 million or 20% of paid-in capital or more

(Unit: thousands of NTD)

Company Name	Nature of Property	Transaction Date (Note)	Transaction amount	Payment term	Counter-party	Nature of relationships	Prior transaction of related counter-party				Price reference	Purpose of acquisition	Other terms
							Owner	Relationships	Transfer date	Amount			
PharmaEssentia Corp.	Land	July 28, 2022	$1,100,029	15% of the third installment was paid.	Taoyuan City Government	Non-related party	-	-	-	$-	Referring to the market price of the land in nearby area and reserve price.	Operating Capital	Expected to make payments accordingly after the achievement of contractual conditions.
PharmaEssentia Corp.	Plant construction	March 15, 2023	3,126,000	21% of the construction cost was paid.	True-Dreams Construction Co., Ltd.	Non-related party	-	-	-	-	Evaluaed in accordance with the appraisal report.	Operating Capital	Expected to make payments accordingly after the achievement of contractual conditions.

<Note> Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counter-party and monetary amount of the transaction, whichever date is earlier.

Table 6: 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)

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 Japan KK	Subsidiary	Sales revenue	$985,333	64%	About 150 days	Similar to general terms and conditions	About 150 days	$423,567	48%	
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Service revenue	156,498	10%	About 60 days	Similar to general terms and conditions	About 60 days	156,498	18%	
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Service revenue	125,114	3%	About 60 days	Similar to general terms and conditions	About 60 days	125,114	13%	

<Note> Percentage to total purchases (sales) and accounts receivable (accounts payable).

Table 7: Receivables due from related parties amounting to at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD)

Company name	Related party	Nature of relationship	Financial statement account	Ending balance	Turnover ratio	The reason that trade terms different from general transactions		Amounts received in subsequent period	Allowance for bad debts
						Amount	Procedure		
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Accounts receivable due from related parties	$156,498	-	$-	$-	$-	$-
PharmaEssentia Corp.	PharmaEssentia Japan KK	Subsidiary	Accounts receivable due from related parties	423,567	-	-	-	-	-
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Accounts receivable due from related parties	125,114	-	-	-	-	-
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Other receivables due from related parties	165,060	-	-	-	-	-

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.	$260,882	$196,292	17,200	100%	$62,409	$(67,968)	$(67,968)	
PharmaEssentia Corp.	PharmaEssentia (Hong Kong) Limited	〃	〃	-	-	-	-	-	-	-	<Note1>
PharmaEssentia Corp.	PharmaEssentia Japan KK	Japan	〃	2,352,295	735,595	205,671	100%	365,916	(455,334)	(455,334)	<Note2>
PharmaEssentia Corp.	PharmaEssentia USA Corporation	USA	〃	9,917,091	2,975,791	32,700	100%	5,608,946	505,949	505,949	<Note2>
PharmaEssentia Corp.	PharmaEssentia Korea Corporation	Korea	〃	216,544	147,970	1,794	100%	53,600	(48,737)	(48,737)	<Note2>
PharmaEssentia Corp.	Panco Healthcare Co., Ltd.	Taiwan	〃	102,500	102,500	10,000	100%	60,414	(3,432)	(3,432)	
PharmaEssentia Corp.	PharmaEssentia Singapore Pte. Ltd.	Singapore	〃	17,531	1,394	753	100%	14,080	(3,540)	(3,540)	
PharmaEssentia Corp.	PharmaEssentia Innovation Research Center, Inc.	USA	〃	299,097	45,937	950	100%	254,474	(41,922)	(41,922)	

<Note1> In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share holdings in 2013.

However, as of December 31, 2023, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

<Note2> The carrying amount held at the end of the period has adjusted the unrealized profit from sales.

Table 9: Informations on investments in Mainland China

(Unit: thousands of foreign currency/NTD)

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, 2023	Investment flows		Accumulated outflow of investment from Taiwan at the end of period	Net income (loss) of the investee company	Percentage of ownership	Share of profits/losses	Carrying amount at the end of period	Accumulated inward remittance of earnings at the end of period
					Outflow	Inflow						
PharmaEssentia Biotechnology (Beijing) Limited	Biotechnology service, etc.	$124,940 (USD 4,000)	<Note1(2)>	$124,940 (USD 4,000)	$-	$-	$124,940 (USD 4,000)	$(48,682) (- CNY 11,052)	100.00%	$(48,682) (- CNY 11,052) <Note 2(2).2>	$51,388 CNY 11,695	$-

Accumulated Investment in Mainland China at The End of Period	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit of Investment (60% of the Company's net worth)
$124,940 (USD 4,000)	$124,940 (USD 4,000)	$14,368,890

<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.

<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 were as follows:

1. Ending investment balance as of reporting date were translated using the exchange rates as follows:

USD:NTD 1: 31.235

CNY:NTD 1: 4.394

2. Investment gains or losses were translated using the average rates for the year ended December 31, 2023 as follows:

USD:NTD 1: 31.12917

CNY:NTD 1: 4.40467

PharmaEssentia Corporation

Chairman: ChingLeou Teng