

**SENHWA BIOSCIENCES, INC. AND ITS  
SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To Senhwa Biosciences, Inc.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Senhwa Biosciences, Inc. and its subsidiary (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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

## ***Key audit matters***

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

### **Existence of bank deposits**

#### Description

Refer to Note 4(6) for accounting policies on cash equivalents and Note 6(1) for details of cash and cash equivalents. As at December 31, 2021, the Group's cash and cash equivalents amounted to NT\$2,032,579 thousand, accounting for 99% of total assets. Given the significance of cash and cash equivalents to the Group's total assets, we considered the existence of bank deposits a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures to address the above key audit matter:

- Confirmed the bank accounts and ascertained whether there were any specific agreements with the financial institutions to verify the existence of bank accounts and accompanying rights and obligations;
- Verified whether the contact information of the bank is true and correct;
- Obtained the bank reconciliation statements and checked whether there were any unusual reconciling items;
- Inspected the source documents of significant cash receipts and payments to verify whether the transactions are for business purposes; and
- Confirmed whether the classification of time deposits is in compliance with the policy described in Note 4(5).

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Senhwa Biosciences, Inc. as at and for the years ended December 31, 2021 and 2020.

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

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Yu, Shu-Fen

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2022

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

**SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,032,579	99	\$ 2,368,576	99
1170	Accounts receivable, net		189	-	-	-
1200	Other receivables		267	-	334	-
1410	Prepayments	6(2)	11,698	-	14,354	-
11XX	<b>Total current assets</b>		<u>2,044,733</u>	<u>99</u>	<u>2,383,264</u>	<u>99</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(18) and 12(3)	130	-	130	-
1600	Property, plant and equipment		466	-	599	-
1755	Right-of-use assets	6(3)	14,950	1	9,296	1
1780	Intangible assets		65	-	-	-
1900	Other non-current assets		1,320	-	1,877	-
15XX	<b>Total non-current assets</b>		<u>16,931</u>	<u>1</u>	<u>11,902</u>	<u>1</u>
1XXX	<b>Total assets</b>		<u>\$ 2,061,664</u>	<u>100</u>	<u>\$ 2,395,166</u>	<u>100</u>
<b>Liabilities and Equity</b>						
<b>Current liabilities</b>						
2200	Other payables	6(4)	\$ 77,066	4	\$ 49,876	2
2280	Lease liabilities - current		5,167	-	4,184	-
2320	Long-term liabilities, current portion	6(5)	-	-	7,199	1
2399	Other current liabilities		-	-	10	-
21XX	<b>Total current liabilities</b>		<u>82,233</u>	<u>4</u>	<u>61,269</u>	<u>3</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(5)	-	-	2,057	-
2580	Lease liabilities - non-current		10,209	-	5,668	-
25XX	<b>Total non-current liabilities</b>		<u>10,209</u>	<u>-</u>	<u>7,725</u>	<u>-</u>
2XXX	<b>Total liabilities</b>		<u>92,442</u>	<u>4</u>	<u>68,994</u>	<u>3</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Common stock	6(8)	897,436	44	896,581	37
<b>Capital surplus</b>						
3200	Capital surplus	6(9)	1,444,387	70	1,789,843	75
<b>Accumulated deficit</b>						
3350	Accumulated deficit	6(10)	( 329,257)	( 16)	( 354,878)	( 15)
<b>Other equity interest</b>						
3400	Other equity interest		( 5,236)	-	( 3,388)	-
3500	Treasury shares	6(8)	( 38,108)	( 2)	( 1,986)	-
3XXX	<b>Total equity</b>		<u>1,969,222</u>	<u>96</u>	<u>2,326,172</u>	<u>97</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,061,664</u>	<u>100</u>	<u>\$ 2,395,166</u>	<u>100</u>

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

SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNT)

Items	Notes	Years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
4000		\$ 550	100	\$ 617	100
5000	6(15)(16)	( 227)	( 41)	( 266)	( 43)
5900		<u>323</u>	<u>59</u>	<u>351</u>	<u>57</u>
	6(15)(16) and 7(2)				
6200	General and administrative expenses	( 71,173)	( 12941)	( 83,242)	( 13492)
6300	Research and development expenses	( 275,466)	( 50085)	( 276,368)	( 44792)
6000	<b>Total operating expenses</b>	<u>( 346,639)</u>	<u>( 63026)</u>	<u>( 359,610)</u>	<u>( 58284)</u>
6900	<b>Operating loss</b>	<u>( 346,316)</u>	<u>( 62967)</u>	<u>( 359,259)</u>	<u>( 58227)</u>
	<b>Non-operating income and expenses</b>				
7100	Interest income	4,614	839	4,019	652
7010	Other income	11,121	2022	198	32
7020	Other gains and losses	2,760	502	919	149
7050	Finance costs	( 526)	( 96)	( 259)	( 42)
7000	<b>Total non-operating income and expenses</b>	<u>17,969</u>	<u>3267</u>	<u>4,877</u>	<u>791</u>
7900	<b>Loss before income tax</b>	<u>( 328,347)</u>	<u>( 59700)</u>	<u>( 354,382)</u>	<u>( 57436)</u>
7950	Income tax expense	( 910)	( 165)	( 496)	( 81)
8200	<b>Loss for the year</b>	<u>( \$ 329,257)</u>	<u>( 59865)</u>	<u>( \$ 354,878)</u>	<u>( 57517)</u>
	<b>Other comprehensive loss Components of other comprehensive loss that will be reclassified to profit or loss</b>				
8361	Financial statements translation differences of foreign operations	( \$ 1,848)	( 336)	( \$ 3,635)	( 589)
8500	<b>Total comprehensive loss for the year</b>	<u>( \$ 331,105)</u>	<u>( 60201)</u>	<u>( \$ 358,513)</u>	<u>( 58106)</u>
	<b>Loss attributable to:</b>				
8610	Owners of the parent	<u>( \$ 329,257)</u>	<u>( 59865)</u>	<u>( \$ 354,878)</u>	<u>( 57517)</u>
	<b>Comprehensive loss attributable to:</b>				
8710	Owners of the parent	<u>( \$ 331,105)</u>	<u>( 60201)</u>	<u>( \$ 358,513)</u>	<u>( 58106)</u>
	<b>Loss per share</b>				
9750	Basic loss per share (in dollars)	<u>( \$ 3.67)</u>		<u>( \$ 4.49)</u>	
9850	Diluted loss per share (in dollars)	<u>( \$ 3.67)</u>		<u>( \$ 4.49)</u>	

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

**SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Equity attributable to owners of the parent								
	Notes	Capital Surplus				Accumulated deficit	Other Equity	Treasury shares	Total equity
		Common stock	Additional paid-in capital	Stock options	Others		Financial statements translation differences of foreign operations		
<u>2020</u>									
Balance at January 1, 2020		\$ 744,986	\$ 416,514	\$ 58,616	\$ 34	(\$ 391,784)	\$ 247	\$ -	\$ 828,613
Loss for the year		-	-	-	-	( 354,878 )	-	-	( 354,878 )
Other comprehensive loss for the year		-	-	-	-	-	( 3,635 )	-	( 3,635 )
Total comprehensive loss for the year		-	-	-	-	( 354,878 )	( 3,635 )	-	( 358,513 )
Issuance of shares	6(8)	150,000	1,643,000	-	-	-	-	-	1,793,000
Capital surplus used to offset against accumulated deficit	6(10)	-	( 391,750 )	-	( 34 )	391,784	-	-	-
Issuance of shares from compensation cost of employees	6(7)	-	23,546	-	20,955	-	-	-	44,501
Amortisation of compensation cost of employee stock options	6(7)	-	-	4,779	-	-	-	-	4,779
Amortisation of compensation cost of subsidiaries' employee stock options	6(7)	-	-	2,173	-	-	-	-	2,173
Employee stock options exercised	6(7)	1,595	16,879	( 51,105 )	46,236	-	-	-	13,605
Purchase of treasury shares	6(8)	-	-	-	-	-	-	( 1,986 )	( 1,986 )
Balance at December 31, 2020		<u>\$ 896,581</u>	<u>\$ 1,708,189</u>	<u>\$ 14,463</u>	<u>\$ 67,191</u>	<u>(\$ 354,878)</u>	<u>(\$ 3,388)</u>	<u>(\$ 1,986)</u>	<u>\$ 2,326,172</u>
<u>2021</u>									
Balance at January 1, 2021		\$ 896,581	\$ 1,708,189	\$ 14,463	\$ 67,191	(\$ 354,878)	(\$ 3,388)	(\$ 1,986)	\$ 2,326,172
Loss for the year		-	-	-	-	( 329,257 )	-	-	( 329,257 )
Other comprehensive loss for the year		-	-	-	-	-	( 1,848 )	-	( 1,848 )
Total comprehensive loss for the year		-	-	-	-	( 329,257 )	( 1,848 )	-	( 331,105 )
Capital surplus used to offset against accumulated deficit	6(10)	-	( 287,687 )	-	( 67,191 )	354,878	-	-	-
Amortisation of compensation cost of employee stock options	6(7)	-	-	2,268	-	-	-	-	2,268
Amortisation of compensation cost of subsidiaries' employee stock options	6(7)	-	-	1,200	-	-	-	-	1,200
Employee stock options exercised	6(7)	855	8,449	( 2,495 )	-	-	-	-	6,809
Purchase of treasury shares	6(8)	-	-	-	-	-	-	( 36,122 )	( 36,122 )
Balance at December 31, 2021		<u>\$ 897,436</u>	<u>\$ 1,428,951</u>	<u>\$ 15,436</u>	<u>\$ -</u>	<u>(\$ 329,257)</u>	<u>(\$ 5,236)</u>	<u>(\$ 38,108)</u>	<u>\$ 1,969,222</u>

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

SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		(\$ 328,347 )	(\$ 354,382 )
Adjustments			
Adjustments to reconcile profit (loss)			
Compensation cost of employee stock options	6(7)	3,468	51,453
Depreciation	6(15)	6,135	7,097
Amortisation	6(15)	99	14
Interest expense	6(14)	526	259
Interest income	6(11)	( 4,602 )	( 4,004 )
Long-term borrowings and interest forgiveness transferred to other income	6(5)(12)	( 9,252 )	-
Lease payable transferred to other income		( 945 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		( 189 )	33
Other receivables		( 1 )	16
Prepayments		425	( 2,860 )
Other payables		27,190	26,227
Other current liabilities		( 10 )	-
Cash outflow generated from operations		( 305,503 )	( 276,147 )
Interest received		4,657	4,071
Tax refund received		2,232	74
Interest paid		( 526 )	( 194 )
Income tax paid		( 910 )	( 484 )
Net cash flows used in operating activities		( 300,050 )	( 272,680 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment		( 237 )	( 391 )
Increase in intangible assets		( 164 )	-
Decrease in guarantee deposits paid		550	9
Net cash flows from (used in) investing activities		149	( 382 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Payments of lease liabilities	6(20)	( 4,929 )	( 5,602 )
Proceeds from issuance of shares	6(8)	-	1,793,000
Employee stock options exercised	6(7)	6,809	13,605
Increase in long-term borrowings	6(5)	-	9,630
Purchase of treasury shares	6(8)	( 36,122 )	( 1,986 )
Net cash flows (used in) from financing activities		( 34,242 )	1,808,647
Effect of exchange rate changes		( 1,854 )	( 4,286 )
Net increase in cash and cash equivalents		335,997	1,531,299
Cash and cash equivalents at beginning of year		2,368,576	837,277
Cash and cash equivalents at end of year		<u>\$ 2,032,579</u>	<u>\$ 2,368,576</u>

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

SENHWA BIOSCIENCES, INC. AND ITS SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Senhwa Biosciences, Inc. (the “Company”) was incorporated and registered with the Ministry of Economic Affairs on November 16, 2012. The Company’s shares started trading over-the-counter after approval by the Taipei Exchange on April 24, 2017. The Company is primarily engaged in the development of new drugs and special pharmaceutical ingredients.

(2) As of December 31, 2021, the Company’s authorised capital and paid-in capital amounted to \$1,500,000 and \$897,436, respectively.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 10, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### (2) Basis of preparation

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

##### (3) Basis of consolidation

###### A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

###### B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
Senhwa Biosciences, Inc.	SenHwa Biosciences Corporation	New drug clinical and technical support services	100	100

###### C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs.

The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Property, plant and equipment

- A. Equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Equipment applies cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The useful lives are 3 and 2 years for office equipment and

leasehold improvements, respectively.

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
  - (b) Variable lease payments that depend on an index or a rate;
  - (c) Amounts expected to be payable by the lessee under residual value guarantees;
  - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
  - (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (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.

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

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life.

(15) Impairment of non-financial assets

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

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(18) Employee benefits

A. Short-term employee benefits

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

B. Pensions

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest. In addition, the Group chose the date on which the number of shares for employee pre-emption was confirmed to be the grant date for the reporting period and the following reporting periods.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(21) Share capital

- A. Common stocks are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Group repurchases the Group's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

(22) Revenue recognition

- A. Consulting service revenue

The Group provides product development consulting services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the stage of completion of a service contract to the total services to be performed. Customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

- B. Revenue from licensing intellectual property

- (a) The Group entered into a contract with a customer to grant a license of patents of new drugs to the customer. Given the license is distinct from other promised goods or services in the contract, the Group recognises the revenue from licensing when the license is transferred to a customer either at a point in time or over time based on the nature of the license granted. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licensing period. In case the abovementioned conditions are not met, the nature of the Group's

promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when transferring the license to a customer at a point in time.

- (b) Some contracts require a sales-based royalty in exchange for a license of patents of new drugs. The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

(23) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(24) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make assumptions, and estimates concerning future events. However, none of the assumptions is considered critical. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty cash and cash on hand	\$ 119	\$ 119
Checking account deposits	270	270
Demand deposits	906,100	1,042,097
Time deposits	1,126,090	1,326,090
	<u>\$ 2,032,579</u>	<u>\$ 2,368,576</u>

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

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

### (2) Prepayments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Excess business tax paid	\$ 6,728	\$ 6,067
Prepaid income tax	3,348	4,905
Prepayment for clinical trial and commission research	719	1,704
Prepaid insurance premiums	469	1,544
Others	434	134
	<u>\$ 11,698</u>	<u>\$ 14,354</u>

### (3) Leasing arrangements-lessee

A. The Group leases various assets including offices and business vehicles. Rental contracts are typically made for periods of 2 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 14,950	\$ 8,987
Transportation equipment (Business vehicles)	-	309
	<u>\$ 14,950</u>	<u>\$ 9,296</u>
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 5,466	\$ 5,424
Transportation equipment (Business vehicles)	309	370
	<u>\$ 5,775</u>	<u>\$ 5,794</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$11,624 and \$8,231, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 480	\$ 179
Expense on short-term lease contracts	110	-
Expense on leases of low-value assets	60	52
	<u>\$ 650</u>	<u>\$ 231</u>

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$5,579 and \$5,833, respectively.

(4) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commission research expenses	\$ 49,431	\$ 36,728
Salaries and bonuses	25,061	7,562
Service expenses	1,141	3,300
Others	1,433	2,286
	<u>\$ 77,066</u>	<u>\$ 49,876</u>

(5) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Paycheck Protection Program	Borrowing period is from April 30, 2020 to April 30, 2022	1%	None	\$ 9,256
Less: Current portion				( 7,199)
				<u>\$ 2,057</u>

A. As of December 31, 2021, the Group has no long-term borrowings.

B. The US subsidiary applied for a loan under the Paycheck Protection Program provided by the US Small Business Administration in April 2020. The conditions of the program are as follows:

- (a) The first six months from the borrowing date is the grace period during which the borrower does not need to repay the principal and interest, but interest still needs to be accrued.
- (b) A borrower can apply for loan and interest forgiveness if the borrower continues to pay salaries for eight weeks after the borrowing date.

C. The Company's subsidiary has obtained the approval for loan forgiveness in May 2021, and transferred the loan balance along with the estimated interest payable amounting to \$9,252 to other income.

(6) Pensions

- A. The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount of not less than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The subsidiary, SenHwa Biosciences Corporation, offers its employees 401(K) pension savings plan which adopts defined contribution plan. The plan enables both the employer and employees during their employment to contribute monthly based on a certain percentage of their salaries in their pension accounts.
- B. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$2,896 and \$2,860, respectively.

(7) Share-based payment

- A. As of December 31, 2021, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Employee stock options –D	2018.5.30	700	7 years	2~4 years’ service
Employee stock options –E	2018.12.4	150	7 years	2~4 years’ service
Employee stock options –F	2019.5.9	150	7 years	2~4 years’ service
Cash capital reserved for employee preemption	2020.8.14	1,340	N/A	Vested immediately

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

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	668	\$ 81.57	1,671	\$ 80.39
Cash capital increase reserved for employee preemption	-	-	1,340	120.00
Employee stock options exercised	( 86)	79.63	( 159)	85.30
Cash capital increase reserved for employee preemption exercised	-	-	( 709)	120.00
Employee stock options forfeited	( 17)	81.64	( 844)	78.53
Cash capital increase reserved for employee preemption forfeited	-	-	( 631)	120.00
Options outstanding at December 31	<u>565</u>	<u>81.87</u>	<u>668</u>	<u>81.57</u>
Options exercisable at December 31	<u>348</u>		<u>168</u>	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2021 and 2020 was \$179.83 (in dollars) and \$221.32 (in dollars), respectively.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2021		December 31, 2020	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2018.5.30	2025.5.29	<u>395</u>	<u>\$ 85.30</u>	<u>458</u>	<u>\$ 85.30</u>
2018.12.4	2025.12.3	<u>70</u>	<u>\$ 80.90</u>	<u>80</u>	<u>\$ 80.90</u>
2019.5.9	2026.5.8	<u>100</u>	<u>\$ 68.50</u>	<u>130</u>	<u>\$ 68.50</u>

- E. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options –D	2018.5.30	\$ 85.30	\$ 85.30	42.41%~42.44%	4.5~5.5 years	0%	0.71%~0.76%	\$30.53~33.61
Employee stock options –E	2018.12.4	80.90	80.90	42.04%~42.06%	4.5~5.5 years	0%	0.76%~0.81%	28.78~31.70
Employee stock options –F	2019.5.9	68.50	68.50	41.03%	4.5~5.5 years	0%	0.59%~0.63%	23.66~26.07
Cash capital increase reserved for employee preemption	2020.8.14	149.50	120.00	63.02%	0.16 years	0%	0.23%	33.21

- F. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2021	2020
Equity-settled	\$ 3,468	\$ 51,453

(8) Share capital

- A. As of December 31, 2021, the Company's authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 7.5 million shares reserved for employee stock options), and the paid-in capital was \$897,436 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. On June 29, 2020, the Board of Directors of the Company has resolved to increase its capital by issuing 15 million new shares with a par value of \$120 (in dollars) per share. The base date of the subscription was on September 14, 2020. The registration of the capital increase had been completed.
- C. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2021	2020
At January 1	\$ 89,618	\$ 74,499
Employee stock options exercised	86	159
Cash capital increase	-	15,000
Purchase of treasury shares	( 390)	( 40)
At December 31	\$ 89,314	\$ 89,618

#### D. Treasury shares

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

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	430,000	\$ 38,108

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	40,000	\$ 1,986

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) In order to motivate employees and enhance employees' loyalty, the Board of Directors of the Company during its meeting on December 3, 2021 has resolved to purchase treasury shares to be reissued to employees during the period from December 6, 2021 to January 12, 2022. As of December 31, 2021, the Company has bought back 390,000 shares for a total cost of \$36,122. As of January 12, 2022, the Company has bought back 518,000 shares for a total cost of \$49,361.

#### (9) Capital surplus

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

(10) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the paid-in capital.
- C. The shareholders during their meeting on August 30, 2021 and June 11, 2020 resolved to offset the accumulated deficit with capital surplus of \$354,878 and \$391,784, respectively.
- D. On March 10, 2022, the board of the directors resolved to offset the accumulated deficit with capital surplus of \$329,257. The above resolution has not yet been approved by the shareholders.

(11) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 4,602	\$ 4,004
Other interest income	12	15
	<u>\$ 4,614</u>	<u>\$ 4,019</u>

(12) Other income

	Years ended December 31,	
	2021	2020
Long-term borrowings and interest forgiveness transferred to other income (Note)	\$ 9,252	\$ -
Reversal of past due payable	945	-
Other income - others	924	198
	<u>\$ 11,121</u>	<u>\$ 198</u>

Note: Details are provided in Note 6(5) C.

(13) Other gains and losses

	Years ended December 31,	
	2021	2020
Net gains on financial assets at fair value through profit or loss	\$ 1,516	\$ 491
Net currency exchange gains	1,244	428
	<u>\$ 2,760</u>	<u>\$ 919</u>

(14) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense:		
Interest expense from bank borrowings	\$ 35	\$ 66
Interest expense from lease liabilities	480	179
Imputed interest on deposits	11	14
	<u>\$ 526</u>	<u>\$ 259</u>

(15) Expenses by nature

	Years ended December 31,	
	2021	2020
Commission research expenses	\$ 151,909	\$ 139,115
Employee benefit expense	136,808	160,280
Patent application fees	19,144	20,097
Service expenses	15,538	17,236
Depreciation	6,135	7,097
Amortisation	99	14
Other expenses	17,233	16,037
Operating costs and expenses	<u>\$ 346,866</u>	<u>\$ 359,876</u>

(16) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 120,958	\$ 97,708
Share-based payment compensation cost	3,468	51,453
Labour and health insurance fees	3,087	2,840
Pension costs	2,896	2,860
Directors' remuneration	2,400	520
Other personnel expenses	3,999	4,899
	<u>\$ 136,808</u>	<u>\$ 160,280</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 10% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. The Company has incurred net loss for the years ended December 31, 2021 and 2020. Therefore, employees' compensation and directors' and supervisors' remuneration were not accrued in accordance with the Company's Articles of Incorporation.

C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(17) Income tax

A. Income tax expense

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 910	\$ 496
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on loss before tax and statutory tax rate (note)	(\$ 67,854)	(\$ 72,801)
Expenses disallowed by tax regulation	2,987	2,404
Temporary difference not recognised as deferred tax assets	1,598	828
Taxable loss not recognised as deferred tax assets	64,179	70,065
Income tax expense	\$ 910	\$ 496

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

	December 31, 2021		
	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Qualifying items			
Research and development	\$ 677,810	\$ 677,810	(Note)

  

	December 31, 2020		
	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Qualifying items			
Research and development	\$ 608,588	\$ 608,588	(Note)

Note: The Company and its shareholders are entitled to the incentives conferred under the Biotech and New Pharmaceutical Development Act following the Company's incorporation as a biotech pharmaceutical company pursuant to the Letter No. Jing-Shou-Gong-Zi-10820413380 issued by the Ministry of Economic Affairs (MOEA) on May 23, 2019. The incentive measures are valid for five years beginning on the next date of the issuance of MOEA's Letter. The investment tax credit can be first used when there is taxable business income. Any unused tax credit is available for the following four years.

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	Assessed	\$ 669	\$ 669	2022
2013	Assessed	113,000	113,000	2023
2014	Assessed	156,145	156,145	2024
2015	Assessed	195,046	195,046	2025
2016	Assessed	235,170	235,170	2026
2017	Assessed	356,007	356,007	2027
2018	Assessed	378,080	378,080	2028
2019	Assessed	390,278	390,278	2029
2020	Filed	302,777	302,777	2030
2021	Filed	320,894	320,894	2031
		<u>\$ 2,448,066</u>	<u>\$ 2,448,066</u>	

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	Assessed	\$ 669	\$ 669	2022
2013	Assessed	113,000	113,000	2023
2014	Assessed	156,145	156,145	2024
2015	Assessed	195,046	195,046	2025
2016	Assessed	235,170	235,170	2026
2017	Assessed	356,007	356,007	2027
2018	Assessed	378,080	378,080	2028
2019	Filed	390,278	390,278	2029
2020	Filed	302,777	302,777	2030
		<u>\$ 2,127,172</u>	<u>\$ 2,127,172</u>	

E. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(18) Significant contracts

- A. The Company acquired intangible assets including multiple patents, technologies, clinical trial drugs and clinical trial information from Company A under the agreement in April 2013. The Company's payment for acquiring the assets relative to the agreement was shown as 'research and development expenses'. In the following years, the Company is obliged to pay royalties computed based on a certain percentage of revenue arising from either licensing to the third party or sales pertaining to the assets provided that the research and development comes to fruition.
- B. The Company was commissioned on improving API Production using the industrial strains for generic medicine by Company B under an agreement in April 2013. The Company was permitted to recommission a third party provided that Company B owns the research results. The total contract price was \$45,000. The Company recognised the commission research revenue for each period based on the period of time the service was rendered. Further, the Company is entitled to the receipt of royalties computed based on a certain percentage of net sales amount provided that the products are manufactured and sold under cGMP standard. However, Company B entered into a termination agreement with the Company due to the shift in its operating strategy. The latest agreement allowed the Company to access the research results as well as to authorise the third party to the extent of development. Once the products are manufactured or sold, the revenue must be shared with Company B without exceeding the R&D expenses amounting to \$28,125 paid by the Company. All service revenue was recognised by the Company during the year ended December 31, 2014.

(19) Loss per share

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share (note)</u>			
Loss attributable to owners of the parent	<u>(\$ 329,257)</u>	<u>89,642</u>	<u>(\$ 3.67)</u>
	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share (note)</u>			
Loss attributable to owners of the parent	<u>(\$ 354,878)</u>	<u>78,986</u>	<u>(\$ 4.49)</u>

Note: As options issued to employees do not have dilutive effect, diluted loss per share is the same as the basic loss per share.

(20) Changes in liabilities from financing activities

	<u>Long-term borrowings</u>	<u>Lease liability</u>	<u>Liabilities from financing activities-gross</u>
January 1, 2021	\$ 9,256	\$ 9,852	\$ 19,108
Changes in cash flow from financing activities	-	( 4,929)	( 4,929)
Impact of changes in foreign exchange rate	( 101)	( 226)	( 327)
Changes in other non-cash items	( 9,155)	10,679	1,524
December 31, 2021	<u>\$ -</u>	<u>\$ 15,376</u>	<u>\$ 15,376</u>

	<u>Long-term borrowings</u>	<u>Lease liability</u>	<u>Liabilities from financing activities-gross</u>
January 1, 2020	\$ -	\$ 7,538	\$ 7,538
Changes in cash flow from financing activities	9,630	( 5,602)	4,028
Impact of changes in foreign exchange rate	( 374)	( 125)	( 499)
Changes in other non-cash items	-	8,041	8,041
December 31, 2020	<u>\$ 9,256</u>	<u>\$ 9,852</u>	<u>\$ 19,108</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The Group did not have significant transactions with related parties for the years ended December 31, 2021 and 2020.

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 27,772	\$ 12,342
Share-based payments	537	6,118
	<u>\$ 28,309</u>	<u>\$ 18,460</u>

8. PLEGDED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for those mentioned in Notes 6(18)A and B, the Company had no other significant contingent liabilities and unrecognised contract commitments.

10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Details of capital surplus used to offset against accumulated deficit for the year ended December 31, 2021 as resolved by the Board of Directors are provided in Note 6(10) D.
- (2) For the purchase of treasury shares after the balance sheet date, refer to Notes 6(8) D(e).

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 130	\$ 130
Financial assets at amortised cost / Loans and receivables		
Cash and cash equivalents	\$ 2,032,579	\$ 2,368,576
Accounts receivable	189	-
Other receivables	267	334
Guarantee deposits paid	1,320	1,877
	<u>\$ 2,034,355</u>	<u>\$ 2,370,787</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Other payables	\$ 77,066	\$ 49,876
Long-term borrowings (including current portion)	-	9,256
	<u>\$ 77,066</u>	<u>\$ 59,132</u>
Lease liability	<u>\$ 15,376</u>	<u>\$ 9,852</u>

#### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of

excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	December 31, 2021		
	Foreign currency amount <u>(In thousands)</u>	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 575	27.68	\$ 15,916
<u>Non-monetary items</u>			
USD:NTD	2,325	27.68	64,345
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,617	27.68	72,446
CAD:NTD	192	20.46	4,151

	December 31, 2020		
	Foreign currency amount <u>(In thousands)</u>	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 218	28.84	\$ 6,218
<u>Non-monetary items</u>			
USD:NTD	2,550	28.84	72,616
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,140	28.84	60,958
CAD:NTD	192	21.56	4,291

- ii. The unrealised exchange gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020

amounted to \$367 and \$737, respectively.

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

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 159	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	643
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 724	-
CAD:NTD	1%	42	-
	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 62	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	726
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 610	-
CAD:NTD	1%	43	-

#### Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good credit quality are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for their clients before standard payment term and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Other payables	\$ 77,066	\$ -	\$ -
Lease liability (Note)	5,588	5,667	4,898
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>			
Other payables	\$ 49,876	\$ -	\$ -
Lease liability (Note)	5,968	4,522	3,202
Long-term borrowings (including current portion) (Note)	7,293	2,084	-

Note: The amounts represented the total repayment of debts in the future, therefore, interest expenses for the year were included.

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. All equity instruments invested by the Group are classified as level 3.

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

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 130	\$ 130

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 130	\$ 130

(b) The methods and assumptions the Group used to measure fair value are as follows:

- (i) For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the close price of market quoted price to measure the closed-end fund.
- (ii) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

C. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent and reliable.

D. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ <u>130</u>	Discounted cash flow	Long-term revenue growth rate; Discount rate	N/A	The higher the long-term revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ <u>130</u>	Discounted cash flow	Long-term revenue growth rate; Discount rate	N/A	The higher the long-term revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

(4) Others

Based on the Group's assessment, the Covid-19 pandemic had no significant impact on the Group's operations.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

The following transactions were eliminated when preparing the consolidated financial statements.

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 2.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

The following transactions with the subsidiary were eliminated when preparing the consolidated financial statements.

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

The Group has no shareholder whose shareholding ratio is above 5%.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry by primarily engaging in the development of new drugs and special pharmaceutical ingredients. The chief operating decision maker, who allocates resources and assesses operating performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The accounting policies adopted by the Group's operating segments are consistent with that summarised in Note 4. The operating segments' profit or loss is measured with net operating profit and based on which the performance is evaluated.

(3) Information about segment profit or loss, assets and liabilities

The Group has only one reportable segment so the reportable information is identical with the financial statements.

(4) Reconciliation for segment income (loss)

The net operating loss reported to the chief operating decision-maker is measured in a manner consistent with the income and expense in the statement of comprehensive income. Hence, the reconciliation is indicated in the statement of comprehensive income.

(5) Information on products and services

	Years ended December 31,	
	2021	2020
Service revenue	\$ 550	\$ 617

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 550	\$ 9,968	\$ 617	\$ 1,487
USA	-	5,513	-	8,408
	<u>\$ 550</u>	<u>\$ 15,481</u>	<u>\$ 617</u>	<u>\$ 9,895</u>

(7) Major customer information

Information on major customers accounting for 10% of the Company's operating revenue for the years ended December 31, 2021 and 2020 is as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Revenue</u>	<u>Percentage of operating income (%)</u>	<u>Revenue</u>	<u>Percentage of operating income (%)</u>
HOU CHI CHEMICAL CO., LTD.	<u>\$ 550</u>	<u>100</u>	<u>\$ 600</u>	<u>97</u>

Senhwa Biosciences, Inc. and its Subsidiary

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Senhwa Biosciences, Inc.	Chaperone Therapeutics, Inc. - ordinary shares	None	Financial assets at fair value through other comprehensive income-non current	409,400	\$ 128	10.73	\$ 128	None
Senhwa Biosciences, Inc.	Pimera, Inc. - ordinary shares	None	Financial assets at fair value through other comprehensive income-non current	468,179	2	3	2	None

Senhwa Biosciences, Inc. and its Subsidiary

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2021

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities		Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2021		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2021	
	(Note 1)	General ledger account			Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Senhwa Biosciences, Inc.	CTBC Huan Win Money Market Fund	Current financial assets at fair value through profit or loss	Not applicable	Not applicable	-	\$ -	343,668,032	\$ 3,820,000	( 343,668,032)	\$ 3,821,516	\$ 3,820,000	\$ 1,516	-	\$ -

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: 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 NT\$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.

Senhwa Biosciences, Inc. and its Subsidiary  
 Significant inter-company transactions during the reporting period  
 Year ended December 31, 2021

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Senhwa Biosciences, Inc.	Senhwa Biosciences Corporation	1	Other payables - related parties	\$ 27,900	Mutual agreement	1%
0	Senhwa Biosciences, Inc.	Senhwa Biosciences Corporation	1	Research and development expenses	55,915	Mutual agreement	10166%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.

Senhwa Biosciences, Inc. and its Subsidiary

Names, locations and other information of investee companies (not including investee in Mainland China)

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	of the investee for the year ended December 31, 2021	recognised by the Company for the year ended December 31, 2021	
Senhwa Biosciences, Inc.	Senhwa Biosciences Corporation	USA	New drug clinical and technical support services	\$ 59,123	\$ 59,123	1,000,000	100.00	\$ 64,345	(\$ 7,622)	(\$ 7,622)	Subsidiary