

**SENHWA BIOSCIENCES, INC.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2022 AND 2021**

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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 parent company only balance sheets of Senhwa Biosciences, Inc. as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 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, we do not provide a separate opinion on these matters.

## **Existence of bank deposits**

### Description

Refer to Note 4(5) for accounting policies on cash equivalents and Note 6(1) for details of cash and cash equivalents. As at December 31, 2022, the Company's cash and cash equivalents amounted to NT\$1,589,209 thousand, accounting for 94% of total assets. Given the significance of cash and cash equivalents to the Company'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).

## ***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 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 parent company only 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### ***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 parent company only 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's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, 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 parent company only 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 parent company only 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 30, 2023

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The accompanying parent company only 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 parent company only 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.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,589,209	94	\$ 1,999,794	96
1170	Accounts receivable, net		-	-	189	-
1200	Other receivables		569	-	267	-
1210	Other receivables - related parties	7(2)	56	-	53	-
1410	Prepayments	6(2)	13,200	1	7,871	-
11XX	<b>Total current assets</b>		<u>1,603,034</u>	<u>95</u>	<u>2,008,174</u>	<u>96</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	12(3)	130	-	130	-
1550	Investment accounted for under equity method	6(3)	65,138	4	64,345	3
1600	Property, plant and equipment		260	-	216	-
1755	Right-of-use assets	6(4)	12,097	1	9,687	1
1780	Intangible assets		-	-	65	-
1920	Other non-current assets		1,283	-	1,087	-
15XX	<b>Total non-current assets</b>		<u>78,908</u>	<u>5</u>	<u>75,530</u>	<u>4</u>
1XXX	<b>Total assets</b>		<u>\$ 1,681,942</u>	<u>100</u>	<u>\$ 2,083,704</u>	<u>100</u>
<b>Liabilities and Equity</b>						
<b>Current liabilities</b>						
2200	Other payables	6(5)	\$ 24,342	2	\$ 76,714	4
2220	Other payables - related parties	7(2)	30,860	2	27,900	1
2280	Lease liabilities - current		5,265	-	2,704	-
21XX	<b>Total current liabilities</b>		<u>60,467</u>	<u>4</u>	<u>107,318</u>	<u>5</u>
<b>Non-current liabilities</b>						
2580	Lease liabilities - non-current		7,516	-	7,164	-
25XX	<b>Total non-current liabilities</b>		<u>67,983</u>	<u>4</u>	<u>114,482</u>	<u>5</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Common stock	1 and 6(8)	897,436	53	897,436	43
<b>Capital surplus</b>						
3200	Capital surplus	6(9)	1,116,156	67	1,444,387	70
<b>Accumulated deficit</b>						
3350	Accumulated deficit	6(10)	( 349,632)	( 21)	( 329,257)	( 16)
<b>Other equity interest</b>						
3400	Other equity interest		1,346	-	5,236	-
3500	Treasury shares	6(8)	( 51,347)	( 3)	( 38,108)	( 2)
3XXX	<b>Total equity</b>		<u>1,613,959</u>	<u>96</u>	<u>1,969,222</u>	<u>95</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>\$ 1,681,942</u>	<u>100</u>	<u>\$ 2,083,704</u>	<u>100</u>

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

SENHWA BIOSCIENCES, INC.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNT)

Items	Notes	Years ended December 31,			
		2022		2021	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	7(2)	\$ 1,000	100	\$ 550	100
5000 <b>Operating costs</b>	6(14)(15)	( 495)	( 50)	( 227)	( 41)
5900 <b>Gross profit</b>		<u>505</u>	<u>50</u>	<u>323</u>	<u>59</u>
<b>Operating expenses</b>	6(6)(14)(15) and 7(3)				
6200 General and administrative expenses		( 43,772)	( 4377)	( 71,173)	( 12941)
6300 Research and development expenses	7(2)	( 308,731)	( 30873)	( 258,343)	( 46971)
6000 <b>Total operating expenses</b>		( 352,503)	( 35250)	( 329,516)	( 59912)
6900 <b>Operating loss</b>		( 351,998)	( 35200)	( 329,193)	( 59853)
<b>Non-operating income and expenses</b>					
7100 Interest income	6(11)	7,314	732	4,613	839
7010 Other income		-	-	522	95
7020 Other gains and losses	6(12)	1,160	116	2,675	486
7050 Finance costs	6(13)	( 379)	( 38)	( 252)	( 46)
7070 Share in loss of subsidiaries, associates and joint ventures accounted for using equity method	6(3)	( 5,729)	( 573)	( 7,622)	( 1386)
7000 <b>Total non-operating income and expenses</b>		<u>2,366</u>	<u>237</u>	( 64)	( 12)
8200 <b>Loss for the year</b>		( \$ 349,632)	( 34963)	( \$ 329,257)	( 59865)
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		\$ 6,582	658	( \$ 1,848)	( 336)
8500 <b>Total comprehensive loss for the year</b>		( \$ 343,050)	( 34305)	( \$ 331,105)	( 60201)
<b>Loss per share</b>	6(18)				
9750 Basic loss per share (in dollars)		( \$ 3.92)		( \$ 3.67)	
9850 Diluted loss per share (in dollars)		( \$ 3.92)		( \$ 3.67)	

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

SENHWA BIOSCIENCES, INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(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>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		-	-	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>
<u>2022</u>									
Balance at January 1, 2022		\$ 897,436	\$ 1,428,951	\$ 15,436	\$ -	(\$ 329,257)	\$ 5,236	(\$ 38,108)	\$ 1,969,222
Loss for the year		-	-	-	-	( 349,632)	-	-	( 349,632)
Other comprehensive income for the year		-	-	-	-	-	6,582	-	6,582
Total comprehensive income (loss) for the year		-	-	-	-	( 349,632)	6,582	-	( 343,050)
Capital surplus used to offset against accumulated deficit	6(10)	-	( 329,257)	-	-	329,257	-	-	-
Amortisation of compensation cost of employee stock options	6(7)	-	-	1,087	-	-	-	-	1,087
Reversal of amortization of compensation cost of subsidiaries' employee stock options		-	-	( 61)	-	-	-	-	( 61)
Employee stock options expired	6(7)	-	-	( 3,803)	3,803	-	-	-	-
Subsidiaries' employee stock options expired	6(7)	-	-	( 798)	798	-	-	-	-
Purchase of treasury shares	6(8)	-	-	-	-	-	-	( 13,239)	( 13,239)
Balance at December 31, 2022		<u>\$ 897,436</u>	<u>\$ 1,099,694</u>	<u>\$ 11,861</u>	<u>\$ 4,601</u>	<u>(\$ 349,632)</u>	<u>\$ 1,346</u>	<u>(\$ 51,347)</u>	<u>\$ 1,613,959</u>

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

SENHWA BIOSCIENCES, INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 349,632 )	(\$ 329,257 )
Adjustments			
Adjustments to reconcile profit (loss)			
Compensation cost of employee stock options	6(7)	1,087	2,268
Depreciation	6(14)	4,175	3,446
Amortisation	6(14)	65	99
Interest expense	6(13)	379	252
Interest income	6(11)	( 7,305 )	( 4,601 )
Lease payable transferred to other income		-	( 520 )
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	6(3)	5,729	7,622
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		189	( 189 )
Other receivables		( 52 )	-
Other receivables - related parties		( 3 )	( 24 )
Prepayments		( 5,329 )	1,259
Changes in operating liabilities			
Other payables		( 52,372 )	27,972
Other payables - related parties		2,960	( 750 )
Other current liabilities		-	( 10 )
Cash outflow generated from operations		( 400,109 )	( 292,433 )
Interest received		7,045	4,656
Tax refund received		10	13
Interest paid		( 379 )	( 252 )
Net cash flows used in operating activities		( 393,433 )	( 288,016 )
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment		( 142 )	( 237 )
Increase in intangible assets		-	( 164 )
(Increase) decrease in guarantee deposits paid		( 196 )	549
Net cash flows (used in) from investing activities		( 338 )	148
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of lease liabilities	6(19)	( 3,575 )	( 3,049 )
Employee stock options exercised	6(7)	-	6,809
Purchase of treasury shares	6(8)	( 13,239 )	( 36,122 )
Net cash flows used in financing activities		( 16,814 )	( 32,362 )
Net increase in cash and cash equivalents		( 410,585 )	( 320,230 )
Cash and cash equivalents at beginning of year		1,999,794	2,320,024
Cash and cash equivalents at end of year		\$ 1,589,209	\$ 1,999,794

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

SENHWA BIOSCIENCES, INC.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(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, 2022, 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 FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 30, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 Company’s financial condition and financial performance based on the Company’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 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 Company's financial condition and financial performance based on the Company'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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance

with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Company’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 the Company 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.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be 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.

(5) 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.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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.

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Company 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 Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) Investments accounted for using equity method

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. In accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss and other comprehensive income or loss presented in the parent company only financial statements are consistent with those presented in the consolidated financial statements. In addition, owner's equity presented in the parent company only is consistent with equity attributable to owners of parent presented in the consolidated financial statements.

(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 Company 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 Company. 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 Company 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 Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(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 Company 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 Company repurchases the Company'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 Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) Revenue recognition

A. Consulting service revenue

The Company 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 Company 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 Company 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 Company's promise in granting a license is a promise to provide a right to access the Company's intellectual property if the Company undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Company's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. 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 Company's promise in granting a license is a promise to provide a right to use the Company's intellectual property and therefore the revenue is 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 Company recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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, 2022</u>	<u>December 31, 2021</u>
Petty cash and cash on hand	\$ 119	\$ 119
Checking account deposits	440	270
Demand deposits	766,700	873,315
Time deposits	821,950	1,126,090
	<u>\$ 1,589,209</u>	<u>\$ 1,999,794</u>

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

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

(2) Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Excess business tax paid	\$ 8,075	\$ 6,728
Prepayment for clinical trial and commission research	-	719
Prepaid insurance premiums	910	145
Others	4,215	279
	<u>\$ 13,200</u>	<u>\$ 7,871</u>

(3) Investment accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
SenHwa Biosciences Corporation	\$ 65,138	\$ 64,345

A. Subsidiaries

Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.

B. The share in loss of investee accounted for using the equity method recognized by the Company for the years ended December 31, 2022 and 2021 are as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
SenHwa Biosciences Corporation	(\$ 5,729)	(\$ 7,622)

C. For the years ended December 31, 2022 and 2021, the share in loss of the above investee accounted for using equity method was calculated based on the investee's audited financial statements for the corresponding period.

(4) Leasing arrangements-lessee

A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, 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, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 12,097	\$ 9,687

	Years ended December 31,	
	2022	2021
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 4,077	\$ 2,910
Transportation equipment (Business vehicles)	-	309
	<u>\$ 4,077</u>	<u>\$ 3,219</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$6,488 and \$11,624, respectively.

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

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 370	\$ 241
Expense on short-term lease contracts	580	110
Expense on leases of low-value assets	57	60
	<u>\$ 1,007</u>	<u>\$ 411</u>

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$4,582 and \$3,460, respectively.

(5) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commission research expenses	\$ 13,049	\$ 49,431
Salaries and bonuses	8,032	25,061
Service expenses	955	1,141
Others	2,306	1,081
	<u>\$ 24,342</u>	<u>\$ 76,714</u>

(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.

B. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$1,871 and \$1,700, respectively.

(7) Share-based payment

A. As of December 31, 2022, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Employees of the Company and subsidiaries:				
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

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

	2022		2021	
	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	565	\$ 81.78	668	\$ 81.50
Employee stock options exercised	-	-	( 86)	79.64
Employee stock options expired	( 169)	82.81	( 17)	81.64
Options outstanding at December 31	<u>396</u>	81.34	<u>565</u>	81.78
Options exercisable at December 31	<u>378</u>		<u>348</u>	

C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2021 was \$179.83 (in dollars). There was no such situation for the year ended December 31, 2022.

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

Issue date approved	Expiry date	December 31, 2022		December 31, 2021	
		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>251</u>	\$ 85.30	<u>395</u>	\$ 85.30
2018.12.4	2025.12.3	<u>70</u>	\$ 80.90	<u>70</u>	\$ 80.90
2019.5.9	2026.5.8	<u>75</u>	\$ 68.50	<u>100</u>	\$ 68.50

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

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

	Years ended December 31,	
	2022	2021
Equity-settled	\$ 1,087	\$ 2,268

(8) Share capital

A. As of December 31, 2022, 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. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2022	2021
At January 1	89,314	89,618
Employee stock options exercised	-	86
Purchase of treasury shares	(128)	(390)
At December 31	89,186	89,314

C. Treasury shares

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

		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	558,000	\$ 51,347

		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

- (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. From January 1 to January 12, 2022, the company has bought back 128,000 shares for total cost of \$13,239. A total of 518,000 shares have been repurchased to date with 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 May 27 2022 and August 30, 2021 resolved to offset the accumulated deficit with capital surplus of \$329,257 and \$354,878, respectively.

D. On March 30, 2023, the board of the directors resolved to offset the accumulated deficit with capital surplus of \$349,632. The above resolution has not yet been approved by the shareholders.

(11) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 7,305	\$ 4,601
Other interest income	9	12
	<u>\$ 7,314</u>	<u>\$ 4,613</u>

(12) Other gains and losses

	Years ended December 31,	
	2022	2021
Net gains on financial assets at fair value through profit or loss	\$ 2,079	\$ 1,516
Net currency exchange (loss) gain	( 919)	1,159
	<u>\$ 1,160</u>	<u>\$ 2,675</u>

(13) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Interest expense from lease liabilities	\$ 370	\$ 241
Imputed interest on deposits	9	11
	<u>\$ 379</u>	<u>\$ 252</u>

(14) Expenses by nature

	Years ended December 31,	
	2022	2021
Commission research expenses	\$ 247,662	\$ 207,824
Employee benefit expense	58,009	75,759
Patent application fees	26,016	19,144
Service expenses	5,257	11,638
Depreciation	4,175	3,446
Amortisation	65	99
Other expenses	11,814	11,833
Operating costs and expenses	<u>\$ 352,998</u>	<u>\$ 329,743</u>

(15) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 46,312	\$ 65,303
Share-based payment compensation cost	1,087	2,268
Labour and health insurance fees	3,638	3,087
Pension costs	1,871	1,700
Directors' remuneration	4,000	2,400
Other personnel expenses	1,101	1,001
	<u>\$ 58,009</u>	<u>\$ 75,759</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, 2022 and 2021. 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.

(16) Income tax

A. Income tax expense

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	-	-
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on loss before tax and statutory tax rate	(\$ 69,926)	(\$ 65,851)
Expenses disallowed by tax regulation	238	74
Temporary differences not recognised as deferred tax assets	1,216	1,598
Taxable loss not recognised as deferred tax assets	<u>68,472</u>	<u>64,179</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

Qualifying items	December 31, 2022		
	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	<u>\$ 743,583</u>	<u>\$ 743,583</u>	(Note)

  

Qualifying items	December 31, 2021		
	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	<u>\$ 677,489</u>	<u>\$ 677,489</u>	(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, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
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	Assessed	302,777	302,777	2030
2021	Filed	322,410	322,410	2031
2022	Filed	342,358	342,358	2032
		<u>\$ 2,791,271</u>	<u>\$ 2,791,271</u>	

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	322,410	322,410	2031
		<u>\$ 2,449,582</u>	<u>\$ 2,449,582</u>	

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

(17) 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.

(18) Loss per share

	<u>Year ended December 31, 2022</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 ordinary shareholders of the parent	(\$ 349,632)	89,190	(\$ 3.92)

  

	<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 ordinary shareholders of the parent	(\$ 329,257)	89,642	(\$ 3.67)

Note: The stock options are converted into the Company's stocks. Hence, the options have no dilutive effect and diluted loss per share is the same as the basic loss per share.

(19) Changes in liabilities from financing activities

	<u>Lease liability</u>
January 1, 2022	\$ 9,868
Changes in cash flow from financing activities	( 3,575)
Changes in other non-cash items	6,488
December 31, 2022	<u>\$ 12,781</u>

	<u>Lease liability</u>
January 1, 2021	\$ 1,813
Changes in cash flow from financing activities	( 3,049)
Changes in other non-cash items	<u>11,104</u>
December 31, 2021	<u>\$ 9,868</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Name of related parties</u>	<u>Relationship with the Company</u>
SenHwa Biosciences Corporation	Subsidiary
Panlabs Biologics Inc.	The Company's chairman is also the chairman of this company

### (2) Significant related party transactions

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Service revenue:		
Panlabs Biologics Inc.	<u>\$ 1,000</u>	<u>\$ -</u>

Service revenue arises from the provision of consulting services and the payments are collected quarterly based on the contract.

#### B. Research and development expense

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 59,782</u>	<u>\$ 55,915</u>

The above pertains to research and development expenses that the Company commissioned its subsidiaries to perform new drug clinical and technical support services. Prices and payment terms are determined based on mutual agreements. As of December 31, 2022, the research and development expenses incurred but not yet paid amounted to \$32,563.

#### C. Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	<u>\$ 56</u>	<u>\$ 53</u>

The above pertains to the payments made by the Company on behalf of the subsidiaries.

#### D. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	<u>\$ 30,860</u>	<u>\$ 27,900</u>

The above pertains to other payables for the new drug clinical and technical support services performed by the subsidiaries for the Company as well as the payments made by the subsidiaries on behalf of the Company. Prices and payment terms are determined based on mutual agreements.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 4,935	\$ 27,772
Share-based payments	208	537
	<u>\$ 5,143</u>	<u>\$ 28,309</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for those mentioned in Notes 6(17)A and B and Notes 7(2)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

Details of capital surplus used to offset against accumulated deficit for the year ended December 31, 2022 as resolved by the Board of Directors are provided in Note 6(10) D.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 130</u>	<u>\$ 130</u>
Financial assets at amortised cost / Loans and receivables		
Cash and cash equivalents	\$ 1,589,209	\$ 1,999,794
Accounts receivable	-	189
Other receivables (including related parties)	625	320
Guarantee deposits paid	<u>1,283</u>	<u>1,087</u>
	<u>\$ 1,591,117</u>	<u>\$ 2,001,390</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Other payables (including related parties)	\$ 55,202	\$ 104,614
Lease liability	\$ 12,781	\$ 9,868

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	<u>December 31, 2022</u>		
	<u>Foreign currency amount (In thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 435	30.71	\$ 13,375
<u>Non-monetary items</u>			
USD:NTD	2,121	30.71	65,138
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,207	30.71	37,063
CAD:NTD	192	22.67	4,353

	December 31, 2021		
	Foreign currency amount (In thousands)	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

- ii. The unrealised exchange gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$12 and \$368, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022		
	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%	\$ 134	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	651
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	371	-
CAD:NTD	1%	44	-

	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	-

#### Price risk

The Company'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 Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company 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 Company 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 Company's credit policy, each local entity in the Company 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 Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the

Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2022</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 (including payables to related parties)	\$ 55,202	\$ -	\$ -
Lease liability (Note)	5,610	5,204	2,498
<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 (including payables to related parties)	\$ 104,614	\$ -	\$ -
Lease liability (Note)	2,971	2,971	4,482

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 Company 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, 2022</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>				
Equity securities	\$ -	\$ -	\$ 130	\$ 130
<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>				
Equity securities	\$ -	\$ -	\$ 130	\$ 130

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

- (i) For the instruments the Company used market quoted prices as their fair values (that is, Level 1), the Company uses the closing price of market quoted price to measure the listed and emerging shares.
- (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. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>
	<u>Equity instruments</u>
January 1	\$ 130
December 31	<u>\$ 130</u>
	<u>2021</u>
	<u>Equity instruments</u>
January 1	\$ 130
December 31	<u>\$ 130</u>

D. 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.

E. 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, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 130	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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 130	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 Company's assessment, the Covid-19 pandemic had no significant impact on the Company's operations.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: 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: Refer to table 3.

(2) Information on investees

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

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

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

Senhwa Biosciences, Inc.

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

Year ended December 31, 2022

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, 2022				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.

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, 2022

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, 2022		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2022	
	(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	-	\$ -	210,129,434	\$ 2,340,000	210,129,434	\$ 2,342,079	\$ 2,340,000	\$ 2,079	-	\$ -

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.  
 Significant inter-company transactions during the reporting period  
 Year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of parent company only 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	\$ 30,860	Mutual agreement	2%
0	Senhwa Biosciences, Inc.	Senhwa Biosciences Corporation	1	Research and development expense	59,782	Mutual agreement	5978%

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 parent company only total operating revenues or total assets, it is computed based on period-end balance of transaction to parent company only 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.

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

Year ended December 31, 2022

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, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Senhwa Biosciences, Inc.	Senhwa Biosciences Corporation	USA	New drug clinical and technical support services	\$ 59,123	\$ 59,123	1,000,000	100	\$ 65,138	(\$ 5,729)	(\$ 5,729)	Subsidiary

SENHWA BIOSCIENCES, INC.  
CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 1

Item	Description	Amount	Note
Cash on hand and petty cash		\$ 119	
Checking accounts		440	
Demand deposits			
-NTD		753,323	
-USD	USD 434,956.53 @ 30.71	13,358	
-CAD	CAD 374.29 @ 22.67	8	
-RMB	RMB 2,434.90 @ 4.41	11	
Time deposits			
-NTD		821,950	
		<u>\$ 1,589,209</u>	

The maturities of the above time deposits were from January 3, 2023 to March 30, 2023 and the interest rates were 0.850% to 1.005%.

SENHWA BIOSCIENCES, INC.  
CHANGES IN INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Name	Type	Beginning Balance		Addition (Note 2)		Decrease		Ending Balance			Market Value or Net Assets Value		Collateral
		Shares (Note 1)	Amount	Shares (Note 1)	Amount	Shares (Note 1)	Amount	Shares (Note 1)	Percentage of Ownership	Amount	Unit Price (Note 3)	Total Amount	
SenHwa Biosciences Corporation	Common stock	1,000	\$ 64,345	-	\$ 793	-	\$ -	1,000	100%	\$ 65,138	\$ 65.14	\$ 65,138	None

Note 1: Number of shares is expressed in thousands.

Note 2: Addition pertained to changes in capital surplus in subsidiaries, gains (losses) on investments accounted for using equity method and currency translation differences.

Note 3: Expressed in New Taiwan dollars.

SENHWA BIOSCIENCES, INC.  
OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

	<u>Amount</u>	<u>Note</u>
Salaries expense	<u>\$ 495</u>	

SENHWA BIOSCIENCES, INC.  
ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Item	Amount	Note
Salaries expense	\$ 26,559	
Cost of services	4,361	
Depreciation	1,744	
Other expenses	11,108	Balance of individual accounts is under 5% of this account's balance.
	<u>\$ 43,772</u>	

SENHWA BIOSCIENCES, INC.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Item	Amount	Note
Commissioned research expense	\$ 247,662	
Salaries expense	26,216	
Patent application fees	26,016	
Other expenses	<u>8,837</u>	Balance of individual accounts is under 5% of this account's balance.
	<u>\$ 308,731</u>	

SENHWA BIOSCIENCES, INC.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

Function Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 495	\$ 45,817	\$ 46,312	\$ 17	\$ 65,286	\$ 65,303
Share-based payments	-	1,087	1,087	-	2,268	2,268
Labour and health insurance fees	-	3,638	3,638	-	3,087	3,087
Pension costs	-	1,871	1,871	-	1,700	1,700
Directors' remuneration	-	4,000	4,000	-	2,400	2,400
Other personnel expenses	-	1,101	1,101	-	1,001	1,001
Depreciation Expense	-	4,175	4,175	-	3,446	3,446
Amortisation Expense	-	65	65	-	99	99

Note:

1. As at December 31, 2022 and 2021, the Company had both 33 employees, including 5 and 6 non-employee directors, respectively.

2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:

(1) The average employee benefit expense of current year was \$1,929 ((Total employee benefit expense of current year-Total directors' compensation of current year)/(Number of employees of current year-Number of non-employee directors of current year)).

The average employee benefit expense of prior year was \$2,717 ((Total employee benefit expense of prior year-Total directors' compensation of prior year)/(Number of employees of prior year-Number of non-employee directors of prior year)).

(2) The average wages and salaries of current year were \$1,654 (Total wages and salaries of current year/(Number of employees of current year-Number employee of non- directors of current year)).

The average wages and salaries of prior year were \$2,419 (Total wages and salaries of prior year/(Number of employees of prior year-Number of non-employee directors of prior year)).

(3) Adjustment of average employee salaries was (31.62%) ((Average employee salaries in current year - Average employee salaries in previous year) / Average employee salaries in previous year).

(4) The Company set up an audit committee to replace supervisors.

(5) The Company's Salary and Compensation Policy (including directors, managers and employees) is as follows:

A. Under the Company's Articles of Incorporation as approved by the shareholders, the Company's board of directors is authorised to decide on the directors' remuneration based on directors' participation and value of their contribution to the Company's operations and by reference to the general pay levels in the industry. When the Company has earnings, the distribution of directors' remuneration shall be reported to the shareholders after it has been reviewed by the remuneration committee and Audit Committee and resolved by the Board of Directors in accordance with the Company's Articles of Incorporation. If the director is also an employee, the remuneration shall be paid in accordance with the following regulations as described in B and C.

B. The salary payment standards for the Company's managers are determined by the Company's human resources department based on the Company's performance appraisal regulations, managers' personal performance and contribution to the Company's overall operations and by reference to the general pay levels in the industry. The distribution will be implemented upon approval of the Board of Directors after being reviewed by the remuneration committee and Audit Committee.

C. The remuneration policy of the Company is established based on the employee's ability, contribution to the Company and performance, which has a positive correlation with the Company's operating performance. The overall salary and compensation package of the Company's employees consists of three parts: basic salary, bonus and welfare. The payment standard: the basic salary is determined based on the competition of labor market for the position and the Company's policy; bonus is awarded based on the achievement of employees' and departments' goals or the Company's operating performance; the welfare system stipulates the benefits that employees can enjoy according to law and regulation and takes into account the needs of employees.