

東生華製藥股份有限公司
tsh biopharm corporation ltd.

Annual Report 2022

Annual Report Website

Market Observation Post System: <http://mops.twse.com.tw>

Company Website: <http://www.tshbiopharm.com>

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THIS IS A TRANSLATION OF THE 2022 ANNUAL REPORT (THE “ANNUAL REPORT”) OF TSH BIOPHARM CORPORATION LTD. (THE “COMPANY”). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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6. Overseas trade places and the inquiry methods for listed negotiable securities:

None.

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One. Letter to Shareholders

TSH would like to thank all shareholders for their support and all employees for their hard work. TSH has been dedicating itself to the chronic disease business and insisting on professional management. Below is a report on the business performance in 2022, a summary of the Business Plan of 2023, the Company's future development strategy, and the effect of the macro-economic environment:

The Company's business achievements in 2022

(I) Business Plan implementation results

The Company's net operating income in 2022 was NT\$464,378 thousand, up NT\$50,895 thousand, or 12.31%, from NT\$413,483 thousand in 2021. Profit for year 2022 was NT\$61,890 thousand, up NT\$14,782 thousand, or 31.38%, from NT\$47,108 thousand in 2021. The main revenue came from the drugs for cardiovascular diseases and gastrointestinal diseases and the testing products of precision medicine. Revenue and profit increased due to the growth in cardiovascular products and the products that patients pay their own expenses, in 2022.

(II) Budget implementation status

The Company's net operating revenue in 2022 was NT\$464,378 thousand, which was 91% of the set annual budget target.

(III) Analysis of income and expenses and profitability

Item	Year	January 1, 2022 through December 31, 2022
Income and expenditures	Interest income (in NT\$1,000)	3,224
	Interest expenses (in NT\$1,000)	29
Profitability analysis	Return on assets (%)	5.33
	Return on equity (%)	5.75
	Profit margin (%)	13.33
	Diluted earnings per share (in NT\$1)	1.61

(IV) Research and development condition

Below is a summary of the products the Company introduced or developed in 2022:

- July 2022:
Added a cancer gene detection service item to the business lines for which the Company is an exclusive agent for a Korean principal.
- August 2022:
Officially launched the project on developing the hypolipidemic drug IECA22, a Taiwan new chemical entity (TNCE).
- August 2022:

- Obtained an authorization to market Amtrel® as a new chemical entity (NCE) in Myanmar.
- September 2022:
Signed a contract with Chi Mei Hospital to act as an agent for the sale of its lung cancer diagnosis and detection service products.
 - October 2022:
Obtained an authorization to market Rhynorm®, an anti-arrhythmic drug, in Hong Kong.
 - December 2022:
Officially launched the projects on developing EDIA20, a drug for rare diseases.
 - December 2022:
TRIAS (T20), a biosimilar, was undergoing Taiwan’s Biologics License Application (BLA) process for registration purpose.

Summary of the 2023 Business Plan:

(I) Business policy

TSH has been entered a “5-Year Dual-track Transformation Period”: TSH has been accelerated the rate of diversifying its product portfolio by adopting a double-engine strategy, namely, “License-in” and “Self-development.” Most of the ongoing projects are based on TNCE. Originally, TFDA required that a TNCE submitted for license application must had been on the market in an advanced foreign country for 10 years or more; it later reduced the requirement to 5 years to encourage and accelerate domestic development. The Company’s products under independent development or joint development include NCEs and 505B2 (such as biosimilars, new compound drugs, and new dosage forms). The 5-year plan had aimed to put at least 3 new drugs on the market. As of the end of 2021, TSH already obtained 3 drug licenses separately for Rancad® Extended Release; Cretrol tablet, a new compound hypolipidemic drug; and Alprosm Lyophilized Powder for Injection. The Taiwan Headquarters aims to become the major sources of new products in the future; it will continue to develop new products and put them on Taiwan and Asian markets, and will seek the opportunities to license out self-developed products, mainly to companies in overseas pharmaceutical markets, e.g. China, the US, Japan, and Europe. As for overseas sales, the Company actively sought to have its drugs registered with the competent authorities in Southeast Asia over the past four years and obtained two drug licenses in overseas markets as of 2022. We also kick started the assessment and development of multiple new projects over the past 3 years. Currently, we have eight undergoing drug development projects. In 2023, we expect to file an application for a marketing license for new products to be marketed in target markets, so as to provide patients with more treatment options.

Our patient care team not only acted as an agent for the sale of products of Korean partners and German partners, but also worked with Korean partners to launch new products tailored to the needs of the Taiwan market. In addition, we also acted as an agent for the sale of Chi Mei Hospital’s lung cancer diagnosis and detection service. Furthermore, we have also had discussions with internationally renowned testing companies on collaboration on multiple products, and with other companies on the collaboration on pharmaceutical equipment, in the hope to improve our product portfolio in the future, thereby improving the living qualities of patients suffering from chronic diseases.

The Company was granted three awards in 2022 for its unremitting endeavor to improve its corporate governance, brand image, and talent cultivation. Such awards include the following:

- (1) Ranked among the top 5% on the list of companies participating in the “Corporate Governance Evaluation for OTC-traded Companies”: Of the 790 OTC-traded companies, only 36 were among the top 5%, of which only seven companies were biotech companies, including TSH, TTY, PAHSCO, MICROBIO, MedFirst, Oneness, and EIRGENIX.
- (2) The 1st TIRI Awards: Only five winners, including three exchange-traded companies, namely, TSMC, Global Unichip Corporation, and FDC INTERNATIONAL, and two OTC-traded companies, namely, TSH and E Ink.
- (3) 2022 HR Asia – Best Companies to Work for in Asia: This is the first time TSH has participated in this award, and it won. There were 330 companies took part in the selection around Taiwan, only 97, roughly 30%, passed.

We have laid a solid foundation for development and built team consensus in 2022. In 2023, we will continue to strive towards the goals of the 5-year plan, aiming to bring more benefits and corporate value to shareholders and employees.

(II) Expected volume of sale, and the basis for such expectation

The Company expects to sell 176,361 thousand tablets of oral preparations and 58 thousand injections in 2023. The expected sales volume is based on the statistical report of IMS, taking into account future market competition and changes in supply and demand.

(III) Important production and marketing policy:

1. Business plan

- The Company will accelerate the proportion of business growth by means of exports of self-developed products and license-out of products at the early stage of development to overseas companies. In addition, aside from making progress in the application of drug license around the world, the Company will co-develop new drugs at the early stage of development with international partners and create value therefor and will use a “Double-engine strategy” to develop international drugs and do international marketing.
- The new business model of biotechnology industry: The Company will introduce products in relation to personalized medicine. The rise of personalized medicine has made testing part of treatment or preventive medicine. In addition, AI has become increasingly available. TSH will continue to put more testing products on the market to meet more clinical needs.

2. Production strategy

The Company will maintain its past strategy, which was designed to outsource the production of pharmaceuticals to contract manufacturers. Currently, the production of all products is outsourced to PIC/S GMP-certified manufacturers. In addition, temperature control during storage and transportation is the key to maintaining the quality of drugs throughout the entire distribution chain. Therefore, in line with the “Western Pharmaceuticals Good Distribution Practice (GDP) Regulations”

promulgated by the government, the Company has included substances in its GDP scope, and will include medical equipment in the future.

The same strategy for pharmaceuticals is adopted for the Company's testing business, that is, working closely with internationally certified laboratories. Meanwhile, the Company will pay close attention to the key points and impact of the implementation of the "Draft Amendment of Regulations Governing the Application of Specific Medical Technique and Medical Device." Having collaborated with Korean testing companies, German testing companies, and Taiwan's medical institutions for the past 3 years, the Company is able to provide target audience with testing items of internationally recognized standards and offer physicians the best tool for cancer treatment and for assessing the risk of acquiring a cancer.

3. Marketing and R&D strategy

Double engines propelling on three tracks to provide better healthcare services

We will remain "customer-oriented" and adopt a double-engine system propelling on three tracks; we will also focus on "traditional pharmaceuticals manufacture" and "Innovative medicine" to provide a product portfolio to satisfy patients' unmet medical needs; deeply engage in new ingredients, special dosage forms, chronic disease treatment, genetic testing, cancer testing, and co-development of innovative medical treatment methods; and become the best partners of international innovative biotechnology companies in developing and marketing new drugs in Asia, striving to provide the human being with healthcare services before, during, and after medical treatment.

Company's development strategy

Corporate Vision: Improve the quality of life of patients and become the best strategic partner in development and marketing in Asia for international innovative biotechnology companies!

Business goals:

- ✓ Focus: Focusing on the quality of life of patients with unmet medical needs by providing them with total solutions.
- ✓ Differentiation: Develop innovative, special medical technology and dosage forms to gain a market differentiation.
- ✓ Create value: Become the best strategic partner in development and marketing in Asia for international innovative biotechnology companies.

Impact of external competition, regulatory environment, and macroeconomic environment

Challenge 1: Impact of COVID-19 on the pharmaceutical industry

- The COVID-19 pandemic has substantially impacted the world since 2020, and the pharmaceutical industry is not excepted, in terms of not only the supply chain (including substances and manufacturing capacity) but also the research and development. The clinical trials conducted by TSH in the past two years have also been delayed by about 3–6 months. However, as the pandemic has eased and lock-down lifted, the Company will appropriately

adjust, and assess the risk of, the planning of development and licensing of products in the future.

Challenge 2: The global pharmaceutical industry is experiencing a rapid change.

- The ongoing factors in the past few years around the world, e.g. increased medical expenses, increased costs, and volatile political and economic changes, along with the rise of big data analytics and precision medicine, will effect a rapid change in the business model of pharmaceutical companies. Therefore, TSH has adopted a dual-track strategy: TSH will maintain its current R&D momentum and put new products on the market every year; it will also simultaneously invest in innovative fields to embark on the international trend.

Challenge 3: Trends in international investment and M&A

- A growing number of start-ups are willing to engage in early drug development, and pharmaceutical giants may have a share in them through either direct investment or licensing. This enables those start-ups to access the various resources for them to develop new drugs and thereby reduce risks and increase chances of success. TSH will continue to leverage multiple channels to collaborate with upstream and downstream partners; merge or acquire businesses; participate in international business matchmaking events; and provide more opportunities for new partners to expand collaboration in Asia.

Sitting amid a competitive environment, we will expand existing treatment fields and explore the opportunities accompanying new treatment fields by increasingly focusing on risk control, enhancing the operations in certain areas and through certain channels, and collaborating with partners.

Chairperson: Chuan Lin Manager: Sze-Yuan Yang Accounting Officer: Chen-Ju Kan

Two. Company Profile

I. Date of Incorporation: September 1, 2010

II. Company History:

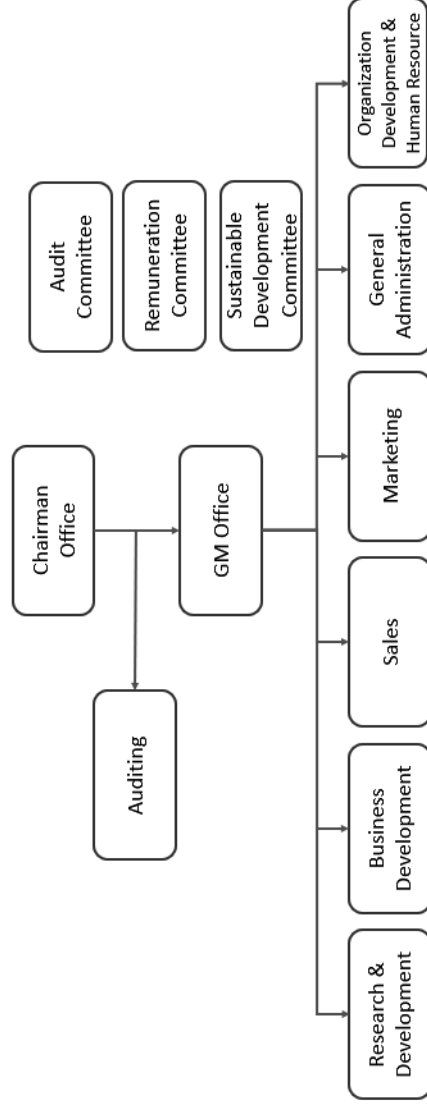
September 2003	The parent company, TTH Biopharm Company Limited, established a Medical and Pharmaceutical Division (TTH), with products including CV, GI, and CNS.
2004 to 2005	Committed to the CV, GI, CNS fields.
April 2006	Launched Mopride for the treatment of functional dyspepsia.
March 2007	Launched Amtrel, compound anti-hypertensives, to the market.
January 2009	Launched Catilon for the treatment of irritable bowel syndrome.
January 2010	Obtained a pharmaceutical patent for Amtrel.
September 2010	Formally founded TSH Biopharm Corporation Ltd., split off from the parent company, TTY Biopharm Company Limited, with a paid-in capital of NT\$150 million.
November 2010	Conducted the cash capital increase by issuing new shares of NT\$100 million, and the paid-in capital after the capital increase reached NT\$250 million.
March 2011	The Financial Supervisory Commission (FSC) approved the public offering of shares.
June 2011	Listed on the emerging stock market on June 16, 2011.
September 2011	Conducted capitalization of retained earnings by issuing new shares of NT\$30 million, and the paid-in capital after the capital increase reached NT\$208 million.
December 2011	Signed the ENIA11 (TuNEX) drug joint development agreement with Mycenax Biotech Inc.
April 2012	Conducted the cash capital increase by issuing new shares of NT\$37.34 million, and the paid-in capital after the capital increase reached NT\$317.34 million. Listed on the OTC market on April 30, 2012.
August 2012	Obtained an approval for Linicor for the treatment of hyperlipidemia.
September 2012	Amtrel won the Technology Commercialization Award at the 2012 Taipei Biotechnology Awards.
September 2012	DMTA07 and ENIA11, products under development, were included in the TFDA cross-strait drug R&D collaboration program.
December 2012	Initiated Phase III investigational new drug (IND) for ENIA11 (TuNEX) Applied for the ENIA11 (TuNEX) Phase III Clinical Trial Program for the Development of Biological Drugs under the Industrial Technology Development Program (ITDP) launched by the Ministry of Economic Affairs and passed the review by the Ministry of Economic Affairs.
August 2013	Conducted capitalization of capital surplus by issuing new shares of NT\$34.9 million, and the paid-in capital after the capital increase reached NT\$383.98 million.
September 2013	Participated in the cash capital increase by Medicead Co., Ltd. in the amount of NT\$70,000,000 and obtained 31.82% of its equity.
June 2014	Applied for the TRIA11 peptide biological drug development program for the treatment of osteoporosis under the A+ Industrial Innovative R&D Program and passed the review by the Ministry of Economic Affairs.
August 2014	ENIA11 (TuNEX) passed the Taiwan Ministry of Health and Welfare's Phase III IND for ankylosing spondylitis.
February 2016	Unblinded One of the two Phase III IND for ENIA11 (TuNEX).
March 2016	Applied to the Taiwan Ministry of Health and Welfare for ENIA11 (TuNEX) registration.
April 2016	Unblinded the other of the two Phase III IND for ENIA (TuNEX).
June 2016	Applied to the Taiwan Ministry of Health and Welfare for RNTA06 registration.
July 2016	Applied to the Taiwan Ministry of Health and Welfare for CRTA04 registration.
December 2016	ENIA (TuNEX) drug passed the registration audit by the Taiwan Ministry of Health and Welfare.
July 2017	Acquired the agency for all CellMax Life (Cellmax Taiwan Co. Ltd.) liquid biopsy
March 2019	

	testing products and subsequent new products in Taiwan, Southeast Asia, and South Korea and a pre-emption right for such products in mainland China.
June 2019	Completed the unblinding of the bridging study of RNTA06 for the treatment of angina pectoris and achieved the target set.
August 2019	Applied to the Taiwan Ministry of Health and Welfare for RNTA06 new drug registration.
December 2019	Won the 16th National Innovation Award of Taiwan Government – Enterprise Innovation Group in the Biotechnology Pharmaceutical and the Precision Medicine categories.
March 2020	The Company’s new drug RNTA06 obtained the approval letter from the Ministry of Health and Welfare for the New Drug Application (NDA).
April 2020	Launched the MPap®test in collaboration with GuzipBiomarker, used to assess the risk of endometrial cancer.
January 2021	Exclusively obtained the authorization of IMBDx’s next-generation sequencing (NGS) technology, Alpha-liquid®, in Taiwan, which is used for early-stage postoperative monitoring of cancer and search for medicines in the case of recurrence.
February 2021	TSH has exclusively acquired the rights for specific regional markets and to jointly develop the osteoporosis biosimilar (code: TRIAS) for the treatment of osteoporosis.
March 2021	TSH has reached a collaboration agreement with Centogen, a NASDAQ-listed company, to provide cancer risk assessment and medication options for cancer patients (including breast cancer, ovarian cancer, prostate cancer, and pancreatic cancer) in Taiwan. We also provide cancer hereditary risk assessment tests to healthy people. Ssu-Yuan Yang, the President of TSH, won the 2021 Golden Torch Awards for the Top Ten Managers of the Year.
October 2021	The circulating tumor cells and circulating tumor DNA clinical application technologies won the 2021 Golden Torch Awards for the Top Ten Enterprises of the Year for judgment about precision medicines and assistance with the follow-up care for cancer.
December 2021	Cretrol, TSH’s new compound drug for hyperlipidemia, was officially granted a drug license.
January 2022	TSH obtained a drug license for Alprosm Lyophilized Powder for Injection, which is used to improve the symptoms of peripheral arterial occlusion disease.
May 2022	TSH was rated among the top 5% in the 8th Corporate Governance Evaluation for TPEX-listed Companies.
August 2022	TSH set up the Sustainable Development Committee.
August 2022	TSH was recognized with the award, namely, 2022 HR Asia – Best Companies to Work for in Asia.
August 2022	TSH obtained a drug license in Myanmar for its Amtrel.
October 2022	TSH obtained a drug license for its Rhynorm.
November 2022	TSH had its Cretrol put on the health insurance reimbursement list.
December 2022	TSH was given the first TIRI Awards by Taiwan Investor Relations Institute.

Three. Corporate Governance Report

I. Organization

(I) Company organizational structure



(II) Main duties of each major department

Major department	Main duties
GM Office	Determine the Company's long-term and short-term goals; plan for the direction of organizational development; find strategic partners; and ensure the Company's performance.
Auditing	Responsible for executing the Company's internal audit affairs.
Research & Development	Responsible for introducing new businesses or new products, and carrying out project management and execution; synchronously integrate the drug development value chain according to the drug safety mechanism.
Business Development	Responsible for overseas business cooperation such as technology licensing, product export, and management of overseas business cooperation projects.
Marketing	Integrate marketing and business resources to do pre-launch marketing as specified in the strategy, so as to polish the Company's image as a professional and increase brand benefits.

Major department	Main duties
Sales	Sale and promotion of prescription drugs and precision medical treatment products by the type of the Company's disease category.
General Administration	<p>Integrate the resources of the supporting units and provide support functions according to the Company's long-term and short-term development goals.</p> <p>Mainly responsible for assessing investment projects; organizing stock affairs, functional committee meetings, and board of directors meetings; building the Company's image; and maintaining a good relation with the media. Under the General Administration Division, the Finance and Accounting Department is responsible for executing the Company's affairs relating to accounting and fund management; the Administration Department is responsible for public relations, stock affairs, general affairs, and IT.</p>
Organizational Development & Human Resources	Formulate human resource strategies; forge a corporate culture; ensure that the acquisition, cultivation, performance, and retention of talents are highly correlated with organizational strategies, so as to make the organization more competitive in the future.

II. Information on the Company's directors, chairman, president, vice presidents, assistant vice presidents, and the heads of all the Company's divisions and branch units

(1) Information on directors

March 31, 2023

Title (Note 1)	Nationality or Place of registration	Name	Gender Age (Note 2)	Date on which the person was elected or took office	Tenure	Date of first appointment (Note 3)	Number of shares held when elected		Number of shares held currently		Number of shares held by spouse and minor children		Number of shares held under the name of others		Main career (academic) achievements (Note 4)	Position concurrently held in the Company or other company	The departmental head, director, or supervisor who is a spouse or a relative within the second degree of kinship		Remark (Note 5)		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name		Relationship	
Chairperson	Republic of China	TTY Biopharm Company Limited Representative: Chuan Lin	- Male Aged 71-75	May 29, 2020	Three years	September 1, 2010	21,687,177	56.48	21,687,177	56.48	0	0.00	0	0.00	Ph.D. in Economics, University of Illinois	Chairman Independent Director	TTY Biopharm Company Limited PEGATRON CORPORATION	None	None	None	
Director	Republic of China	TTY Biopharm Company Limited	-	May 29, 2020	Three years	September 1, 2010	21,687,177	56.48	21,687,177	56.48	0	0.00	0	0.00	University of the Pacific of the USA Pharm.D. School of Pharmacy and Health University of the Pacific of the USA MBA, Business School	Director Director Director	TTY Biopharm Company Limited Dawan Technology Co., Ltd. American Taiwan Biopharm Co., Ltd.	None	None	None	
Director	USA	Representative: CARL HSIAO (Chia-Pin Hsiao)	Male Aged 36-40	May 29, 2020	Three years	March 26, 2019	33,638	0.00	33,638	0.00	0	0.00	0	0.00	MBA, University of St. Thomas in Minnesota, USA; Vice President of Taipei Exchange; Chairman of Concord Securities Co., Ltd.; President of CAPITAL SECURITIES CORP.; Deputy Manager of Listing Department and Trading Department, TWSE; Executive Director of TAIWAN SECURITIES ASSOCIATION.	Chairman and President Independent Director Independent Director Independent Director Representative of a corporation director Representative of a corporation director	IROC CO., LTD. C.C.P. Contact Probes Co., Ltd. Radium Life Tech Co., Ltd. Orient Pharma Co. Ltd. Super Dragon Technology Co., Ltd. ATrack Technology Inc.				
Director	Republic of China	TTY Biopharm Company Limited Representative: Kang-Chi Chou	- Male Aged 76-80	May 29, 2020	Three years	September 1, 2010	21,687,177	56.48	21,687,177	56.48	0	0.00	0	0.00	Institute of Economics, University of Memphis, USA; Department of Economics, Tunghai University; Legislator, National Congress Representative Remuneration Committee member, PharmaEngine Inc.			None	None	None	
Director	Republic of China	TTY Biopharm Company Limited Representative: Chao-I Chiang	- Male Aged 76-80	May 29, 2020	Three years	September 1, 2010	21,687,177	56.48	21,687,177	56.48	0	0.00	0	0.00	Department of Accounting, Soochow University			None	None	None	
Independent Director	Republic of China	Chih-Li Wang	Male Aged 61-65	May 29, 2020	Three years	June 15, 2017	30	0.00	30	0.00	0	0.00	0	0.00	Moore's Rowland CPAs PharmaEngine Inc.	Partner CPA Independent Director		None	None	None	
Independent Director	Republic of China	Rwei-Syun Chen	Female Aged 61-65	May 29, 2020	Three years	June 15, 2018	0	0.00	0	0.00	0	0.00	0	0.00	MBA, Columbia University, USA; Department of Biology, National Taiwan Normal University; President of TAIHO Pharmaceuticals Ltd.; Vice President of Business Development of NAL Pharmaceuticals Ltd.	Independent Director	Weigene Biotech Co., Ltd.	None	None	None	

Title (Note 1)	Nationality or Place of registration	Name	Gender Age (Note 2)	Date on which the person was elected or took office	Tenure (Note 3)	Number of shares held when elected		Number of shares held currently		Number of shares held by spouse and minor children		Number of shares held under the name of others		Main career (academic) achievements (Note 4)	Position concurrently held in the Company or other company	The departmental head, director, or supervisor who is a spouse or a relative within the second degree of kinship		Remark (Note 5)
						Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Relationship	
Independent Director (Note 6)	Republic of China	Yi-Ming Wang	Male Aged 56-60	May 29, 2020	Three years	0	0	0	0	0	0	0	0.00	Accounting Institute, National Changhua Normal University	Chairman Director Director Director	None None	None	None
Independent Director (Note 6)	Republic of China	Yaw-Bin Huang	Female Aged 56-60	May 25, 2022	Three years	0	0	0	0	0	0	0	0.00	Ph.D. in Pharmacy, Kaohsiung Medical University	School of Pharmacy, Kaohsiung Medical University Department of Pharmacy, Kaohsiung Medical University Chief Pharmacist, Department of Pharmacy	None None	None	None

Note 1: For a corporate shareholder, the name of the corporate shareholder and its representative shall be listed separately (when listing the representative of a corporate shareholder, the name of the corporate shareholder shall also be noted), and Form 1 below shall also be completed.

Note 2: Please state the actual age, or, alternatively, state the age interval into which the actual age falls, e.g. 41-50 years, 51-60 years.

Note 3: Specify the time the person first began to serve as a director or supervisor of the Company. If there has been any break within a term or between terms, add a note specifying the circumstances.

Note 4: Specify experience and qualifications related to the current position. If during a period specified above the person has served in a position at a CPA firm that serves as an external auditor/attestor, specify the position held and the duties for which the person was responsible.

Note 5: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

Note 6: Independent director Yi-Ming Wang resigned on April 15, 2022, and the new independent director Yaw-Bin Huang took office on May 25, 2022.

(II) Major Shareholders of Corporate Shareholders who Are a Director

Table 1: Major Shareholders of Corporate Shareholders

March 31, 2023

Name of corporate shareholders (Note 1)	Major shareholders of corporate shareholders (Note 2)
TTY Biopharm Company Limited	Dawan Technology Co., Ltd. (9.46%)、Fubon Life Insurance Co., Ltd. (3.67%)、Wen-Yi Chang (2.43%)、Nan Shan Life Insurance Co., Ltd. (2.35%)、Ying-Jun Hsiao (2.01%)、Wen-Hua Chang (1.77%)、Wen-Ling Chang (1.68%)、Chun-Jen Chang (1.57%)、Morgan Stanley & Co. International Limited Special Account, HSBC Bank (1.37%)、Norges Bank Investment Special Account, CITI Bank (1.35%)

Note 1: If a director or supervisor is a representative of a corporate shareholder, fill in the name of that corporate shareholder.

Note 2: Fill in the names of the corporate shareholder's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios. If any of the major shareholders is a corporate/juristic person, also complete Form 2 below

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

Table 2: If any Major Shareholder Listed in Form 1 is a Corporate/Juristic Person, List its Major Shareholders in this Form

March 31, 2023

Name of corporate/juristic person (Note 1)	Major shareholders of the corporate/juristic person (Note 2)
Dawan Technology Co., Ltd.	Yu-Bin Hsiao(36.98%)、Ying-Jun Hsiao (28.69%)、Charity Trust Liyuan Welfare Fund special account (11.02%)、Yong-Liang Wu (8.50%)、Mei-Qin Hsu (9.14%)、Jia-Yu Hsiao (3.11%)、Carl Hsiao (2.56%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Nan Shan Life Insurance Co., Ltd.	Ruen Chen Investment Holding Co., Ltd. (89.5498%)、Ruen Hua Dyeing & Weaving Co., Ltd. (1.3441%)、Ying-Zhong Du (1.1576%)、Ruentex Xing Co. Ltd. (0.9722%)、Ruentex Development Co., Ltd. (0.2319%)、Ruentex Industries Ltd. (0.2133%)、Yen Sin Corporation (0.1563%)、Ruentex Leasing Co., Ltd. (0.1243%)、Chi-Pin Investment Company (0.1069%)、Pan City Co., Ltd. (0.0945%)

Note 1: If any major shareholder in Form 1 above is a corporate/juristic person, fill in the name of that corporate/juristic person.

Note 2: Fill in the names of the corporate/juristic person's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios.

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

(III) Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors

Name	Qualification Professional qualifications and experience (Note 1)	Independence analysis of independent director (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
TTY Representative: Chuan Lin	Mr. Chuan Lin used to be a professor of the Department of Public Finance and Institute of Public Finance of National Chengchi University, a full-time professor of the Department of Economics of National Taiwan University, and an adjunct professor of the Graduate Institute of Building and Planning, and is currently an adjunct professor of the Department of Economics of National Taiwan University, and is not involved in the matters specified in the subparagraphs of Article 30 of the Company Act. Mr. Chuan Lin has served as a director of TTY Biopharm Company Limited since 2011 and as the chairman of TTY since 2018, and possesses more than five years of work experience required by the Company's business.	Not applicable	0
TTY Representative: CARL HSIAO	Mr. Carl Hsiao has been serving CVS Health Pharmacy, an international large retail pharmacy chain, for a long time; possesses more than 5 years of work experience required by the Company's business; and is not involved in the matters specified in the various subparagraphs of Article 30 of the Company Act. Mr. Carl Hsiao is currently a director of TTY Biopharm Company Limited; director of Dawan Technology Co., Ltd.; and director of American Taiwan Biopharm Co., Ltd.	Not applicable	0
TTY Representative: Kang-Chi Chou	Mr. Kang-Chi Chou used to be the Vice President of Taipei Exchange, Chairman of Concord Securities Co., Ltd., President of CAPITALSECURITIESCORP., Deputy Manager of the Listing Department and Trading Department of TWSE, and Executive Director of TAIWAN SECURITIES ASSOCIATION; has more than 5 years of experience required by the Company's business; and is not involved in the matters specified in the various subparagraphs of Article 30 of the Company Act. Mr. Kang-Chi Chou is currently the Chairman and President of IROC CO., LTD.; Independent Director of C.C.P. Contact Probes Co., Ltd.; Independent Director of Radium Life Tech Co., Ltd.; Independent Director of Orient Pharma Co. Ltd.; Representative of a corporation director of Super Dragon Technology Co., Ltd.; Representative of a corporation director of ATrack Technology Inc.;	Not applicable	3
TTY Representative: Chao-I Chiang	Mr. Chao-I Chiang graduated from the Institute of Economics of the University of Memphis and the Department of Economics of Tunghai	Not applicable	0

Qualification Name	Professional qualifications and experience (Note 1)	Independence analysis of independent director (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
	University; is qualified as an US CPA; used to be the responsible person of Chao-I Chiang CPAs, the president of the Taiwanese American CPA Association (TACPA), a legislator, a representative of the National Congress, and a member of the remuneration committee of PharmaEngine Inc.; has more than five years of experience in finance, accounting, and other trade that are required by the Company's business; and is not involved in any of the matters specified in the various subparagraphs of Article 30 of the Company Act.		
Chih-Li Wang	Mr. Chih-Li Wang is a practicing CPA of the ROC; has more than five years of work experience required; and is not involved in the various subparagraphs of Article 30 of the Company Act. Mr. Chih-Li Wang is currently a partner CPA of Moores Rowland CPAs and an independent director of PharmaEngine Inc.	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the Company and is not an employee of the Company. The independent director Chih-Li Wang holds only 30 of the Company's shares, a humble shareholding percentage that would not bear on his independence.	1
Rwei-Syun Chen	Ms. Rwei-Syun Chen used to be the President of TAHO Pharmaceuticals Ltd.; Business Development Vice President of NAL Pharmaceuticals Ltd.; and Director of Faith Leaper Co.; has more than five years of experience in commerce and other field required by the Company's business; and is not involved in any of the matters specified in the various subparagraphs of Article 30 of the Company Act. Ms. Rwei-Syun Chen is currently the Independent Director of Welgene Biotech Co., Ltd.	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the Company; is not an employee of the Company; and does not hold any of the Company's shares.	1
Yi-Ming Wang (Note 4)	Mr. Yi-Ming Wang is a graduate of the Institute of Accounting of National Changhua Normal University; used to be the Executive Vice President of Yuanta Securities; has more than five years of experience in commerce and other field required by the Company's business; and is not involved in any of the matters specified in the various subparagraphs of Article 30 of the Company Act. Mr. Yi-Ming Wang is currently the Chairman of Yuanta Securities (Hong Kong) Co., Ltd.; Director of Yuanta Hong Kong Holdings (Cayman) Co., Ltd.; Director of Yuanta Investment Management (Cayman) Co., Ltd.; Director of Yuanta Asia Investment (Hong Kong)	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the Company; is not an employee of the Company; and does not hold any of the Company's shares.	0

Name \ Qualification	Professional qualifications and experience (Note 1)	Independence analysis of independent director (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
	Co., Ltd.; and Authorized Representative of Yuanta Securities Vietnam Limited.		
Yaw-Bin Huang (Note 4)	<p>Ms. Yaw-Bing Huang is a graduate of the Institute of Pharmacy, Kaohsiung Medical University Chung-Ho Memorial Hospital; used to be the Dean of the General Affairs Office of Kaohsiung Medical University, the Director of the Ph.D. Clinical Pharmacy Program of the Pharmacy Department of Kaohsiung Medical University, Director of the Institute of Clinical Pharmacy of Kaohsiung Medical University, and Chairperson of the Pharmaceutical Society of Taiwan; has more than five years of experience required by the Company's business; and is not involved in any of the matters specified in the various subparagraphs of Article 30 of the Company Act.</p> <p>Ms. Yaw-Bing Huang is currently the Dean of the School of Pharmacy, Kaohsiung Medical University; a professor of the Department of Pharmacy, Kaohsiung Medical University; and the Chief Pharmacist of the Department of Pharmacy, Kaohsiung Medical University Chung-Ho Memorial Hospital.</p>	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the Company; is not an employee of the Company; and does not hold any of the Company's shares.	0

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If the person is a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates?; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center.

Note 4: Independent director Yi-Ming Wang resigned on April 15, 2022, and the new independent director Yaw-Bin Huang took office on May 25, 2022.

(IV) Diversity and Independence of the Board of Directors

1. Diversity of the board of directors:

Members of the Company's Board of Directors are nominated and selected according to the Articles of Incorporation. Election is conducted based on the candidate nomination system, by reference to the academic and career qualifications of each candidate and the opinions of stakeholders, and in adherence to the "Procedures for Election of Directors" and the "Corporate Governance Best-Practice Principles," so as to ensure the diversity of the Board of Directors.

The Company's diversity policy is as follows:

- Structure of the Board of Directors: The Company shall have five Board of Directors members, taking into account the Company's operational and development scale, the state of shareholding of each major shareholder, and what would be required for the practical operations of the Company.
- The number of directors who are concurrently the Company's manager must not exceed one third of the Board of Director seats.
- Basic qualifications and value: Gender, age, nationality, and culture shall be considered; in addition, female directors must exceed one fourth of the Board of Director seats.
- Professional knowledge and skills: Professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.
- Required abilities: Including the ability to make operational judgements; ability to perform accounting and financial analysis; ability to administer business; ability to manage crisis; knowledge of the industry; an international market perspective; leadership; and the ability to make decisions.

The current Board of Directors has seven directors whose age averages 64.85; of the directors, one director is aged 36–40; one director is aged between 56–60; two directors are aged 61–65; one director is aged 71–75; and two directors are aged 76–80. The current Board of Directors does not have any director who is also an employee of the Company. It has two female directors, accounting for 28.57% of total seats of directors – already higher than the set goal of 28%.

Directors possessing the abilities required for the Company's current phase of development are selected based on the Company's business models and business strategy. Directors so selected include Chairman Chuan Lin, who has worked in the industry, academia, and government for long and has rich experience in interacting with the international communities; Independent Director Chih-Li Wang, a practicing CPA in Taiwan; Director Chao-I Chiang, who is qualified as a US CPA; Director Kang-Chi Chou, who is experienced in business administration; Independent Director Rwei-Syun Chen, who is experienced in business administration and development in international financial institutions and the biotech industry. Director Carl Hsiao, who has a background in pharmacy in the US and rich experience in the distribution network in the US; and Independent Director Yaw-Bin Huang, who has a rich background in pharmacy.

The Company attaches great importance to the diversity among board members. For instance, the set goals for the composition of directors with a background in the biotech or medical industry and directors who are an CPA are 29% and 14%, respectively; currently, the actual percentage reaches 57% and 28.57%, respectively.

2. Independence of the Board of Directors:

The Company has three independent directors, accounting for 42.85% of total director seats, higher than the one third threshold required by law. The two independent directors shall be in office for two terms. In addition, none of the 3 independent directors has been in office for three terms or more. None of the Company's directors and independent directors is a spouse or a relative within the second degree of kinship of one another. Therefore, the Company deems its Board of Directors independent.

(V) Information on the president, vice presidents, associate vice presidents, and the heads of all the Company's divisions and branch units

March 31, 2023

Title (Note 1)	Nationality	Name	Gender	The date on which the person was elected or took office	Number of shares held		Shares held by spouse and minor children		Number of shares held under the name of others		Major work experience and academic qualifications (Note 2)	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remark (Note 3)
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
President	Republic of China	Sze-Yuan Yang	Female	2019.1.17	13,000	0	0	0	0	0	Institute of Pharmacology, National Yang Ming University TTY, Medicine and Cancer Science Development Business Group Director of International Marketing Division MBA, Cleveland State University, USA Department of Pharmacy, Taipei Medical University Manager of International Business Development Department, China Chemical & Pharmaceutical Co., Ltd. Manager of International Medical Business Development Department, TTY	None	None	None	None	None
Business Development Division Director	Republic of China	Chao-Jen Liao	Male	2019.4.1	0	0	0	0	0	0	On-the-job EMBA Programs, National Cheng Kung University Department of Pharmacy, China Medical University Division Director of Marketing Management Division, Microbio Co., Ltd. Division Director, DKSH TAIWAN LTD. Department of Business Administration, National Taiwan University of Science and Technology Chief of Moores Rowland CPAs Deputy Manager of Lan-Jai CPAs Manager of the Audit Office of TSH.	None	None	None	None	None
Business Division Director	Republic of China	Chien-Jung Huang	Male	2020.4.1	0	0	0	0	0	0	Department of Business Administration, National Taiwan University of Science and Technology Chief of Moores Rowland CPAs Deputy Manager of Lan-Jai CPAs Manager of the Audit Office of TSH.	None	None	None	None	None
General Administrative Division Manager of the Administrative Department (Note 4)	Republic of China	Shu-Ping Huang	Female	2022.5.5	0	0	0	0	0	0	Department of Business Administration, National Taiwan University of Science and Technology Chief of Moores Rowland CPAs Deputy Manager of Lan-Jai CPAs Manager of the Audit Office of TSH.	None	None	None	None	None
General Administration Division Senior Manager of the	Republic of China	Chen-Ju Kan	Female	2010.9.1	0	0	0	0	0	0	Department of Accounting, Kaohsing University of Science and	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	The date on which the person was elected or took office	Number of shares held		Shares held by spouse and minor children		Number of shares held under the name of others		Major work experience and academic qualifications (Note 2)	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remark (Note 3)
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
Accounting Department											Technology Senior Specialist of the Accounting Department, TTY Biopharm Company Limited					
Audit Office Senior Auditor	Republic of China	Ya-Chi Wu	Female	2020.7.31	0	0	0	0	0	0	Department of Accounting, Soochow University Deputy Manager of the Audit Department, KPMG Taiwan	None	None	None	None	None

Note 1: The information in this table should be disclosed for the general manager, deputy assistant general managers, assistant general managers, and the chiefs of all the company's divisions and branch units, including all persons in positions equivalent to general manager, or deputy assistant general manager, regardless of job title.

Note 2: Specify experience and qualifications related to the current position. If during a period specified above the person has served in a position at a CPA firm that serves as external auditor/attester, specify the position held and the duties for which the person was responsible.

Note 3: If the general manager or person of an equivalent post (the highest level manager) and the chairperson of the board of directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

Note 4: Hsin-Yang Liu, former Vice President of the General Administrative Division, resigned on April 30, 2022. Shu-Ping Huang, manager of the Administrative Department of the General Administrative Division, was appointed as the new Chief Governance Officer by the Board of Directors on May 5, 2022.

III. Remuneration paid during the most recent fiscal year to directors, the president, and vice presidents

(I) Remuneration of ordinary directors and independent directors in 2022

Unit: In NT\$1,000

Title	Name	Director remuneration						Remuneration received by directors for concurrent service as an employee				Sum of A+B+C+D+E+F+G and ratio to net income (Note 10)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 11)										
		Compensation (A) (Note 2)		Retirement pay and pension(B)		Director profit-sharing compensation (C) (Note 3)		Expenses and perquisites (D) (Note 4)		Sum of A+B+C+D and ratio to net income (Note 10)		Employee profit-sharing compensation (G) (Note 6)			The Company	All consolidated entities								
		The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	Cash Amount	Stock Amount											
Chairman	Representative of TTY: Chuan Lin																							
Director	Representative of TTY: CARL HSIAO	750	750	0	0	1,604	1,604	140	140	2,494	2,494	0	0	0	0	2,494	2,494	4.03%	4.03%	11,885				
Director	Representative of TTY: Chao-I Chiang																							
Director	Representative of TTY: Kang-Chi Chou																							
Independent Director	Chih-Li Wang																							
Independent Director	Rwei-Syun Chen	1,447	1,447	0	0	0	0	228	228	1,675	1,675	0	0	0	0	1,675	1,675	2.71%	2.71%			0		
Independent Director	Yi-Ming Wang (Note)																							
Independent Director	Yaw-Bin Huang (Note)																							

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: Since independent directors vary from ordinary directors in terms of duties assumed, risks faced, and time invested, they are paid a fixed amount of annual remuneration (paid in equal monthly installments) and do not participate in the profit-sharing compensation with the Company's ordinary directors.

2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g. for serving as a non-employee consultant to the parent company/any consolidated entities/invested enterprises): None.

Note: Independent director Yi-Ming Wang resigned on April 15, 2022, and the new independent director Yaw-Bin Huang took office on May 25, 2022.

(II) Remuneration Range Table for Ordinary Directors and Independent Directors in 2022

Ranges of remuneration paid to each of the Company's directors	Names of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company (Note 8)	All consolidated entities (Note 9) H	The Company (Note 8)	All consolidated entities (Note 9) I
Less than NT\$1,000,000	TTY representative: Directors Carl Hsiao, Chao-I Chiang, and Kang-Chi Chou; independent directors Chih-Li Wang, Rwei-Syun Chen, Yi-Ming Wang (resigned), Yaw-Bin Huang.	TTY representative: Directors Carl Hsiao, Chao-I Chiang, and Kang-Chi Chou; independent directors Chih-Li Wang, Rwei-Syun Chen, Yi-Ming Wang (resigned), Yaw-Bin Huang.	TTY representative: Directors Carl Hsiao, Chao-I Chiang, and Kang-Chi Chou; independent directors Chih-Li Wang, Rwei-Syun Chen, Yi-Ming Wang (resigned), Yaw-Bin Huang.	TTY representative: Directors Carl Hsiao, Chao-I Chiang, and Kang-Chi Chou; independent directors Chih-Li Wang, Rwei-Syun Chen, Yi-Ming Wang (resigned), Yaw-Bin Huang.
NT\$1,000,000 (incl.)-NT\$2,000,000 (excl.)	Chairman: Chuan Lin	Chairman: Chuan Lin	Chairman: Chuan Lin	Chairman: Chuan Lin
NT\$2,000,000 (incl.)-NT\$3,500,000 (excl.)	None	None	None	None
NT\$3,500,000 (incl.)-NT\$5,000,000 (excl.)	None	None	None	None
NT\$5,000,000 (incl.)-NT\$10,000,000 (excl.)	None	None	None	None
NT\$10,000,000 (incl.)-NT\$15,000,000 (excl.)	None	None	None	None
NT\$15,000,000 (incl.)-NT\$30,000,000 (excl.)	None	None	None	None
NT\$30,000,000 (incl.)-NT\$50,000,000 (excl.)	None	None	None	None
NT\$50,000,000 (incl.)-NT\$100,000,000 (excl.)	None	None	None	None
NT\$100,000,000 or above	None	None	None	None
Total	A total of 8 persons	A total of 8 persons	A total of 8 persons	A total of 8 persons

- Note 1: The name of each director shall be stated separately (for a corporate shareholder, the names of the corporate shareholder and its representative shall be stated separately) and the names of the ordinary directors and independent directors shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this Table and Table 3-1, or Tables 3-2-1 and 3-2-2.
- Note 2: This refers to director base compensation in the most recent fiscal year (including director salary, duty allowances, severance pay, and various rewards and incentives).
- Note 3: Please fill in the amount of director profit-sharing compensation approved by the board of directors for distribution for the most recent fiscal year.
- Note 4: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodation or vehicles). If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration.
- Note 5: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodation or vehicles. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation. Additionally, salary expenses recognized as share-based payment under IFRS 2, including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, it should be included in the calculation of remuneration.
- Note 6: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). Disclose the amount of profit-sharing compensation approved or expected to be approved by the board of directors for distribution for the most recent fiscal year. If the amount cannot be forecasted, disclose the

amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 7: Disclose the total amount of remuneration in each category paid to the directors of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director by the Company.

Note 9: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director of the Company by all companies in the consolidated financial report (including the Company).

Note 10: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 11: a. In this column, specifically disclose the amount of remuneration received by the directors of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. If directors of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column I of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."

c. Remuneration means remuneration received by directors of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

* This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

(III) Remuneration for the president and vice presidents in 2022

Unit: In NT\$1,000

Title	Name	Salary (A) (Note 2)		Retirement pay and pension(B)		Rewards and special disbursements(C) (Note 3)		Employee profit-sharing compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (%) (Note 8)		Remuneration received from investee enterprises other than subsidiaries or parent company (Note 9)
		The Company	All consolidated entities (Note 5)	The Company	All consolidated entities (Note 5)	The Company	All consolidated entities (Note 5)	The Company		All consolidated entities (Note 5)		The Company	All consolidated entities (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Sze-Yuan Yang	3,196	3,196	108	108	2,105	2,105	730	0	730	0	6,139 9.92%	6,139 9.92%	None
Vice President (Note)	Hsin-Yang Liu	810	810	36	36	240	240	-	-	-	-	1,086 1.76%	1,086 1.76%	None

* Disclosures must be made for all persons in positions equivalent to general manager or assistant general manager, regardless of job title (president, chief executive officer, chief administrative officer, etc.)

Note: The Company's President, Vice President, or personnel holding an equivalent position are only the two persons mentioned above. Hsin-Yang Liu, Vice President of the General Administrative Division already resigned on April 30, 2022. Therefore, their individual salary has been fully disclosed.

(IV) Table of the range of remuneration paid to the president and vice president

Ranges of remuneration paid to each of the Company's president and vice president	Name of president and vice president	
	The Company (Note 6)	All consolidated entities (Note 7) E
Less than NT\$1,000,000	None	None
NT\$1,000,000 (incl.)–NT\$2,000,000 (excl.)	Hsin-Yang Liu (Note 10)	Hsin-Yang Liu (Note 10)
NT\$2,000,000 (incl.)–NT\$3,500,000 (excl.)	None	None
NT\$3,500,000 (incl.)–NT\$5,000,000 (excl.)	None	None
NT\$5,000,000 (incl.)–NT\$10,000,000 (excl.)	Sze-Yuan Yang	Sze-Yuan Yang
NT\$10,000,000 (incl.)–NT\$15,000,000 (excl.)	None	None
NT\$15,000,000 (incl.)–NT\$30,000,000 (excl.)	None	None
NT\$30,000,000 (incl.)–NT\$50,000,000 (excl.)	None	None
NT\$50,000,000 (incl.)–NT\$100,000,000 (excl.)	None	None
NT\$100,000,000 or above	None	None
Total	A total of 2 persons	A total of 2 persons

Note 1: The names of the general manager and deputy general manager should be listed separately, and the payment amounts should be disclosed in a summary manner. If a director concurrently serves as a general manager or an assistant general manager, please complete this table and Table (1-1), or Tables (1-2-1) and (1-2-2).

Note 2: This includes salary, duty allowances, and severance pay to the general manager(s) and assistant general manager(s) in the most recent fiscal year.

Note 3: This includes the amounts of all types of rewards, incentives, travel expenses, special disbursements, stipends of any kind, provision of facilities such as accommodation or vehicle, and other compensation to the general manager(s) and assistant general managers(s) in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2, including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, it should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the general manager(s) and assistant general manager(s) as approved or expected to be approved by the board of directors for the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). If the amount cannot be forecast, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the general manager(s) and assistant general manager(s) by all companies in the consolidated financial report (including the Company).

Note 6: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager by the Company.

Note 7: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 9: a. In this column, specifically disclose the amount of remuneration received by the general manager(s) and assistant general manager(s) of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").
b. If general manager(s) or assistant general manager(s) of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column E of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."
c. Remuneration means remuneration received by the general manager(s) and assistant general manager(s) of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

Note 10: Hsin-Yang Liu, former Vice President of the General Administrative Division, resigned on April 30, 2022.

* This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

(V) Remuneration to the Five Highest Remunerated Management Personnel of a TWSE or TPEX listed Company: Not applicable.

(VI) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

March 31, 2023

	Title	Name	Stock Amount	Cash Amount	Total	As a % of net profit
Manager	President	Sze-Yuan Yang	0	1,258	1,258	2.04
	Director of the Business Development Division	Chao-Jen Liao				
	Director of the Business Division	Chien-Jung Huang				
	Manager of the Administrative Department of the General Administrative Division (Note 5)	Shu-Ping Huang				
	Senior Manager of the Accounting Department, General Administrative Office	Chen-Ju Kan				

Note 1: The Board of Directors has resolved to approve employee cash bonus on February 24, 2023.

Note 2: Fill in the amount of employee profit-sharing compensation (including stocks and cash) received by the managerial officers as approved or expected to be approved by the board of directors before the shareholders' meeting for the most recent fiscal year where distribution of earnings will be determined. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. If the Company has already adopted the IFRS, net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year

Note 3: The applicable scope of "managerial officers" is defined under the 27 March 2003 FSC Order Tai-Cai-Zheng-San-Zi No.0920001301 as persons in the following positions:

- (1) General manager(s) and equivalent level positions
- (2) Deputy general manager(s) and equivalent level positions
- (3) Deputy assistant general manager(s) and equivalent level positions
- (4) Chief officer of the finance division
- (5) Chief officer of the accounting division
- (6) Other persons who have the power to manage affairs and sign for the Company

Note 4: If any director, general manager, or deputy general manager receives profit-sharing compensation (including stocks or cash), complete this table in addition to Table 1-2.

Note 5: Shu-Ping Huang, manager of the Administrative Department of the General Administrative Division, was appointed by the Board of Directors on May 5, 2022 to be the Company's Chief Governance Officer.

(VII) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general managers, and deputy general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports paid during the past 2 fiscal years to directors, general managers, and deputy general managers:
 - A. 2021: Total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports paid in 2021 to directors, the president, and vice presidents by the Company was 26.60%.
 - B. 2022: Total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports paid in 2022 to directors, the president, and vice presidents by the Company was 16.66%.

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

A. Director:

The directors' remuneration policy is based on Article 26 of the Company's Articles of Incorporation. When directors perform duties, the Company may pay them remuneration regardless of the Company's operating profit or loss. The Board of Directors is authorized to determine the remuneration as per their participation in the Company's operations and the values of their contributions while with reference to the general industry standards. Where the Company makes a profit, no more than 2% of the year's profit shall be allocated as the directors' remuneration as per the Company's operating results and their contribution to the Company's performance in accordance with Article 29-1 of the Company's Articles of Incorporation.

The Company formulates the procedures for directors' remuneration and conducts the performance evaluations of individual board members and the Board of Directors as per the Company's Rules of the Performance Evaluation of the Board of Directors and Rules of the Performance Evaluation of the Functional Committees. As per the aspects of awareness of the Company's goals and missions, the understanding of directors' responsibilities, the degree of participation in the Company's operations, the management of internal relations and communication, directors' professional and continuing education, and internal control, the Remuneration Committee proposed their remuneration based on the values of their participation and contribution to the Company's operations while with reference to the general industry standards, which were then reviewed by the Board of Directors. The Company's independent directors receive fixed remuneration and honoraria for attending meetings, which are different from regular directors.

B. President and vice presidents

The Company's remuneration paid to the President and the Vice Presidents is handled in accordance with the Company's Managers' Salary Regulations and Performance Management Regulations and Performance Bonus Payout Guidelines. The remuneration paid to the President and the Vice Presidents includes base salary, allowances, and bonuses, which are calculated in accordance with the Company's overall operating objectives (key performance indicator (KPI)), the linkage with personal performance indicators (PDP), and the demonstration of personal competencies, including financial indicators (sales, such as company revenue, operating net income, and achieving rate of net income before tax) and non-financial indicators (manufacturing, such as inventory and cost management; R&D, such as development project progress; organizational development, such as a core talent training plan). Such a remuneration proposal should be approved by the Chairman, submitted to the Remuneration Committee to review individuals' performance and future risks and industry standards, and then sent to the Board of Directors for resolution before adjustment and payout.

C. The Company's salary policy depends on the Company's overall salary level in the market, the results of industry salary surveys, the industry life cycle in which the Company is in, with the internal fairness, consistency, and external salary and reward competitiveness ensured.

IV. Corporate governance implementation

(I) Operations of the Board of Directors

1. The Board of Directors met seven times (A) in 2022. The attendance of directors is as follows:

Title	Name (Note 1)	No. of meetings attended in person (B)	Attendance by proxy	In-person attendance rate (%) [B/A] (Note 2)	Remark
Chairman	Representative of TTY: Chuan Lin	7	0	100	
Director	Representative of TTY: Chao-I Chiang	7	0	100	
Director	Representative of TTY: CARL HSIAO	7	0	100	
Director	Representative of TTY: Kang-Chi Chou	7	0	100	
Independent Director	Chih-Li Wang	7	0	100	
Independent Director	Rwei-Syun Chen	7	0	100	
Independent Director (Predecessor)	Yi-Ming Wang	2	0	100	Resigned on April 15, 2022
Independent Director (Successor)	Yaw-Bin Huang	4	0	100	Took office on May 25, 2022

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: The Company has set up its Audit Committee. Any matter under Article 14-5 of the Securities and Exchange Act: None.

(II) Any other documented objections or qualified opinions raised by an independent director against a board resolution: None.

II. Disclosure regarding avoidance of conflict of interest motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

Date	Name	Motion content	Reason for recusal	Participation in voting
April 14, 2022	Chuan Lin; CARL HSIAO; Chao-I Chiang; Kang-Chi Chou	The list of directors who received the 2021 directors' compensation.	The Company's directors were the parties involved.	With the directors' personal interests involved, they were recused from voting.
December 22, 2022	Chuan Lin; CARL HSIAO; Chao-I Chiang; Kang-Chi Chou	Proposal to sign a lease agreement of the period between 2023 and 2024 with TTY Biopharm Company Limited	The Company's directors are the representatives of affiliates.	The Company's directors were recused from voting due to a conflict of interest.
December 22, 2022	Chuan Lin; CARL HSIAO; Chao-I Chiang; Kang-Chi Chou	Proposal to sign an information service contract of the period between 2023 and 2024 with TTY Biopharm Company Limited	The Company's directors are the representatives of affiliates.	The Company's directors were recused from voting due to a conflict of interest.
December 22, 2022	Chuan Lin; CARL HSIAO; Chao-I Chiang; Kang-Chi Chou	Proposal to sign a "Legal Affairs Outsourcing Service Contract" of the period between 2023 and 2024 with TTY Biopharm Company Limited	The Company's directors are the representatives of affiliates.	The Company's directors were recused from voting due to a conflict of interest.

Note 1: For a director or supervisor that is a juristic person (corporate entity), disclose the name of the corporate shareholder and the name of its representative.

Note 2: (1) If any director or supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.

(2) If any by-election for directors or supervisors was held before the end of the fiscal year, the names of the new and old directors and supervisors should be filled in the table, with a note stating whether the director or supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

III. A TSWE- or TPEX-listed company shall disclose information on the director's self-evaluation (or peer evaluation) in terms of frequency, period, scope, method, and content. For details, see Status of Directors Performance Evaluation Implementation:

Status of Directors Performance Evaluation Implementation

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation Scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)
1. The Company conducts an internal self-evaluation once a year.	1. Self-evaluation period: 2022.01.01–2022.12.31	1. Self-evaluation scope: The Board of Directors; individual directors; and functional committees (including the Audit Committee, Remuneration Committee, and Sustainable Development Committee).	1-1. Internal self-evaluation of the Board of Directors. 1-2. Self-evaluation by directors.	1. Evaluation of the performance of the Board of Directors: Including a director's extent of participation in the Company's operations, Board of Directors decision-making quality; Board of Directors composition and structure; election and continuing education of a director; and internal control. For the evaluation results, please refer to page 38.
2. An external evaluation is conducted every three years.	2. The period of evaluation carried out by an external professional institution (Taiwan Corporate Governance Association) on a commission basis: September 1, 2021 – August 31, 2022	2. The scope of evaluation carried out by an external professional institution (Taiwan Corporate Governance Association) on a commission basis: The performance of the Board of Directors.	2. By commissioning an external professional organization.	2. Evaluation of individual members of the Board of Directors: Including alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control. For the evaluation results, please refer to page 39. 3. Evaluation of the functional committees: Including participation in the operation of the Company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; makeup of the functional committee and election of its members; and internal control. Evaluated by the meeting affairs unit. The evaluation score was 100 points (out of 100 points). 4. For the content and results of the evaluation of the performance of the Board of Directors, please refer to Page 39.

Note 1: Fill in the cycle on which the board evaluations are performed, for example: performed once per year.

Note 2: Fill in the period covered by the board evaluation, for example: An evaluation was performed of the performance of the board of directors from January 1, 2022 to December 31, 2022.

Note 3: The scope of the evaluation should cover the performance of the board as a whole, the individual directors, and the functional committees.

Note 4: The performance evaluation methods may include internal evaluation by the board, self-evaluations by individual board members, peer evaluations by board members, evaluations external organizations or experts engaged for that purpose, or other suitable method.

Note 5: The evaluation content shall include at least the following based on the scope of the evaluation:

- (1). Evaluation of the performance of the Board of Directors: At least including a director's extent of participation in the Company's operations, Board of Directors decision-making quality; Board of Directors composition and structure; election and continuing education of a director; and internal control.
- (2). Evaluation of individual members of the Board of Directors: At least including alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control.
- (3). Evaluation of the functional committees: Participation in the operation of the Company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; makeup of the functional committee and election of its members; and internal control.

IV. Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g. establishing an audit committee, increasing information transparency) and the measures taken toward achievement thereof:

1. The Company's risk management operation in 2022 was reported to the Board of Directors by the Chief Corporate Governance Officer on November 3, 2022.
2. The Company's implementation of ethical corporate management in 2022 was reported to the Board of Directors by the Chief Corporate Governance Officer on February 24, 2023.
3. The Company has established a team dedicated to promoting ethical corporate management, and the Board of Directors has passed plans and policies to prevent unethical conduct. The Chief Audit Officer conducted an audit in December 2022 and reported on the audit results at the Board of Directors meeting dated February 24, 2023.
4. The Board of Directors is informed of the state of communication with stakeholders every half year (August 4, 2022 and December 22, 2022)
5. To fulfill corporate governance, the Company set up the "Sustainable Development Committee" under the Board of Directors on August 4, 2022 and appointed the Chief Governance Officer to be the executive secretary thereof.
6. Starting from 2021, material information is published in both the Chinese language and the English language.
7. At least 2 meetings will be arranged every year for directors and CPAs to have a thorough communication and interchange of ideas.
8. All independent directors attended the board meeting in person in 2022. The attendance of independent directors at each board meeting of 2022 is as follows:

◎: Attendance in person ☆: Attendance by proxy *: Absent

Independent Director	March 4, 2022	April 14, 2022	May 5, 2022	May 25, 2022	August 4, 2022	November 3, 2022	December 22, 2022
Chih-Li Wang	◎	◎	◎	◎	◎	◎	◎
Rwei-Syun Chen	◎	◎	◎	◎	◎	◎	◎
Yi-Ming Wang (predecessor)	◎	◎	-	-	-	-	-
Yaw-Bin Huang (successor)	-	-	-	◎	◎	◎	◎

9. The Company continues to implement the assessment of the independence of CPAs. On December 22, 2022, the Audit Committee and the Board of Directors assessed the CPAs based on the Company's "Regulations for Selection and Review of Attesting CPAs" and the Statement of Independence issued by KPMG Taiwan, and believed that the CPAs met the criteria for independence and Audit Quality Indicators (AQIs). For the results of review, please refer to "IV. Corporate Governance Implementation" – "(IV) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons" and "III. Board of Directors Composition and Duties" – Point 4. For details, please refer to p.43.
10. Starting from participation in the first Corporate Governance Evaluation, the Company always sets short-, mid-, and long-term goals for improving the deficiencies identified in the Corporate Governance Evaluation every year; reports on the improvement made in each year; and prioritizes those deficiencies yet to be improved and proposes measures therefor. For details, please refer to "IV. Corporate Governance Implementation" – "(IV) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons" – Point 9 on p.57.

(II) Information on the operation of the Audit Committee:

1. Composition and duties of the Audit Committee:

- (1) The term of office of the current (second) Audit Committee of the Company is from May 29, 2020 to May 28, 2023.
- (2) The Audit Committee of the Company is composed of three independent directors.
- (3) The duties of the Audit Committee include the review of financial reports, internal control, and internal audit; acquisition or disposal of major assets; derivatives transactions; capital extension; endorsement and guarantees; offering or issuing of securities; compliance with relevant laws and regulations; appointment or dismissal of, and assessment of the performance of, CPAs; related party transactions and possible conflicts of interest; and appointment and dismissal of accounting or internal audit officers.

2. Key annual work items of the Audit Committee:

The items to be reviewed mainly include the following:

- (1) Financial statements.
- (2) The internal control system, revision and formulation of important regulations and systems.
- (3) Evaluation of the effectiveness of the internal control system.
- (4) Regulatory compliance.
- (5) Related party transactions and possible conflicts of interest.
- (6) Review of the independence, suitability, appointment and remuneration of CPAs.

[Review of financial statements]

The Board of Directors has prepared the Company's 2022 Business Report, financial statements, and earnings distribution proposal, of which the financial statements were audited by KPMG Taiwan on a commission basis; KPMG Taiwan also issued an audit report thereof. The Audit Committee audited the said Business Report, financial statements, and earnings distribution proposal, and did not find any non-conformity.

[Appointment of CPAs]

The Audit Committee is assigned the duty to review the independence of the accounting firm to ensure the fair presentation of the financial statements. All services provided by the accounting firm must be approved by the Audit Committee. To ensure the independence of the accounting firm, the Audit Committee assesses the independence and suitability of CPAs using an independence assessment checklist formulated by reference to Article 47 of the Certified Public Accountant Act and The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 Integrity, Objectivity and Independence; in addition, the Audit Committee also demanded that KPMG provide the Audit Quality Indicators (AQIs), so as to evaluate the suitability of the accounting firm and the audit engagement team. On December 22, 2022, the Audit Committee conducted a review and the Board of Directors passed a resolution; both concluded that CPA Shin-Ting Huang and CPA Yilien

Han from KPMG Taiwan met the independence criteria and thus were qualified to be the attesting CPAs for the Company's financial statements and taxation documents.

[Evaluation of the effectiveness of the internal control system]

The audit committee evaluates the effectiveness of the Company's internal control system in terms of the policies and procedures (including control measures respecting finance, operations, risk management, information security, outsourcing, and compliance with laws and regulations), and reviews the periodic reports issued by the Company's auditing units, CPAs, and management with respect to risk management and compliance. The Audit Committee believes that the Company's risk management and internal control systems are effective, and that the Company has adopted necessary control mechanisms to monitor and correct violations.

3. The key points of the annual works of Audit Committee, and the implementation thereof:

The Audit Committee met five times (A) in 2022; the attendance of independent directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note 1, Note 2)	Remark
Independent Director	Chih-Li Wang	5	0	100	
Independent Director	Rwei-Syun Chen	5	0	100	
Independent director (predecessor)	Yi-Ming Wang	2	0	100	Resigned on April 15, 2022
Independent director (successor)	Yaw-Bin Huang	3	0	100	Took office on May 25, 2022

Other information required to be disclosed:

- I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
(I) Matters specified in Article 14-5 of the Securities and Exchange Act

Audit Committee	Proposal Content and Follow-up Implementation	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolution not adopted by the Audit Committee but adopted by the Board of Directors though a supermajority affirmative vote
2nd term – 9th meeting March 4, 2022	1. The Company’s 2021 Business Report and financial statements 2. The Company’s 2021 Statement on Internal Control. 3. Proposal to revise the Company’s “Procedures for the Acquisition or Disposal of Assets.” Audit Committee opinion: None. Measures taken by the Company based on the opinions of the audit committee: N/A. Resolution: Unanimously approved by all Audit Committee members attending the board meeting.	V	-
2nd term – 10th meeting May 5, 2022	Proposal on the Company’s financial statements for the first quarter of 2022. Audit Committee opinion: None. Measures taken by the Company based on the opinions of the audit committee: N/A. Resolution: Unanimously approved by all Audit Committee members attending the board meeting.	V	-
2nd term – 11th meeting August 4, 2022	Proposal on the Company’s financial statements for the second quarter of 2022. Audit Committee opinion: None. Measures taken by the Company based on the opinions of the audit committee: N/A. Resolution: Unanimously approved by all Audit Committee members attending the board meeting.	V	-
2nd term – 12th meeting November 3, 2022	1. Proposal on the Company’s financial statements for the third quarter of 2022. 2. Proposal on the Company’s 2023 Audit Plan. 3. Proposal on the amendment to the Company’s Internal Control System and Internal Audit System.	V	-

	Audit Committee opinion: None. Measures taken by the Company based on the opinions of the audit committee: N/A. Resolution: Unanimously approved by all Audit Committee members attending the board meeting.		
2nd term – 13th meeting December 22, 2022	1. Proposal to appoint KPMG Taiwan as the Company’s accounting firm and for various audit fees for various audit services for 2023. 2. Proposal to formulate the general principles for the Company’s pre-approval of non-assurance service policy. 3. Proposal to sign a lease agreement of the period between 2023 and 2024 with TTY Biopharm Company Limited 4. Proposal to sign an information service contract of the period between 2023 and 2024 with TTY Biopharm Company Limited 5. Proposal to sign a “Legal Affairs Outsourcing Service Contract” of the period between 2023 and 2024 with TTY Biopharm Company Limited	V	-
	Audit Committee opinion: None. Measures taken by the Company based on the opinions of the audit committee: N/A. Resolution: Unanimously approved by all Audit Committee members attending the board meeting.		

(II) Except for the previous matters, other matters that have not been adopted by the Audit Committee but adopted by the Board of Directors though a supermajority affirmative vote : None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of independent directors concerned, the motions, the nature of conflicting interests, and the voting process: None.

III. Communication between the Independent Directors and internal audit officer and CPAs (e.g. matters, methods, and results of communication regarding the Company’s financial and business status):

(I) Communication between independent directors and the communication between the Independent Directors and internal audit officer:
 Aside from submitting the various internal audit reports to the independent directors on a regular basis, the Company’s auditing unit also irregularly holds seminars with independent directors. Since establishment, the Company’s Audit Committee holds a regular meeting at least quarterly to discuss the implementation of the audit work and the state of operation of the internal control system with the Audit Committee members. For communication details, please refer to the Company’s website.
 During the normal course of operations, the chief audit officer and independent director may contact one another via email, phone, or in-person meeting depending on the actual needs.

(II) Communication between independent directors and CPAs:

1. The Company arranges for independent directors and CPAs to have a face-to-face meeting in the absence of the Company’s management team at least once per year.
2. The Company holds a meeting at least annually for independent directors, the management team, and CPAs to have a discussion.

Attesting CPAs attend an Audit Committee meeting quarterly in a non-voting capacity to report the results of the review or audit of the financial statements for each quarter. Meanwhile, CPAs will explain the impact of important accounting standards, letter of interpretation, regulations of the securities competent authorities, newly applicable IFRS on the Company, as well as key audit matters, to the Audit Committee. For communication details, please refer to the Company’s website.

Note 1: If any independent director left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of audit committee meetings held and the number they attended in person during the period they were in office.

Note 2: If any by-election for independent directors was held before the end of the fiscal year, the names of the new and old independent directors should be filled in the table, with a note stating whether the independent director left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of Audit Committee meetings held and the number attended in person during the period of each such person’s actual time in office.

(III) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
I. Has the Company formulated and disclosed its corporate governance best-practice principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		No difference.
II. The Company's equity structure and shareholder equity (I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures? (II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders? (III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(I) No difference. (II) No difference. (III) No difference.

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	V		(IV) No difference.
<p>(IV) According to the “Regulations for Material Inside Information Handling and Insider Trading Prevention”, insiders are forbidden from trading marketable securities using information that is non-public and will materially affect the Company’s share price or the ability to pay principal and interest. The Board of Directors meeting dated August 4, 2022 resolved to prohibit trading of the Company’s shares during the close period, which is within 30 days from consolidated financial statements publication date and within 15 days from the quarterly financial statements publication date.</p> <p>The Company is required to hold awareness sessions, both to remind colleagues of the matters required to be attended to prevent insider trading, and to remind new directors and managers after they take office. In addition, a notice is given at least 30 days prior to the annual financial statements publication date and at least 15 days prior to the quarterly financial statements publication date to remind directors and managers not to trade during the close period.</p>			
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p>	V		(I) No difference.
			<p>(1) Members of the Company’s Board of Directors are nominated and selected according to the Articles of Incorporation. Election is conducted based on the candidate nomination system, by reference to the academic and career qualifications of each candidate and the opinions of stakeholders, and in adherence to the “Procedures for Election of Directors” and the “Corporate Governance Best-Practice Principles,” so as to ensure the diversity of the Board of Directors.</p> <p>The concrete policies stated in Article 20 of the Company’s “Corporate Governance Best-Practice Principles” are as follows:</p> <ul style="list-style-type: none"> ● Structure of the Board of Directors: The Company shall have five Board of Directors members, taking into account the Company’s operational and development scale, the state of shareholding of each major shareholder, and what would be required for the practical operations of the Company.

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons																																																																																
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			<p>Summary description</p> <ul style="list-style-type: none"> ● The number of directors who are concurrently the Company's manager must not exceed one third of the Board of Director seats. ● Basic qualifications and value: Gender, age, nationality, and culture shall be considered; in addition, female directors must exceed one fourth of the Board of Director seats. ● Professional knowledge and skills: Professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience, and so on. ● Required abilities: Including the ability to make operational judgements; ability to perform accounting and financial analysis; ability to administer business; ability to manage crisis; knowledge of the industry; an international market perspective; leadership; and the ability to make decisions. ● The policy for diversity has been disclosed in the Company's website and the Market Observation Post System (MOPS). 																																																																																
			<p>The Company's diversity policy and the management goals are implemented as follows:</p> <table border="1"> <thead> <tr> <th>Core items for diversity</th> <th>Nationality</th> <th>Gender</th> <th>Term and seniority of independent directors</th> <th>Concurrently serving as an employee of the Company</th> <th>Business administration</th> <th>Leadership and decision-making</th> <th>Industry knowledge</th> <th>Financial accounting</th> <th>Financial law</th> </tr> </thead> <tbody> <tr> <td>Chairperson: Chuan Lin</td> <td>Republic of China</td> <td>Male</td> <td>-</td> <td>None</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Director CARL HSIAO</td> <td>USA</td> <td>Male</td> <td>-</td> <td>None</td> <td>V</td> <td></td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Director Chao-I Chiang</td> <td>Republic of China</td> <td>Male</td> <td>-</td> <td>None</td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Director Kang-Chi Chou</td> <td>Republic of China</td> <td>Male</td> <td>-</td> <td>None</td> <td>V</td> <td>V</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Independent Director Chih-Li Wang</td> <td>Republic of China</td> <td>Male</td> <td>6 years</td> <td>None</td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Independent Director Rwei-Syun Chen</td> <td>Republic of China</td> <td>Female</td> <td>5 years</td> <td>None</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Independent</td> <td>Republic</td> <td>Male</td> <td>5 years</td> <td>None</td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> </tr> </tbody> </table>	Core items for diversity	Nationality	Gender	Term and seniority of independent directors	Concurrently serving as an employee of the Company	Business administration	Leadership and decision-making	Industry knowledge	Financial accounting	Financial law	Chairperson: Chuan Lin	Republic of China	Male	-	None	V	V	V	V	V	Director CARL HSIAO	USA	Male	-	None	V		V			Director Chao-I Chiang	Republic of China	Male	-	None				V	V	Director Kang-Chi Chou	Republic of China	Male	-	None	V	V				Independent Director Chih-Li Wang	Republic of China	Male	6 years	None				V	V	Independent Director Rwei-Syun Chen	Republic of China	Female	5 years	None	V	V	V		V	Independent	Republic	Male	5 years	None	V			V	V
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Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons														
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<p>voluntarily set up other functional committees?</p> <p>(III) Has the Company established its Rules for Performance Evaluation of Board of Directors and the evaluation methods, conducted the performance appraisal regularly every year and provided the results to the board as the reference for directors' remuneration and nomination and renewal?</p>		<p>Sustainability Development Committee on August 4, 2022.</p> <p>(III) As per the Company's "Rules of the Performance Evaluation of the Board of Directors," we evaluate the performance of the Board of Directors in an internal self-evaluation method within three months after the end of each year. The unit in charge of meeting affairs is responsible for assisting in the evaluation and the scoring of the board performance based on the scoring standards for indicators and the self-evaluation by board members, and it reports on the results to the Board of Directors as a reference for the directors' performance and remuneration. Moreover, to improve the operational performance of the Board of Directors, it is stipulated that an external entity should be appointed to conduct an evaluation of the performance of the Board of Directors at least once every three years.</p> <p>[Regular internal evaluation every year]: The 2022 Board of Directors performance evaluation aspects (evaluated by the meeting affairs unit and individual directors) and the evaluation results are as follows:</p> <ul style="list-style-type: none"> ● Evaluation carried out by the meeting affairs unit: <table border="1" data-bbox="954 600 1311 1258"> <thead> <tr> <th>Board of Directors performance evaluation aspects</th> <th>Item</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>A. Extent of participation in the Company's operations</td> <td>12 items</td> <td>30%</td> </tr> <tr> <td>B. Improvement in the Board of Directors decision-making quality</td> <td>12 items</td> <td>25%</td> </tr> <tr> <td>C. Composition and structure of the Board of Directors</td> <td>7 items</td> <td>10%</td> </tr> <tr> <td>D. Election and continuing education of directors</td> <td>7 items</td> <td>20%</td> </tr> </tbody> </table> 	Board of Directors performance evaluation aspects	Item	Weight	A. Extent of participation in the Company's operations	12 items	30%	B. Improvement in the Board of Directors decision-making quality	12 items	25%	C. Composition and structure of the Board of Directors	7 items	10%	D. Election and continuing education of directors	7 items	20%
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Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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			<p>will be conducive to the supervision of, and instructions on, the Company's operations in the future.</p> <p>2. Your Company's Remuneration Committee, by aligning with your company's vision and strategy, has formulated managers' performance indicators that are linked to your company's key performance indicators (KPIs) and the performance indicators (PIs) of each department; carried out the evaluation in the manner specified in your company's "Regulations for Performance Management and Guidelines for Giving Performance Rewards"; reviewed the current remuneration policy and systems by reference to the report issued by an external consulting company and by considering the general operating environment; implemented an annual salary adjustment plan based on the operational status; and raised the salary every year, effectively stimulating the team, fulfilling the functions expected of the Remuneration Committee, and thereby laying the cornerstone of sustainable development.</p> <p>3. The CPAs attesting the financial statements of your company attend four Audit Committee meeting every year in a non-voting capacity, during which they fully communicate with members of the Audit Committee on issues regarding your company's financial accounting and internal control. Besides this, the chief internal officer, in addition to reporting on the audit results and follow-up of the improvement plan at a meeting of the Audit Committee and the Board of Directors, also arranges a meeting where they communicate with the chairman of the Audit Committee alone periodically every year. The chairman of the Audit Committee has demonstrated a proactive manner in that the person fully reviews relevant report items, discussion items, and proposals before the meeting to facilitate a smooth Audit Committee meeting, thereby effectively fulfilling the Audit Committee's functions of instruction and supervision.</p> <p>4. At the 10th anniversary, your company launched the "2021 Travel Surround the Island to Protect Taiwan" project upholding the spirit of "Take from Society, Give Back to Society," in the hope to give back to the general public. In addition, in August 2022, your company set up the</p>

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons						
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		<p>Sustainable Development Committee under the Board of Directors; the committee is composed of three independent directors, and aims to enhance the participation of the Board of Directors, indicating the great importance your company attaches to sustainable development and fully demonstrating that your company is gradually implementing the sustainable management philosophy, fulfilling the ESG principles, and achieving the goal of creating shared value.</p> <p>Recommendations from Taiwan Corporate Governance Association (TCGA) and the Company's improvement plan:</p> <table border="1"> <tr> <td>Recommendations from Taiwan Corporate Governance Association (TCGA)</td> <td>The Company's improvement plan</td> </tr> <tr> <td>TCGA recommended that the questionnaire on evaluating the performance of the Board of Directors and other functional committees be summarized and executed by the meeting unit, as opposed to being filled out by directors/committee members themselves.</td> <td>The Company intends to amend the "Board of Directors Performance Evaluation Guidelines" and "Rules for Performance Evaluation of Functional Committees" in 2023 to have the evaluation of the performance of the Board of Directors and other functional committees carried out by directors/committee members themselves instead of by the meeting unit.</td> </tr> <tr> <td>It is recommended that your company establish a mechanism for the Audit Committee to participate in the performance evaluation of the chief audit officer to further strengthen the independence of internal audit</td> <td>The annual evaluation of the performance of the chief audit officer, aside from being carried out by the Chairman as scheduled, will also be participated by the Audit Committee, starting from</td> </tr> </table>	Recommendations from Taiwan Corporate Governance Association (TCGA)	The Company's improvement plan	TCGA recommended that the questionnaire on evaluating the performance of the Board of Directors and other functional committees be summarized and executed by the meeting unit, as opposed to being filled out by directors/committee members themselves.	The Company intends to amend the "Board of Directors Performance Evaluation Guidelines" and "Rules for Performance Evaluation of Functional Committees" in 2023 to have the evaluation of the performance of the Board of Directors and other functional committees carried out by directors/committee members themselves instead of by the meeting unit.	It is recommended that your company establish a mechanism for the Audit Committee to participate in the performance evaluation of the chief audit officer to further strengthen the independence of internal audit	The annual evaluation of the performance of the chief audit officer, aside from being carried out by the Chairman as scheduled, will also be participated by the Audit Committee, starting from	
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Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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	Summary description		
		<p>and the Audit Committee's function of supervising the internal audit.</p> <p>It is recommended to upgrade the level of the convener of the risk management organization to the level of GM or director to ensure the reliability and validity of the risk management-related mechanisms; such a level should also be continuously reviewed and revised.</p> <p>It is recommended that your company better the Sustainability Report and have it attested by an independent third party, so as to enhance the disclosure and fairness of information on corporate governance and implementation of corporate social responsibility, and to enable stakeholders to quickly and comprehensively understand relevant information, thereby improving the transparency of</p>	<p>2023, so as to understand the results and performance of the chief audit officer's work and give opinions and instructions.</p> <p>The Company intends to adjust its overall risk management structure in 2023. After the adjustment, supervision will be carried out by the Board of Directors along with the Audit Committee, and the convener will be changed from the Chief Corporate Governance Officer to the GM. In addition, the Company will also revise the "Risk Management Policy and Procedures."</p> <p>In 2023, the Company will consult experts in ESG promotion, better the ESG report, and set the schedule for having the report attested by an independent third party.</p>

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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(IV) Does the company regularly evaluate the independence of attesting CPAs?	V	<p>the Company's information.</p> <p>(IV) The Board of Directors regularly evaluates the independence of CPAs every year.</p> <p>The Company evaluates attesting CPAs every year based on the "Independence" and "Suitability" requirements specified in its "Regulations for Selection and Review of Attesting CPAs," and demands that the CPAs present a "Statement of Independence" and the "Audit Quality Indicators (AQIs)," so as to determine whether to continue the appointment. Audit quality indicators (AQIs) include the audit experience of auditors who are a partner or manager, training hours, attrition rate, CPAs' workload, extent of engagement of the engagement team, engagement quality control review (EQCR), percentage of non-audit service fees, familiarity with customers, and capability to innovate.</p> <p>On December 22, 2022, the Audit Committee conducted a review and the Board of Directors passed a resolution with respect to the summited procedures for, and results of, evaluation of CPAs; both concluded that CPA Shin-Ting Huang and CPA Yilien Han from KPMG Taiwan met the independence criteria and thus were qualified to be the attesting CPAs for the Company's financial statements and taxation documents.</p> <p>The key criteria on the CPAs Appointment Review Checklist are as follows:</p>	(IV) No difference.

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	
	Summary description		
		<p>Independence</p> <ol style="list-style-type: none"> 1. Whether the person meets the provisions of Article 8 of the Bulletin of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10. Integrity, Objectivity and Independence formulated by the CPA ASSOCIATIONS R.O.C. (TAIWAN). 2. Not an employee, director, or supervisor of the Company or its affiliated companies. 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. 4. Not a spouse, relative within the second degree, or direct blood relatives within the third degree of the person listed in the preceding three paragraphs. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or a director, supervisor, or employee of the five largest corporate shareholders in terms of shareholding. 6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. However, this restriction does not apply to independent directors who have already resigned. 	

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	
IV. Has the TWSE-/TPEx-listed company allocated qualified and sufficient number of personnel and appointed managers in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors to comply with laws, handling matters relating to board meetings and shareholders' meetings according to laws, recording minutes of board meetings and shareholders' meetings)?			
	V	<p>Suitability</p> <ol style="list-style-type: none"> 1. The person has a good understanding of the industry or field related to the company's business, and of relevant laws and regulations. 2. A professional capable of auditing the Company and completing the audit within agreed period of time. 3. Assess whether the person's suitability will be impacted by material events that the Company's will incur in the coming years. 4. No potential conflicts of interest. <p>The Company's Board of Directors meeting dated May 5, 2022 resolved to appoint Shu-Ping Huang, the manager of the Administrative Department of the General Administrative Division, to be the Company's Chief Governance Officer. Manager Shu-Ping Huang is fully qualified in that she is a certified public accountant and has worked as a chief internal auditor at an OTC-traded company for three years and more. She is responsible for providing the materials necessary for the directors to perform their duties so as to help them comply with laws and regulations; organizing the Board of Directors meetings, shareholders' meetings, and investors' events as required by law; continuously monitoring the implementation of corporate governance; and reporting the implementation results at the Board of Directors meeting every year.</p> <p>The chief corporate governance officer is carried out her duties in 2022, which are summarized as follows:</p> <ol style="list-style-type: none"> 1. Assist independent directors and ordinary directors to perform their duties; provide required materials; and arrange continuing education for directors: <ol style="list-style-type: none"> (1) Assisted in the evaluation of the performance of the functional committees and the Board of Directors. The internal performance evaluation results of 2021 were reported at the Board of Directors meeting dated March 4, 2022. (2) Arrange for the Audit Committee members and CPAs to communicate 	No difference.

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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			<p>quarterly on the company's financial status, major transaction, and whether regulatory changes affect the company's recognition method; and report the communication results to the Board of Directors, including the private sessions with or without the management reporting in a non-voting capacity. The record of communication in 2022 was disclosed on the Company's website.</p> <p>(3) Provided new directors with literature on laws and regulations for insiders; arranged for them to attend the 12-hour orientation course series and the awareness session on laws and regulations; explained the annual meeting schedule to them and briefed them on the Company and its management team.</p> <p>(4) Provide information on directors' training courses for directors' reference, or assist in arranging and enrolling in courses. Group entities also organize 6-hour continuing education courses every year on important issues in that given year and invite directors to participate in such courses.</p> <p>(5) Assist the management at the various levels to maintain communication with the directors, so that the directors can understand the company's business development.</p> <p>(6) Assisted independent directors and ordinary directors to perform their duties; provided them required materials.</p> <p>2. Assist in the legal compliance of the procedures and resolutions of the meetings of the Board of Directors, Audit Committee, and shareholders:</p> <p>(1) The Company reported on its achievement in the Corporate Governance Evaluation in 2021 at the Board of Directors meeting dated August 4, 2022, and on a review and future plan according to the evaluation result.</p> <p>(2) Assist each unit to submit proposals to the Board of Directors and draft the agenda of the meetings of the Board of Directors, Audit Committee, and Remuneration Committee; and notify the convention of meetings, provide meeting materials, and distribute the minutes of the meeting within the statutory time limit.</p> <p>(3) Assist the chairman in smoothly presiding over the meetings of the</p>

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
			<p>Board of Directors and Audit Committee; and remind the directors of the regulatory framework they should pay attention to when performing their duties or making resolutions.</p> <p>(4) Register the date of the shareholders' meeting in advance; file declarations and announcements; and send the shareholders' meeting notice within the statutory time limit.</p> <p>(5) Purchase appropriate liability insurance (including scope, cost) for directors and managers every year, and report to the Board of Directors in the first quarter of the current year. The purchase of liability insurance in 2022 was reported to the Board of Directors meeting dated March 4, 2022. The purchase of liability insurance in 2023 was reported to the Board of Directors meeting dated February 24, 2023.</p> <p>(6) The Company reported on the implementation of sustainable development to the Board of Directors and compiled a sustainability report. The 2021 sustainability report was submitted to the Board of Directors on May 5, 2022.</p> <p>3. Maintain investor relations: Participate in investors' conferences to report the company's financial business status and operating performance to investors, so that they can gain a deeper understanding of the company's operations.</p> <p>4. In charge of business registration modification.</p> <p>5. Regularly report to the Board of Directors on the communication with stakeholders: The results of communication with stakeholders, including feedback from stakeholders, the company's response, and response plans, were reported to the Board of Directors meetings dated August 4, 2022 and December 22, 2022.</p> <p>6. Regularly report to the Board of Directors on the implementation of ethical corporate management: The Company already reported on its implementation of ethical corporate management at the Board of Directors meeting dated March 4, 2022.</p> <p>7. Regularly report to the Board of Directors on the operation of risk</p>

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<p>management: The operation of risk management in 2022 was reported to the Board of Directors meeting dated November 3, 2022.</p> <p>8. Sustainable Development Committee executive secretary: (1) Responsible for implementing the tasks assigned by the Sustainable Development Committee to ensure the promotion and implementation of sustainable development-related work. (2) Assist in developing the agenda of the Sustainable Development Committee meeting, and give a meeting notice, meeting materials, and meeting minutes within the specified time frame. (3) Assist the chairman in making the Sustainable Development Committee meeting going smoothly (4) Formulate the sustainable development programs for the following years and report on the same to the Board of Directors.</p> <p>9. For details of continuing education of the chief corporate governance officer, please refer to (IX) Continuing education courses on corporate governance that were taken by the Company's managers and internal auditors in 2022.</p>	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and a special section for stakeholders on the company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	V		No difference.
VI. Has the company appointed a professional stock affairs agency to handle matters for shareholders' meetings?	V		No difference.

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	
<p>VII. Information Disclosure</p> <p>(I) Has the Company set up a website to disclose finance and business matters and corporate governance information?</p> <p>(II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, and posting the Company's earnings calls on its website)?</p> <p>(III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with the monthly business performance statements before the required due dates?</p>	V		<p>(I) No difference.</p> <p>(II) No difference.</p>
<p>VIII. Does the company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, and so on)?</p>		V	<p>(III) No difference.</p> <p>(I) No difference.</p>

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
			<p>including new employee orientation, training courses on management function, on-the-job training courses, and job-related training courses on professional capability, so as to cultivate excellent talents with professional skills. For the operation status, please refer to p.123 “V. Operational Highlights” – “V. Labor Relations” of this annual report.</p> <p>3. The Company values the safety and health of employees’ work environment, and has executed multiple environmental protection measures and formulated the “Regulations for the Safety and Maintenance of Offices” and “Safety and Health Work Rules”, so as to continuously enhance the work environment and personal safety protection. For the operation status, please refer to p.123 “V. Operational Highlights” – “V. Labor Relations” of this annual report.</p>
			<p>(II) Investor relations</p> <ol style="list-style-type: none"> 1. The Company discloses its information honestly as required by laws and regulations, in order to protect the rights and interests of investors and stakeholders, and to fulfill its responsibilities to shareholders. 2. To protect the rights and interests of investors and stakeholders, the Company will continue to maintain its finance and business information and non-financial information disclosed on its website, in addition to the information disclosed on the Market Observation Post System, so as to continuously strengthen the integrity, timeliness, and accuracy of its information disclosure. For details, see the Company’s website. 3. The Company has established a spokesperson system, as well as the Stakeholders Zone on its website where the information on the spokesperson and the acting spokesperson and the contact information thereof are available, so as to actively respond to the suggestions or doubts raised by shareholders, thereby maintaining a good interaction and relationship with them. 4. The Company was invited to attend 4 institutional investor conference in 2022. By taking part in the institutional investor conference, the Company explains to the general public its operating performance and

Evaluation Items	Implementation status (Note 1)			Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(V) Status of directors' taking continuing education courses: The Company's directors have participated in relevant continuing education courses based on their professionalism and what are required for corporate governance. Below are the courses they have taken:</p>				

Title	Name	Organizer	Course name	Hours of continuing education courses
Chairman (Representative of TTY)	Chuan Lin	Securities and Futures Institute Taiwan Corporate Governance Association	The International Trend of Net-Zero Carbon Emissions and Taiwan's Actions in Promoting Zero-Carbon Transformation	3
Director (Representative of TTY)	Carl Hsiao	Jointly organized by Taiwan Stock Exchange, Alliance Advisors, and Taiwan Corporate Governance Association	Prevention of Insider Trading "International Twin Summit Online Forum"	3 2
		Securities and Futures Institute	The International Trend of Net-Zero Carbon Emissions and Taiwan's Actions in	3

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
			Promoting Zero-Carbon Transformation
Director (Representative of TTY)	Taiwan Corporate Governance Association		Prevention of Insider Trading
	Taiwan Corporate Governance Association		Prevention of Insider Trading
Director (Representative of TTY)	Securities and Futures Institute		Facts Affirming Breach of Trust and Special Breach of Trust by Directors and Supervisors
	Securities and Futures Institute		Advanced Practical Seminar for Directors and Supervisors (Including Independent Directors) – [Financial Information Most Likely to Be Ignored by Directors]
	Taiwan Corporate Governance Association		Unraveling the Mystery of “Insider Trading”
	Taiwan Corporate Governance Association		Prevention of Insider Trading
Independent Director	Taipei Exchange (formerly GreTai Securities Market)		Awareness Sessions on Insider Equity Trading for Companies whose Shares Are Traded on the OTC Market or Emerging Stock Market
	Securities and Futures Institute		The International Trend of Net-Zero Carbon Emissions and Taiwan’s Actions in Promoting Zero-Carbon Transformation
	Taiwan Corporate Governance Association		Prevention of Insider Trading
Independent Director	Securities and Futures Institute		Practical Workshops for Directors, Supervisors (Including Independent Directors), and Chief Corporate Governance Officers
	Taipei Exchange (formerly GreTai Securities Market)		Awareness Sessions on Insider Equity Trading for Companies whose Shares Are Traded on the OTC Market or Emerging Stock Market
Independent Director	Taiwan Corporate Governance Association		Violations of the Securities and Exchange Act and Accountabilities of Directors and Supervisors
	TIDA Taiwan		Shareholder Activism and Corporate Governance Case Analysis
<p>(VI) Implementation of risk management policies and risk measurement standards: In order to ensure the integrity of the risk management system, the Company passed the “Risk Management Policy and Procedures” and set up a risk management organization at the Board of Directors dated October 30, 2020, so as to provide the utmost guidelines for the Company’s risk management. The Company regularly assesses risks at least once a year, and formulates and implements risk management policies and procedures to cope with the various risks, so as to effectively identify, measure, and control the various risks facing the Company and reduce them to an acceptable level. The state of operation of risk management was reported at the Board of Directors meeting dated November 3, 2022. The organizational structure of the Company’s risk management units and their duties are as follows:</p>			
Risk management units	Risk management duties		
Board of Directors	The Board of Directors is a risk management unit at the highest level; it is responsible for approving, reviewing, and supervising the Company’s risk management policies, aiming to comply with laws and regulations, promote and implement the Company’s overall risk		

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
	Summary description		
	management policy, get a good grasp of the risks likely to impact operations, and ensure the functioning of the management structure and risk control functions.		
Risk management organization	The convener of the unit responsible for implementing risk management is the Chief Corporate Governance Officer; the unit is mainly responsible for the monitoring, measurement, and evaluation of the risks facing the Company, assisting in formulating the Company's risk management policies, ensuring the implementation of risk management decisions reached by the Board of Directors, and coordinating the overall risk management operation. The unit is directly under the President and reports to the Board of Directors.		
Internal audit	The internal audit unit is under the Board of Directors and responsible for internal control and internal auditing; it must submit an annual audit plan based on risk assessment every year, and report the implementation of the Company's risk management to the Audit Committee.		
Departments	The heads of each department/division are responsible for analyzing and monitoring the relevant risks facing their units in order to ensure that the risk control mechanism and procedures can be effectively implemented.		
The operation of the Company's identified important risk management in 2022 are as follows (for details, please refer to "Corporate Governance/Corporate Governance Operation" on its website.)			
Risk type	Description	Countermeasure	
Operating risk (Supply chain side)	The OEM factory does not have sufficient production capacity.	1. Try a larger batch size. 2. Urge the OEM to purchase additional equipment.	
	Timing of supply from raw materials suppliers is not stable.	1. Increase the purchase volume of active pharmaceutical ingredients (APIs). 2. Place an early order and continuously track the delivery date. 3. Trade with two suppliers at the same time to diversify risks.	
Operating risk (operations side)	Poor quality of pharmaceuticals	1. Set up a real-time adverse drug reaction (ADR) and defective drug reporting mechanism as required by law, and regularly review and update it. 2. Organize training on the regulatory framework and drills on reporting regularly. 3. Manage the validity period and inventory. 4. Simulate recycling periodically.	
Operating risk (R&D side)	A major accident occurring to a R&D project	1. Establish a collaborative supplier selection mechanism and work with existing excellent suppliers on a long-term basis. 2. Establish an evaluation mechanism for important tasks of each project and conduct risk management and control. 3. Implement the R&D Project Planning and Outcome Management System along with a project continuation or termination evaluation mechanism.	
Operating risk (Marketing side)	Corporate image, investor relations, and capital market supervision	1. Maintain media relations, including media campaigns and clarification. 2. Regularly hold investor conferences and adopt a spokesperson system.	

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
Operating risk (Information security side)	Network and database security		3. Maintain smooth communication with competent authorities. 1. Join the Information Security Alliance; attend to, and report, information security risks; and update our own risk and vulnerability portfolio in a timely manner. 2. Establish an information security maintenance and control center to implement information security monitoring and risk reporting. 3. Have information security personnel regularly participate in information security education and training.
	R&D project confidential information maintenance		1. Regularly offer education and training to personnel handling projects or R&D information. 2. Hold information security awareness sessions to improve employees' information security literacy, to reduce the risk of leak of confidential information. 3. R&D documents may be accessed only by authorized personnel, and must be managed by the "Cyber Security Guidelines for TWSE/TPEX-Listed Companies."
	Brain drain		1. Execute the "Empowerment Leadership Plan." 2. Continuously optimize the Company's welfare system. 3. Hold and encourage multiple education and trainings. 4. Polish the employer's brand image, and expand industry-academia collaboration by recruiting talents on campus early on.
Financial risk (Market side)	Exchange rate fluctuations		1. Regularly monitor exchange rate trends and risks. 2. Obtain the annual procurement plan and consider foreign-currency capital needs and plan ahead to reduce the possible losses.
Legal risk (compliance and law side)	Compliance with laws and regulations		1. Regularly communicate with associations to discuss the update of applicable laws and regulations. 2. Regularly follow up on new information from associations and any update of laws and regulations pertaining to operations, and respond to relevant changes. 3. Align the marketing, advertising, and sale of drugs with the Pharmaceutical Affairs Act and relevant laws and regulations, and regularly check to ensure the regulatory compliance of current business conduct. 4. Consult competent authorities and experts as necessary. 5. Regularly review the implementation of legal compliance. 6. Regularly hold internal education and training.
	Contract		1. Set up a contract database anew and adapt the contract management model.

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
			<p>2. Optimize the Company's contract templates.</p> <p>3. Strengthen the contract review and negotiation mechanism to moderately reduce contractual risks.</p>
	Intellectual property		<p>1. Inventory internal intellectual property.</p> <p>2. Patent search and infringement analysis.</p>
Hazards risk (epidemic disease)	COVID 19		<p>1. Establish an epidemic reporting mechanism and set up an interdepartmental response team.</p> <p>2. Implement a staggered work schedule; work from home; and adapt the method for holding a meeting or event.</p> <p>3. Purchase rapid tests for employees' use for free, and purchase a group insurance for employees against contraction of the epidemic disease.</p>
Human resources risk (Human resources side)	Workplace safety and labor relations		<p>1. Regularly hold labor-management meetings</p> <p>2. Continuously pay attention to labor laws and regulations.</p>
<p>(VII) Implementation of customer policies: In addition to setting up a customer service hotline and making it available on the Company's website for consumers to have a consultation or file complaints, the Company has also established the "Regulations for Dealing with Customer Complaints," "Regulations for Product Recall," and a customer complaint investigation and handling system. Once a customer complaint case is received, the system will immediately notify the person in charge of the product and demand quick response and solutions to the relevant issues. In addition, the Company has also formulated the "Procedures for Reporting of Adverse Drug Reactions," by which the drug safety team will deal with adverse reactions cases. All cases have been properly handled and archived in compliance with the Personal Information Protection Act.</p>			
<p>(VIII) The Company's purchase of liability insurance for directors: The Company has purchased liability insurance for the directors, including that covering the 2023 period, and February 24, 2023 reported the insurance amount, which was USD3 million, and insurance scope at a Board of Directors meeting.</p>			
<p>(IX) Continuing education courses on corporate governance that were taken by the Company's managers and internal auditors in 2022 are as follows:</p>			
Title	Name	Organizer	Course name
Manager of the Administrative Department	Shu-Ping Huang		Awareness Sessions on Insider Equity Trading for Companies whose Shares Are Traded on the OTC Market or Emerging Stock Market
			Hours of continuing education courses
			3
			Practical Workshops in Taipei for Directors, Supervisors (Including Independent Directors), and Chief Corporate Governance Officers
			12

Evaluation Items	Implementation status (Note 1)		Summary description	Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			Commissioned by TTY Biopharm Company Limited – Advanced Practical Seminar for Directors (Including Independent Directors), Supervisors, and the Chief Governance Officer (The International Trend of Net-Zero Carbon Emissions and Taiwan’s Actions in Promoting Zero-Carbon Transformation)	3
			Prevention of Insider Trading	3
			The Latest “Amendment to the Regulations Governing Establishment of Internal Control Systems by Public Companies” and Practical Courses on Legal Compliance and Fraud Prevention with Respect to “Information Security”	6
			The Latest “Business Mergers and Acquisitions Act” and “Corporate Governance” Case Study (Including the 2022 Key Amendments to the Business Mergers and Acquisitions Act)	6
Senior Manager of the Accounting Department			Continuing Education Programs for the Accounting Officer of Issuers, Securities Dealers, and Stock Exchanges	12
			Key to Operating Systems Audit, and Cross-cycle and Cross-operation Consolidation	6
Senior Specialist of the Audit Office			(Certified Internal Auditor: Subject No.1) Core Knowledge and Skills Required of Internal Auditors: Internal Audit Essentials	18

Evaluation Items	Implementation status (Note 1)		Differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
<p>IX Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.</p> <p>The Company already made the following improvements according to the latest updated Corporate Governance Evaluation indicators in 2022:</p> <ul style="list-style-type: none"> ● Prepared the annual report for the shareholders' meeting in Chinese and uploaded it 18 days before the annual general meeting of shareholders. ● Prepared the annual report for the shareholders' meeting in English and uploaded it 16 days before the annual general meeting of shareholders. ● Raised the ratio of female shareholders to total board seats, to 28%. ● Revised internal regulations and disseminated the information that insiders, e.g. directors and employees, are banned from using non-public information to trade marketable securities. This means (but not limited to the meaning) that directors may not trade shares during the book closure period, which is 30 days prior to the annual financial statements publication date or 15 days prior to the quarterly financial statement publication date. <p>Items put on the improvement list include the following:</p> <ul style="list-style-type: none"> ● Continuously committed ourselves to raising the response rate of the questionnaire on self-evaluation of the implementation of corporate governance by domestic finished product suppliers and OEMs. <p>The Company already set the following improvement goals according to the latest updated Corporate Governance Evaluation indicators in 2023:</p> <ul style="list-style-type: none"> ● Formulate the policy on energy conservation and carbon reduction, GHG emissions reduction, and other waste management, and the annual reduction goals and implementation measures. ● The Sustainability Report is disclosures made in accordance with the SASB standards. 			

Note 1: Regardless of whether "Yes" or "No" is ticked regarding the implementation status, an explanation should still be provided in the explanation column for each item.

(IV) Composition, duties, and operation of the Remuneration Committee

1. Composition:

- (1) The fourth term (current term) Remuneration Committee is composed of Independent Directors Rwei-Syun Chen, Chih-Li Wang, and Yaw-Bin Huang, whose term of office is from May 29, 2020 to May 28, 2023 (same as the term of office of the Board of Directors).
- (2) The basic information of the members of the 4th Remuneration Committee is as follows:

Name	CV
Rwei-Syun Chen	1. Independent Director of Welgene Biotech Co., Ltd. 2. Education: MBA, Columbia University, USA; BA, Department of Biology, National Taiwan Normal University.
Chih-Li Wang	1. Partner CPA, Moores Rowland CPAs; Independent Director, PharmaEngine Inc. 2. Education: BA, Department of Accounting, Soochow University.
Yi-Ming Wang (Predecessor)	1. Chairperson of Yuanta Securities (Hong Kong) Co., Ltd.; Director of Yuanta Hong Kong Holdings (Cayman) Co., Ltd.; Director of Yuanta Investment Management (Cayman) Co., Ltd.; Director of Yuanta Asia Investment (Hong Kong) Co., Ltd.; and Authorized Representative of Yuanta Securities Vietnam Limited. 2. Education: Institute of Accounting, National Changhua Normal University
Yaw-Bin Huang (Successor)	1. Dean of the School of Pharmacy, Kaohsiung Medical University; a professor of the Department of Pharmacy, Kaohsiung Medical University; and the Chief Pharmacist of the Department of Pharmacy, Kaohsiung Medical University Chung-Ho Memorial Hospital. 2. Education: Institute of Pharmacy, Kaohsiung Medical University

2. Information on members of the Remuneration Committee:

March 31, 2023

Capacity (Note 1)	Criteria Name	Professional qualifications and experience (Note 2)	State of Independence (Note 3)	Number of concurrent duties as a Remuneration Committee member at a public company
Convener Independent Director	Rwei-Syun Chen	The person used to be the President of TAHO Pharmaceuticals Ltd.; Business Development Vice President of NAL Pharmaceuticals Ltd.; and Director of Faith Leaper Co.; has more than five years of experience in commerce and other field required by the Company's business; and is not involved in any of the matters specified in the various subparagraphs of Article 30 of the Company Act. The person is currently the Independent Director of Welgene Biotech Co., Ltd.	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the Company; is not an employee of the Company; and does not hold any of the Company's shares.	1
Independent Director	Chih-Li Wang	The person is a practicing CPA of the ROC; has more than five years of work experience; and is not involved in the various subparagraphs of Article 30 of the Company Act. The person is currently a partner CPA of Moores Rowland CPAs and an	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the	1

		independent director of PharmaEngine Inc.	Company and is not an employee of the Company. The independent director Chih-Li Wang holds only 30 of the Company's shares, a humble shareholding percentage that would not bear on his independence.	
Independent Director (Predecessor)	Yi-Ming Wang	The person is a graduate of the Institute of Accounting of National Changhua Normal University; used to be the Executive Vice President of Yuanta Securities; has more than five years of experience in commerce and other field required by the Company's business; and is not involved in any of the matters specified in the various subparagraphs of Article 30 of the Company Act. The person is currently the Chairperson of Yuanta Securities (Hong Kong) Co., Ltd.; Director of Yuanta Hong Kong Holdings (Cayman) Co., Ltd.; Director of Yuanta Investment Management (Cayman) Co., Ltd.; Director of Yuanta Asia Investment (Hong Kong) Co., Ltd.; and Authorized Representative of Yuanta Securities Vietnam Limited.	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the Company; is not an employee of the Company; and does not hold any of the Company's shares.	0
Independent Director (Successor)	Yaw-Bin Huang	The person is a graduate of the Institute of Pharmacy, Kaohsiung Medical University Chung-Ho Memorial Hospital; used to be the Dean of the General Affairs Office of Kaohsiung Medical University, the Director of the Ph.D. Clinical Pharmacy Program of the Pharmacy Department of Kaohsiung Medical University, Director of the Institute of Clinical Pharmacy of Kaohsiung Medical University, and Chairperson of the Pharmaceutical Society of Taiwan; has more than five years of experience required by the Company's business; and is not involved in any of the matters specified in the various subparagraphs of Article 30 of the Company Act. The person is currently the Dean of the School of Pharmacy, Kaohsiung Medical University; a professor of the Department of Pharmacy, Kaohsiung Medical University; and the Chief Pharmacist of the Department of Pharmacy, Kaohsiung Medical University Chung-Ho Memorial Hospital.	The Company has obtained a written statement from each independent director assuring that themselves or their spouse or relative within the second degree of kinship is independent from the Company; is not an employee of the Company; and does not hold any of the Company's shares.	0

Note 1: Please specifically fill in the number of years of relevant work experience, and the professional qualifications and experience, and the status of independence, of each remuneration committee member. Please refer to Table 3 Information on Professional Qualifications of Directors and the Independence of Independent Directors on p.13. For "Capacity," please specify whether the member is an independent director or other (if the member is the convener, please note that fact).

Note 2: **Professional qualifications and experience:** Describe the professional qualifications and experience of each member of the Remuneration Committee.

Note 3: **Independence analysis:** Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second

degree (or through their nominees); whether the member has served as a director, supervisor or employee of a “specified company” (see Article 6, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

Note 4: Regarding the method for disclosure, please refer to the “SAMPLE ANNUAL REPORT” page on the website of the Taiwan Stock Exchange Corporate Governance Center.

3. Powers of the Remuneration Committee:

- (1) Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing the performance assessment standards, and the policies, systems, standards, and structure for the remuneration of the directors and managers.
- (3) Periodically assessing the degree to which performance goals for the directors and managerial officers have been achieved, and setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

4. The Remuneration Committee shall perform the duties in accordance with the following principles:

- (1) Ensuring that the remuneration arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
- (2) Performance assessments and remuneration levels of directors and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, and the reasonability of the relations between the Company’s operating performance and future risks.
- (3) There shall be no incentive for the directors or managerial officers to pursue remuneration by engaging in activities that exceed the tolerable risk level of the Company.
- (4) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company’s business.
- (5) Reasonableness shall be taken into account when the contents and amounts of the remuneration of the directors and managerial officers are set. It is not advisable for decisions on the remuneration of the directors and managerial officers to run contrary to financial performance to a material extent. It is not advisable for said remuneration to be higher than that in the preceding year in the event of a material decline in profits or of long-term losses. If it is still higher than that in the preceding year, the reasonableness shall be explained in the annual report and reported at a shareholders’ meeting.
- (6) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member’s individual remuneration. In addition, the member shall enter recusal during the discussion and voting, and may not act as another Committee member’s proxy to exercise voting rights on that matter.

5. The Company’s remuneration for 2022 was reviewed and assessed as follows:

Date of transaction	Term	Meeting content
March 4, 2022	4th meeting of the 4th term	<ol style="list-style-type: none"> 1. Proposal to distribute compensation to the Company’s employees and directors of 2021. 2. Proposal on the Company’s Special Bonus Distribution Proposal for 2021. 3. Proposal on the regulations for distributing bonus to officers of the Company’s Sales Division for 2022.

		4. Proposal on the regulations for distributing bonus to officers of the Company's Business Development Division for 2022. 5. Managers' annual pay raise proposal.
April 14, 2022	5th meeting of the 4th term	Proposal on the list of directors eligible for the 2021 directors' compensation.
May 5, 2022	6th meeting of the 4th term	Proposal on the nomination for the Chief Governance Officer.
November 3, 2022	7th meeting of the 4th term	Proposal on revision of the Company's "Regulations for Determining the Salary of Managers," and on its attachments.

6. Operation status of the Remuneration Committee:

- (1) The Company's Remuneration Committee has a total of 3 members.
- (2) The term of office of the current (fourth-term) committee members: May 29, 2020 to May 28, 2023. In 2022, the Committee held the Remuneration Committee met four times meetings (A), with members' qualifications and attendance as follows:

Title	Name	Attendance rate (B)	Attendance by proxy.	Attendance rate (%) (B/A) (Note)	Remark
Convener (predecessor)	Yi-Ming Wang	2	0	100%	Resigned on April 15, 2022
Convener (Successor)	Rwei-Syun Chen	4	0	100%	
Committee member	Chih-Li Wang	4	0	100%	
Committee member	Yaw-Bin Huang	1	0	100%	Took office on May 25, 2022

Other information required to be disclosed:

- I. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g. if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons):
No difference.
- II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion.

Remuneration Committee	Proposal Content and Follow-up Implementation	Resolution result	Company's handling of the remuneration committee's opinions
4th term 4th meeting March 4, 2022	1. Proposal to distribute compensation to the Company's employees and directors of 2021. 2. Proposal on the Company's Special Bonus Distribution Proposal for 2021. 3. Proposal on the regulations for distributing bonus to officers of the Company's Sales Division for 2022. 4. Proposal on the regulations for distributing bonus to officers of the Company's Business Development Division for 2022.	Approved by all committee members present.	Above proposals were submitted to the Board of Directors and approved by all directors present.

	5. Managers' annual pay raise proposal.		
4th term 5th meeting April 14, 2022	Proposal on the list of directors eligible for the 2021 directors' compensation.	Approved by all committee members present.	Above proposals were submitted to the Board of Directors and approved by all directors present.
4th term 6th meeting May 5, 2022	Proposal on the nomination for the Chief Governance Officer.	Approved by all committee members present.	Above proposals were submitted to the Board of Directors and approved by all directors present.
4th term 7th meeting November 3, 2022	Proposal on revision of the Company's "Regulations for Determining the Salary of Managers," and on its attachments.	Approved by all committee members present.	Above proposals were submitted to the Board of Directors and approved by all directors present.

Note:

- (1) If any remuneration committee member left the committee before the end of the fiscal year, specify the date that they left the committee in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of remuneration committee meetings held and the number they attended in person during the period they were on the committee.
- (2) If any by-election for remuneration committee members was held before the end of the fiscal year, the names of the new and old committee members should be filled in the table, with a note stating whether the member left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of remuneration committee meetings held and the number attended in person during the period of each such person's actual time on the committee.

7. Information on Members and the Operation of the Nomination Committee:

Not applicable, because the Company has yet to set up a nomination committee.

(V) Composition, duties, and operation of the Sustainable Development Committee

To fulfill corporate social responsibility, establish a good governance system, align with the international trend, and move towards the goals of sustainable operations, the Company set up its Sustainable Development Committee under the Board of Directors on August 4, 2022 according to its "Sustainable Development Committee Charter."

1. Composition:

The 1st (i.e. incumbent) Sustainable Development Committee is composed of three independent directors, namely, Yaw-Bin Huang, Rwei-Syun Chen, and Chih-Li Wang.

2. Powers and duties of the Sustainable Development Committee:

- (1) Formulation of sustainable development policy.
- (2) Formulation of an annual sustainable development plan and strategic direction.
- (3) Follow-up and review of the implementation of sustainable development and the effectiveness thereof, and report on the same to the Board of Directors.
- (4) Determination of matters in relation to sustainable development.

3. Operation status of the Sustainable Development Committee:

- (1) The term of office of the current (1st term) committee members: August 4, 2022 through May 28, 2023; the Sustainable Development Committee held one meeting (A), with members' attendance as follows:

Title	Name	Attendance rate (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remark
Convener	Yaw-Bin Huang	1	0	100	Took office on August 4, 2022
Committee	Chih-Li	1	0	100	Took office on

member	Wang				August 4, 2022
Committee member	Rwei-Syun Chen	1	0	100	Took office on August 4, 2022

Note:

- (1) If any sustainable development committee member left the committee before the end of the fiscal year, specify the date that they left the committee in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of sustainable development committee meetings held and the number they attended in person during the period they were on the committee.
- (2) If any by-election of members of the Sustainable Development Committee was held before the end of the fiscal year, the names of the new and old committee members should be entered in the table, with a note stating whether the member left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of sustainable development committee meetings held and the number attended in person during the period of each such person's actual time on the committee.
- (3) For the professional qualifications and experience, please refer to "(III). Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors" on p.13.

- (2) Date, session, motion content, and resolution of the meetings held by the Company's Sustainable Development Committee in the past year, and measures taken by the Company in response to the opinions of the Sustainable Development Committee:

Sustainable Development Committee	Content of proposal and subsequent response	Resolution result	Measures taken by the Company in response to the Sustainable Development Committee's opinions
1st term 1st meeting December 22, 2022	1. Proposal on formulation of the 2023 annual work schedule for the Company's Sustainable Development Committee.	Approved by all committee members present.	Above proposals were submitted to the Board of Directors and approved by all directors present.

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
<p>I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? (Listed companies should report the implementation status instead of stating compliance or giving explanation.)</p>	V		No difference.

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
<p>II. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulated relevant risk management policies and strategies? (Note 2) (Listed companies should report the implementation status instead of stating compliance or giving explanation.)</p>	V	<p>The Company passed the resolution at the Board of Directors meeting dated October 30, 2020 to formulate the "Risk Management Policies and Procedures," and set up a risk management organization in charge of implementing risk management. The Chief Governance Officer is the convener. Risks that would materially impact the Company are identified every year by each unit through the identification and assessment mechanism, to the extent that the Company is impacted, based on the risks' relevance to the Company's core business and the extent of their impact on material topics; responsive measures are also taken accordingly to ensure that risks have been reduced to an acceptable level, thereby avoiding possible losses.</p> <p>The state of risk management operation was already reported at the Board of Directors meeting dated November 3, 2022 of that year.</p> <p>For the state of the company's identified material risk management operation and please refer to P.52 (VI) Implementation and disclosure of risk management policy and measurement criteria.</p>	No difference.

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
III. Environmental Issues (I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	V	<p>The Company's position in the industrial value chain is drug development (new product evaluation and design and planning of clinical trial) and marketing. The drugs owned by the Company commissioned are produced by domestic PIC/S GMP factories, so the Company does not have any factory or and R&D lab. The Company's business activities mainly take place in the office of Nangang Software Park in Taipei City (the office area is about 222 square meters inclusive of public area). Therefore, ISO-related environmental management system certification does not apply. The Company's operations are characterized by little consumption of water and electricity; even so, the Company continues to encourage colleagues to use water and electricity in an efficient way.</p> <ul style="list-style-type: none"> ● General domestic waste: General domestic waste has been strictly sorted into resources and garbage to facilitate recycling and reduce the amount of garbage. ● Pharmaceutical waste management: Retirement of the Company's inventory waste in the warehouse of an outsourcee is carried out by a professional environmental protection engineering company with a waste disposal permit in compliance with the requirements of local health bureau, in order to ensure minimal impact on the ecology. The Company has never polluted the environment since its establishment on September 1, 2010, and will uphold the same ideal to maintain the best environmental performance. 	(I) No difference.

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(II) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?	V	<p>The Company does not set up any factory. Despite so, the Company still promotes energy conservation and improves environmental protection measures, e.g. encouraging employees to turn off the lights during lunch break and implementing such policy, setting up a paper recycling area beside photocopiers, sorting garbage, reusing company envelopes, introducing the electronic approval system, and cooperating on the electronic invoice policy of the Ministry of Finance (MOF), so as to reduce pollution to the environment. The Company expects to launch its plan in 2023 to inventory and verify its GHG emissions, and will set sound energy management goals after the completion of the plan.</p>	(II) No difference.
(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?	V	<p>The Company outsources the production of all its products and operates mainly in offices. Even so, the Company still supports the energy conservation and carbon reduction policy of the government and adopts measures within its operating premises to reduce its environmental impact. In addition, the Company will further assess the potential risks and opportunities accompanying climate change that would impact an enterprise now and in the future, so as to provide a basis for discussion with suppliers on sustainable development and cooperation.</p>	(4) The Company has yet to take any measure in response to climate-related issues, e.g. the potential risks and opportunities brought by climate change that would impact the Company now and in the future.
(IV) Does the Company make statistics on greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and formulate policies for greenhouse gas emissions reduction, water consumption reduction, or other waste management?	V	<p>The Company has no factories or laboratories; the main sources of pollution from operations are general domestic waste from offices and domestic wastewater from employees. At present, the following specific measures for energy saving and carbon reduction have been formulated and implemented in offices, and will be continuously publicized.</p> <ul style="list-style-type: none"> ● Adjust the temperature at workplace according to the weather. ● Turn off the lights in certain areas during break. ● Turn off the lights and air conditioners in the meeting room or when they are not necessary for reading. ● Set up food leftover bins and garbage sorting and recycling bins. ● Reuse recycled paper. ● Introduce the electronic approval process. ● Encourage colleagues to bring their own tableware. 	(IV) No difference.

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<ul style="list-style-type: none"> The Company has made available tea sets, cups, and plates to reduce the use of paper cups and disposable tableware. Post slogans promoting energy conservation and carbon reduction in public space such as conference rooms and pantry rooms. <p>The main source of energy consumption comes from purchased electricity, which accounted for more than 98% of total emissions in the past two years. Other sources of emissions are figurative emissions (e.g. refrigerant and fire extinguishers). Since the Company does not have manufacturing process, the Company did not produce scope 1 emissions. The scope 1 emissions in were 0.12 metric tons for both 2022 and 2021; scope 2 GHG emissions were 18 tons and 13.7 tons in 2022 and 2021, respectively. Water consumed in 2022 and 2021 amounted to 722 tons and 574 tons, respectively, accounting for 0.3% and 0.31% of GHG emissions, respectively, in the year. The Company did not commission an external institution. Since incorporation in 2010, the Company values the quality of medicines, so the amount of pharmaceutical waste is small. The discarded medicines with harmless characteristics and components in 2022 and 2021 were 3.7 tons and 4.46 tons, respectively. Due to the Company's operational characteristics, the information on the consumption of water and waste is insignificant to the Company.</p>	
IV. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	V	<p>The Company abides by labor laws and the International Bill of Human Rights, and treats employees fairly by reference to the "Universal Declaration of Human Rights," "Ten Principles of the UN Global Compact," and "United Nations Guiding Principles on Business and Human Rights." The Company also formulates related management policy and management systems to ensure employees' basic rights. In addition, the appointment and dismissal, remuneration, and welfare of the Company's personnel are carried out in accordance with the Company's "personnel regulations."</p> <p>The Company's implementation approaches:</p> <ul style="list-style-type: none"> Provide a safe and healthy workplace to ensure the safety of employees and effectively reduce the risk of occupational accidents. 	(1) No difference.

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<ul style="list-style-type: none"> ● Any form of discrimination is prohibited; discrimination in any form or in treatment on the basis of gender, gender orientation, race, age, marital status, religion, political affiliation, place of birth, appearance, facial features, and disability is prohibited. Equal employment opportunities must be ensured. ● Employment of child labor and illegal foreign labor is prohibited. ● Encourage employees to maintain physical and mental health and strike a balance between work and life. ● Forced labor is prohibited; employees are not restricted from taking a leave, nor are they forced to work overtime. ● Create a communicative environment and encourage colleagues to communicate with the Company through labor and management meetings. ● Provide diverse, open communication channels, through which stakeholders such as suppliers and business partners can submit feedback to the Company or report suspected violations. ● Protect the labor rights of disadvantaged or marginalized groups, and employ physically challenged persons and assign them a job that they are qualified to do so as to help them engage in the workforce. The number of physically challenged employee in 2022 was one, accounting for 1.49% of total number of employees. Comply with the employment quota policy stipulated in the “People with Disabilities Rights Protection Act.” ● Regularly review and evaluate relevant risks and review relevant systems and conduct. <p>For the Company’s human rights policy and management projects, please refer to the Company’s website.</p>	


<p>(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation, and other benefits) and appropriately reflected the business performance or results in the employee remuneration?</p>	<p>V</p>	<p>(II) No difference.</p> <p>The Company advocates diversity and equality at work, and establishes a non-discriminated workplace that features diversity in terms of religion, race, age, and gender and is committed to offering equal rewards and equal opportunities to equal work regardless of the gender. In 2022, the ratio of female employees to all employees was 59.42%, and the ratio of female managerial officers to all managerial officers was 57.14%.</p> <p>The Company has a competitive and fair remuneration policy, including base salary (an annual salary of 15 months for non-business colleagues), bonus for the three Chinese festivals, and department performance bonus. In addition, the Company also introduces a performance assessment system in accordance with the “Regulations for Performance Management and Guidelines for Giving Performance Rewards,” by which the calculation and payment of annual performance bonuses to employees are based on the KPIs (key performance indicators) set by the Company, PIs (departmental performance indicators) set by each department based on the KPIs, and the PDPs (performance development plans) set by individuals based on the PIs, and is reviewed based on the Company’s total operating revenue and pre-tax profit achievement in that year. Such a system sets out a specified basis for rewards and discipline based on personal, departmental, and corporate annual operating performance and social ethics and responsibilities.</p> <ul style="list-style-type: none"> ● Annual salary adjustment: Annual salary adjustment is carried out every year based on the salary level prevailing in the market and the Company’s annual operating performance Salary was adjusted by an average of 3.0% in 2022 . ● Salary adjustment for promotion: In each April and October, after the promotion of an employee is reviewed and approved in accordance with the promotion procedures specified in the “Regulations for Performance Management and Guidelines for Giving Performance Rewards,” their salary is raised according to their job rank after promotion. ● A leave system superior to that required by the Labor Standards Act: Employees working for more than three months but less than one year are given 7 days of annual leave. (Superior to what is required by the Labor Standards Act) Employees working for more than one year but less than three years are given 10 days of annual leave. (Superior to what is required by the Labor Standards Act) Employees working for more than three years but less than five years are given 14 days of annual leave. Employees working for more than five years but less than ten years are given 15 days of annual leave. Employees working for more than 10 years are given an additional day of annual leave for each additional year of service until the total days of annual leave reach 30 days. <p>For other employee welfare measures, please refer to “V. Operational Highlights – V. Labor Relations” on p.123 of this annual report, and on the Company’s website.</p>
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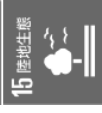




<p>(III) Does the Company provide employees with a safe and healthy working environment, and related education?</p>	<p>V</p>	<ul style="list-style-type: none"> ● Safe and healthy workplace: The Company is committed to providing employees with a safe and healthy workplace. In addition, the Company has formulated the “Regulations for the Safety and Maintenance of Offices” and the “Safety and Health Work Rules,” which have been approved by the competent authority and put into practice. Moreover, the Company has designated an occupational safety and health specialist and commissioned a professional cleaning company to maintain the safety and cleanliness of offices. What’s more, the Company is located in Nangang Software Park, where the fire safety system, security system, and health system are sound and complete. The Company also participates in the fire drill and earthquake drill held by the management committee of the park every year. Colleagues’ safety is ensured, given sufficient number of security personnel stationing in and patrolling the park, assess control and elevator access control in the park, and the control of access to the Company’s premises. In 2022, there was no occupational accidents happened to the Company’s employees. ● Personal insurance: Aside from purchasing labor insurance and national health insurance for all employees as required by law, the Company, in order to offer them more protection, also purchases a group insurance for them. The contents of the group insurance comprise an accident insurance ranging from NT\$1 million to NT\$5 million depending on job ranks, an injury insurance of NT\$20,000, and a hospitalization insurance. Expatriated employees are further covered with a travel insurance purchased by the general affairs unit. In addition, the coverage amount may be adjusted to ensure employees’ travel safety whenever required. ● Health check and education: The Company values employees’ health. In 2022, the Employee Welfare Committee arranged for all employees to be vaccinated against flu and to have a physical checkup, which indicates that the Company cares about its employees’ health. Aside from that, employees’ dependents are allowed to take part. The Company and the Group will hold various training courses every year, in which employees are allowed to participate. 	<p>(III) No difference.</p>
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Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(IV) Has the Company established an effective career development training program for employees?	V	<p>The Company builds a learning organization as a important goal in that it continues to promote training courses on professional competency and management competency, and actively promotes the talent development plan, so as to meet the organization's requirements and cultivate future leaders. In 2022, the Company implemented its strategy to empower its core teams, and launched its "Empowerment Leadership Plan" to cultivate the successor of each department in phases, and implements the Performance Development Programs (PDPs), a performance management system, and the Individual Development Plans (IDPs), so as to facilitate effective learning and career development for employees. The programs set out the direction, methods, and required resources for the development of a given year at March of each year; Employees and their supervisors reach a consensus via regular performance evaluation interview at the end of each year, so as to set and adjust the goals for a new year.</p> <p>Since the Group has established the TTY University, a sound internal talent cultivation system, the Company provides training courses every month, including liberal courses and professional courses. Employees may enroll in the courses based on the requirements of their jobs and their personal development plan. The Company also arranges for new employees to take orientation training courses, hoping that they can quickly adapt to the Company's corporate culture and gradually understand the Company's visions and development direction.</p>	(IV) No difference.
(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V	<p>The Company has established the Good Distribution Practice (GDP) system and had it approved. GDP not only inherits the spirit of rigorous quality management of Good Manufacturing Practice (GMP) for medicines, but also attends to the quality over the entire life cycle of medicines; this ensures that the quality and packaging integrity of medicines after they leave factory can be maintained during the storage and delivery process, thereby ensuring the quality and safety of medicine users.</p> <p>The medicines sold by the Company are prescription medicines and not sold directly to consumers. The product names, outer boxes, package inserts, and labels of the medicines are all in compliance</p>	(V) No difference.




Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
<p>(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>	V	<p>with the “Regulations for Registration of Medicinal Products,” and the advertising of medicines for marketing purposes are filed with the health competent authority for approval in the manner prescribed in the “Pharmaceutical Affairs Act.” The Company has put in place a personal data protection and management system to manage and protect customer privacy. The Company safeguards customers’ personal data through the internal audit of personal data, crisis prevention, and education and training.</p> <p>In addition to setting up a customer service hotline and email address and making them available on the Company’s website for consumers to have a consultation or file complaints, the Company has also established the “Regulations for Dealing with Customer Complaints” and “Regulations for Product Recall,” by which the person in charge of the product will give swift response. In addition, the Company has also formulated the “Procedures for Reporting of Adverse Drug Reactions,” by which the drug safety team will deal with adverse reactions cases.</p> <p>The Company regards suppliers as important partners, and guides them in a direction towards long-term collaboration, thus ensuring a steadily developing sustainable supply chain. In addition, the Company has also put in place supplier management policies to ensure the stability of products and supply chain. The supplier management policy includes:</p> <p>(1) Evaluation of new suppliers</p> <ul style="list-style-type: none"> • Certified with PIC/S GMP, permissions for a drug manufacturer/dealer, TDMF, or other government permissions. • Carry out an on-site and a document review, through which the manufacturing systems, quality assurance systems, quality control systems, warehousing systems, support systems, and validation systems are evaluated. Only those with evaluation scores above 60 points are deemed qualified and can be listed as approved suppliers. <p>(2) Evaluate existing approved suppliers anew every three years.</p> <p>(3) Carry out a comprehensive evaluation every year:</p> <ul style="list-style-type: none"> • An evaluation is performed once a year. • Evaluation items include quality, delivery, service, etc. 	<p>(VI) The Company encourages suppliers to comply with relevant regulations and pass relevant certification when it comes to issues like environmental protection, occupational safety and health, or labor rights, and includes the issues in the supplier management policy. Therefore, there is no difference in this respect.</p>

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<p>• If the evaluation score of a supplier is below 60 points, purchase from the supplier will be suspended.</p> <p>• Suppliers have passed certification respecting environment, occupational safety and health, and labor and human rights (such as occupational safety and health management systems like OHSAS 18001 or ISO 45001 and environmental management systems like ISO 14001); those who submit the supplier sustainable development self-evaluation questionnaire will be rewarded extra points.</p> <p>(4) Conduct regular and irregular meetings with suppliers. Please refer to the Company's website for detailed supplier management policies.</p> <ul style="list-style-type: none"> State of supplier management: <ul style="list-style-type: none"> (1) Supplier self-evaluation <p>We have launched supplier self-assessment questionnaires since the 2021 for each supplier to conduct self-assessment of their performance in the environment, labor service, human rights, social, and product responsibility aspects, so that we can better understand their sustainable development situation. This is currently an item offering extra points in the supplier evaluation.</p> (2) Coached improvement and follow-up <p>In the 2022 supplier evaluation carried out by the Company, no supplier was rated E, a rating that warrants immediate suspension of purchase from a supplier, or was rated C, a rating requires a supplier to make improvement under the Company's coaching and monitoring.</p> (3) Performance evaluation <p>The evaluation ratings in the supplier evaluations in 2022 were mostly A~C, ratings that were deemed qualified in terms of quality, service, and delivery date. In addition, in 2022, the Company carried out an evaluation of three of currently approved suppliers by conducting an on-site audit that is required every three years; the three</p> 	

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
V. Has the Company referred to international reporting standards or guidelines in its preparation of sustainability reports and other reports which disclose the Company's non-financial information? Does the company obtain third party assurance or certification for the sustainability reports?	V	suppliers were all rated A. The 2021 Sustainability Report was compiled in accordance with the GRI G4 Guidelines published by the Global Reporting Initiative (GRI), and was submitted to the Board of Directors meeting dated May 5, 2022. The report, however, had not been attested by an independent certification body.	The corporate social responsibility report has not been certified or assured by an independent certification body.
VI. If the Company has adopted its own sustainable development best-practice principles based on the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: None.			
VII. Other important information to facilitate better understanding of the company's promotion of sustainable development: The Company continuously strives to achieve the sustainable development goals, improve patients' living quality, and become the best strategic partner in the development and marketing in Asia for international innovative biotech firms. Upholding SDG 3 Good Health and Well-being and SDG 17 Partners for the Goals of the United Nations, the Company is progressing towards sustainable development in terms of all of the three ESG aspects, namely, environment, society, and corporate governance. TSH set up its Sustainable Development Committee under the Board of Directors on August 4, 2022, and had the several operating units assemble the ESG function team. The Committee is responsible for formulating sustainable development strategy, goals, and action plans; the ESG function team is responsible for carrying out the action plans. The Sustainable Development Committee is responsible for reporting on the progress to the Board of Directors every quarter, and tracking and managing each sustainable development performance indicator simultaneously.			
The three sustainable development aspects and task forces			
Aspect	E: Sustainable environment	S: Social responsibility	G: Corporate governance
ESG Team	Environmental Friendliness Task Force	Employee and Society Care Task Force Drug Use Approval and Product Ethics and Safety Task Force	Corporate Governance Task Force
State of implementation of sustainable development in 2022			
E: Sustainable environment			
Sustainable Development Goals (SDGs) of the United Nations	Implementation content		
 3 健康與福祉	<ul style="list-style-type: none"> ● Maintained a high-quality supplier management: Regularly inspected suppliers to ensure that the supplier's manufacturing process resulted in little pollution of air, water, soil, chemical substances, etc., so as to ensure the health and safety of the Company's colleagues and the residents around the factory area. The Company was not subject to any environmental pollution penalties in 2022. ● In 2022, the Company carried out an internal fire safety inspection, and participated in one fire evacuation drill held by Nangang Software Park. 		

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
			<ul style="list-style-type: none"> ● Safe management of waste: Hazardous waste – Regularly checked for product life cycle; drugs are scrapped and recycled centrally. Non-hazardous waste – Sorted and recycled according to the Park’s policy. Waste was disposed of according to law. The Company did not violate any waste disposal laws or regulations in 2022. ● The coffee beans and tea bags at the disposal of employees and guests all bear an International Fairtrade Certification Mark. <p>*Note: Fairtrade International formulated the Fairtrade Standard for the world to follow. The standard is applicable to importers, exporters, and manufacturers, and requires them to be subject to the monitoring and audit carried out by a certification body. This way, the standard makes the supply chain transparent, and social influence measurable and visible. A product bearing the International Fairtrade Certification Mark denotes that the source of raw materials has been audited by the Fairtrade International. A consumer buying a product bearing the mark is also contributing to the sustainability of the world and democracy of society.</p> <ul style="list-style-type: none"> ● Dishwashing detergent and hand sanitizer at the disposal of office employees all bear a green product mark. <p>*Note: Green products refer to products made of pure natural food or natural plants that do not contain any chemical additives, or to products that meet environmental requirements during production, use, and processing and are harmless or minimally harmful to the environment and conducive to resource regeneration and recycling.</p>
  			<ul style="list-style-type: none"> ● Tea cups and mugs that can be repetitively used are provided to office visitors, to reduce the environmental pollution resulting from disposable drinking water bottles. ● Copy paper ready for use in office bears the FSC™ mark. ● A total of 4,100 desk calendars of 2023 were printed in 2022 using printer paper that bears the FSC™ mark. <p>*Note: FSC “forest management certificate”: A certificate granted to forest management institution confirming that the forest is being managed in a way that preserves the environment and benefits society, while ensuring it sustains economic viability.</p>
 			<ul style="list-style-type: none"> ● TSH participated in Step30 by setting up a small collection station. As a result, a total of 806 pieces of clothing and 64 bags were collected and sent to Africa for the needy therein, reducing 3,385.2 kg of carbon emissions.
State of implementation of sustainable development in 2022			
S: Social responsibility			
Sustainable Development Goals (SDGs) of the United Nations			Implementation content
 			<ul style="list-style-type: none"> ● The Company elected to support local small farmers by purchasing 95 rice gift boxes as new year gifts from them. The company supports local production and local consumption; ensures food security; eliminates hunger; promotes sustainable agriculture; and helps reduce carbon dioxide emissions generated during transportation.

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	
 	<ul style="list-style-type: none"> ● The Company purchased 87 pieces of products that bear a green product mark, conform to the sustainability standard, and aim for pandemic prevention, and gave out them as Dragon Boat Festival gifts. Those are green products that are properly managed in an environmentally friendly manner, that greatly reduce the chances of discharge into the air or leakage into water and soil, that reduce the negative impact on human health and the environment, and that prevent epidemics and promote health at the same time. ● The Company gave out Moon Festival gifts while promoting public benefit. Since its policy advocates environmental protection, the Company purchased reusable cups as festival gifts, which is a concrete action to support reduction in plastics use. Meanwhile, the Company showed its support for the Smile Angle Bakery of Nextop Charity Foundation by purchasing 75 gift boxes of yolk pastry and nut tart. 		
  	<ul style="list-style-type: none"> ● The Company donated the revenue from the internal charity sale in the amount of NTS40,330 to the “Aging with You” project of the Double Bliss Welfare And Charity Foundation. ● The Company provided one dose of vaccine against flu to employees at the Company’s expense, and to their dependents at a subsidized rate. ● The Company provided one time of health checkup to employees at the Company’s expense, and to their dependents at a subsidized rate. ● In support of the CDC’s COVID-19 policy, the Company implemented constantly reviewed pandemic control measures. During April and July, the Company implemented a work-from-home scheme, and continuously provided employees with pandemic insurance, vaccination leave, pandemic care leave, and pandemic prevention supplies, e.g. rapid tests, masks, and disinfectant spray. ● In September and October, the Company separately held the “Health Education Seminar for All Taiwanese on Health-keeping and ‘Heart’ Campaign,” giving health education on three main diseases, namely, angina pectoris, hyperlipidemia, and hypertension. Participants totaled 205 persons for the September session and 236 persons for the October session. ● The Company set up a health education zone on its official website; the zone features physician specialists who focus on a specific area of medicine giving a talk, and includes three video clips and one set of illustration articles for dummies, allowing the general public to access health knowledge for free. 		
	<ul style="list-style-type: none"> ● Board of Directors diversity: Female directors account for 28.6% of total board seats. ● The Company promotes gender-neutral employment and provides equal employment opportunities to both genders. Currently, employees’ gender ration (men to women) is 3 to 4. ● The Company continues to establish a friendly workplace and eradicate workplace bullying and sexual harassment. There was no grievance case on sexual harassment in 2022. 		
	<ul style="list-style-type: none"> ● To provide employees with the opportunities for learning and growth, the Company has forged a learning organization. In 2022, the Company held six group-based study programs; two educational training sessions; the Mentor Program which enrolled 10 employees; and the Golden Star Cultivation Program which enrolled 1 employee. ● The Company values two-way communication with, and commitment to, employees; it further sets goals for the annual performance evaluation system, and the goals have been fully achieved. Employees will be promoted and given a pay raise according to their performance. 		

Item	Implementation status (Note 1)		Differences from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
 <p>● The Company donated NT\$30,000 to Hondao Senior Citizen's Welfare Foundation's "2022 Pack Your Love in Your Clothing for the Elderly" project, hoping to make humble contribution to the plan to care for vulnerable elders living alone, thereby delivering warmth and care to the minds of the elderly and continuing the care service.</p>			
State of implementation of sustainable development in 2022			
G: Corporate governance			
Sustainable Development Goals (SDGs) of the United Nations	Implementation content		
	<ul style="list-style-type: none"> ● The Company held an online/physical awareness session on business ethics, including ethical corporate management, prevention of insider trading, information security, and trade secrets in the year. ● The Company held an awareness session on prevention of insider trading, and reminded insiders not to trade shares within 30 days/15 days before the annual/quarterly financial statements publication date. ● The Company was rated among the top 5% in the Corporate Governance Evaluation for TWSE/TPEX-listed Companies. 		
 <p>In 2022, the Company published the 9th Sustainability Report in the Chinese language and the 1st Sustainability Report in the English language.</p>			

Note 1: If "Yes" is ticked in the "Implementation status" column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If "No" is ticked in the "Implementation status" column, please explain the deviations and the reasons in the "Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons" column and explain the Company's plans for adoption of related policies, strategies, and measures in the future. However, TWSE/TPEX listed companies must specify the governance and supervising structure of sustainable development for Item 1 and Item 2, including but not limited to, management approaches, formulation of strategies and goals, and review measures. Additionally specify the policy or strategy respecting the management of risks pertaining to the social, economic, and corporate governance issues in relation to operations, and the evaluation status thereof.

Note 2: The materiality principle refers to the environmental, social and corporate governance issues likely to have a material impact on the Company's investors and other stakeholders.

Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center.

Climate-related information of TWSE/TPEX listed companies: Not applicable. According to the FSC's official letter coded Jin-Guan-Zheng-Fa-Zi No.11103849344, the Company is a subsidiary which is consolidated in the consolidated financial statements of a TWSE/TPEX listed parent and whose paid-in capital is less than NT\$5 billion, and is therefore required to disclose the inventory information starting from 2027 and the assurance information starting from 2029.

(VI) Ethical Corporate Management – Implementation Status and Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Items	Implementation status (Note)		Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	
<p>I. Formulate ethical corporate management policy and plan</p> <p>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and by-laws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?</p>	V	No	<p>(I) No difference.</p> <p>(II) No difference.</p>

Evaluation Items	Implementation status (Note)		Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons for the differences
	Yes	No	
(III) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		To prevent unethical conduct, the Company has formulated the "Ethical Corporate Management Operating Procedures and Code of Conduct" and a system for imposing penalty on violations and for filing complaints. No employee of the Company is allowed to provide or accept any improper benefits or engage in illegal conduct. Relevant policy is implemented by the "Ethical Corporate Management Taskforce" and reviewed and revised periodically every year. For the system and regulations for filing complaints, see the Company's website. In 2022, there was no unethical incident.
II. The implementation of ethical corporate management (I) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? (II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		(I) No difference. (II) No difference.

Evaluation Items	Implementation status (Note)		Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	
			<p>Corporate Governance Association to give a lecture on “prevention of insider trading” to directors at the headquarters. In addition, a notice is given at least 30 days prior to the annual financial statements’ publication date and at least 15 days prior to the quarterly financial statements publication date to remind directors not to trade the Company’s shares during the close period.</p> <p>2. Report on the state of whistleblowing No whistleblowing case was received through internal or external whistleblowing channels, e.g. mailbox or the independent mailbox of the Ethical Corporate Management Taskforce.</p> <p>3. The Board of Directors and senior management have signed a statement of compliance with the ethical corporate management policy.</p> <p>4. To prevent conflict of interest, directors and managers and their stakeholders are required to be highly self-disciplined and provided with the means, e.g. meetings, documents, email, or phone call, to state whether their interests conflict with the interests of the Company. Of all the proposals discusses or put to vote at the Board of Directors meetings in 2022, directors voluntarily stated their related interests when it comes to the proposals involving their personal interests, and recused themselves from the voting. Such process was recorded in the Board of Directors meeting minutes by the meeting affairs unit.</p>

Evaluation Items	Implementation status (Note)		Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	
(III) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(III) No difference. The Company has formulated its “Ethical Corporate Management Operating Procedures and Code of Conduct” and “Whistleblowing System,” in which the policy to prevent conflicts of interest and the channel to report conflicts of interest are specified. In addition, to prevent conflict of interest, directors and managers and their stakeholders are required to be highly self-disciplined and provided with the means, e.g. meetings, documents, email, or phone call, to state whether their interests conflict with the interests of the Company. Of all the proposals discusses or put to vote at the Board of Directors meetings in 2022, directors voluntarily stated their related interests when it comes to the proposals involving their personal interests, and refused themselves from the voting. Such process was recorded in the Board of Directors meeting minutes by the meeting affairs unit.
(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(IV) No difference. The Company has established an effective accounting system and internal control system to ensure the implementation of ethical corporate management. In addition, the Audit Office will formulate the annual audit plan and relevant audit procedures based on the evaluation results of the risks of unethical conduct, audit the compliance with the system mentioned in the previous paragraph, and report on the audit results at a Board of Directors meeting. In addition, the Accounting Department and the Audit Office communicate and discuss with CPAs on the accounting system and internal control system and their implementation every year. In addition, each of the Company’s units must examine the effectiveness of design and implementation of the internal system through the annual self-evaluation of the internal control system.
(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(V) No difference. The Company’s “Ethical Corporate Management Promotion Team” holds an internal awareness session on ethical corporate management. On August 23, 2022, the Legal unit gave a 30-minute awareness session to employees on “ethical corporate management, prevention of insider trading, and Personal Information Protection

Evaluation Items	Implementation status (Note)		Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	
			Act,” so that employees were aware of the importance of ethical corporate management and prevention of insider trading and compliance with the Personal Information Protection Act. Employees attending the session totaled 64 persons and have all completed a post-session online test. On October 12, 2022, the Company arranged for Taiwan Corporate Governance Association to give a lecture on “prevention of insider trading” to directors at the headquarters. In addition, the Company also arranged for directors to take external courses. For the continuing education of directors, please refer to p.51.
<p>III. The operation of the Company’s whistleblower reporting system</p> <p>(I) Does the Company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels and designate responsible individuals to handle the complaints received?</p>	V	<p>The Company has established a “Whistleblowing System” (for details, please refer to the company’s website), which vests the powers to deal with a whistleblowing case on independent directors, Audit Office, or Ethical Corporate Management Taskforce depending on the one being accused. In addition, the whistleblowing channel and contact information are made available on the Company’s website. Furthermore, the identity of the whistleblower and the whistleblowing content are kept strictly confidential. Violators of ethical conduct will be punished, discharged, laid off, or be subject to legal proceedings according to laws, regulations, or the Company’s internal regulations depending on the severity of violation.</p> <ul style="list-style-type: none"> Whistleblowing channel: <ul style="list-style-type: none"> Ethical Corporate Management Taskforce Email: ethical@tshbiopharm.com <u>Internal whistleblowing channel:</u> <u>Whistleblowing hotline:</u> Audit Officer: Ya-Chi Wu Tel: 02-2655-8525 (ext. 5523) Email: Jessica_Wu@tshbiopharm.com <u>External whistleblowing channels:</u> Name: Independent Director Chih-Li Wang (partner CPA of Moores Rowland CPAs) Email: lmui@ms59.hinet.net 	(I) No difference.

Evaluation Items	Implementation status (Note)		Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons for the differences
	Yes	No	
			<ul style="list-style-type: none"> ● Acceptance unit: The unit exclusively responsible for accepting the case includes the Ethical Corporate Management Taskforce and the Audit Officer. ● Reward rules: If the matter exposed is confirmed to be true, rewards will be given by Article 8 of the Company's "Work Rules."
(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted, and the related confidentiality measures after investigation?	V		<p>The standard investigation operating procedures for dealing with the matter being exposed, and the confidentiality mechanism, are based on the Company's "Whistleblowing System." Including the following (summary description):</p> <ul style="list-style-type: none"> ● Required for whistleblowing: Whistleblowing must be made using the name of a whistleblower, who must enumerate the facts and sign for confirmation. ● Accepted. ● Investigation: After the case is accepted, an investigation will be carried out to verify the facts. If necessary, relevant information, with the personal information of the whistleblower being masked, can be provided to relevant units, external lawyers, or experts to seek their assistance. If the accusation is verified to be true, the accused will be demanded to cease relevant conduct immediately and appropriately punished. The Company may, where required, seek damages through legal proceedings. ● Reporting and adjudication of guilt: After the unit accepting the case completes necessary investigation procedures, the unit will issue an investigation report based on the facts verified and report the whistleblower protection policy to other units at the various levels. Archiving of whistleblowing documents.
(III) Does the Company adopt proper measures to shield a whistleblower from retaliation for filing grievances?	V		<p>The Company keeps the identity of the whistleblower strictly confidential and refers to them using a code instead. The original documents that require the information on the identity of the whistleblower to be presented are further covered with a book cover, lest the whistleblower be improperly treated. The protection</p>

Evaluation Items	Implementation status (Note)		Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	
			<p>policy is briefly described as follows:</p> <ul style="list-style-type: none"> • The Company promises to keep the identity of the whistleblower completely confidential and not to treat the whistleblower improperly or unfavorably on the basis of the whistleblowing. • If the identity of the whistleblower is exposed, the unit accepting the case should investigate the process of identity exposure, find out the person exposing the identity, and strictly punish the person according to the Company's Work Rules. • All letters, documents, statements, or information related to whistleblowing must be sealed and archived in the confidential folder exclusively for the unit accepting the case. If any information is leaked, punishment will be imposed based on the Company's Work Rules.
IV. Enhance Information Disclosure (I) Does the Company disclose the content and implementation results of its Ethical Corporate Management Best-Practice Principles on its website and the Market Observation Post System?	V		No difference.
V. If the company has adopted its own ethical corporate management best-practice principles based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies, please describe any deviation from the principles in the company's operations: None.			
VI. Other important information to facilitate better understanding of the company's promotion of sustainable development (e.g. review or revision of its Ethical Corporate Management Best-Practice Principles): Upholding a corporate culture of ethics and integrity, the Company acts in strict adherence to its "Ethical Corporate Management Best-Practice Principles" and actively prevents unethical conduct, so as to achieve the sustainable development goals.			

Note : Regardless of whether "Yes" or "No" is ticked regarding the implementation status, an explanation should still be provided in the explanation column for each item.

(VII) If the Company has formulated the Corporate Governance Best-Practice Principles and related rules, it shall disclose the query methods:

1. The Company has operated by the spirit of corporate governance, implemented corporate governance regulations, and formulated the following rules, procedures, and regulations, and will strengthen the operation of corporate governance by revising such management rules, procedures, and regulations in accordance with relevant laws and regulations.
 1. “Rules of Procedure for Shareholders’ Meetings” 2. “Rules and Procedures for Board of Directors Meetings” 3. “Rules Governing the Scope of Powers of Independent Directors”
 4. “Procedures for Transactions between a Group Entity, a Specific Company, and a Related Party” 5. “Procedures for the Acquisition or Disposal of Assets” 6. “Procedures for Extending Loans to Others”
 7. “Procedures for Endorsements and Guarantees” 8. “Regulations Governing the Election of Directors” 9. “Code of Ethics”
 10. “Ethical Corporate Management Best-Practice Principles” 11. “Regulations for Material Inside Information Handling and Insider Trading Prevention” 12. “Code of Practice for Sustainable Development”
 13. “Corporate Governance Best-Practice Principles” 14. “Procedures for Handling Occasional, Material Information” 15. “Whistleblowing System”
 16. “Board of Directors Performance Evaluation Guidelines” 17. “Audit Committee Charter” 18. “Remuneration Committee Charter”
 19. “Rules for Performance Evaluation of Functional Committees” 20. “Standard Operating Procedures for Handling Directors’ Requests” 21. “Ethical Corporate Management Operating Procedures and Code of Conduct”
 22. “Risk Management Policy and Procedures”
2. Inquiry method: the Company’s website/Investors/Corporate Governance/Company Rules and Regulations <http://www.tshbiopharm.com>.

(VIII) Other important information conducive to understanding the operations of corporate governance may be disclosed: None.

(IX) Status of implementation of internal control system

1. Statement of internal control

TSH Biopharm Corporation Ltd. Statement of Internal Control System

Date: February 24, 2023

The Company states the following for its 2022 internal control system based on the results of self-evaluation:

- I. The Company's Board of Directors and management are responsible for establishing, implementing and maintaining a proper internal control system. The purpose of such an internal control system is to provide reasonable assurance that the following three objectives will be met: 1) effectiveness and efficiency of operations (including profitability, performance, and asset security safeguards); 2) reliability, timeliness, transparency, and compliance of reporting; and 3) compliance with regulations, laws, and by-laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, the Company's internal control system does incorporate a self-supervision mechanism that will enable the Company to take swift action to rectify a deficiency as soon as it is identified.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as The Governing Principles) to determine whether or not the existing policies continue to be effective. The judgment criteria set forth in the Regulations can be categorized by control procedure into the following five components: 1) Control environment; 2) Risk assessment; 3) Control activities; 4) Information and communication; and 5) Monitoring activities. Each component further comprises several items. For the aforesaid items, please refer to the Regulations.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the aforementioned assessment, the Company concludes that the Company's internal control system (including management and supervision of subsidiaries) as at December 31, 2022 can reasonably assure the achievement of the aforementioned goals, namely the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and compliance of reporting, and the compliance with regulations, laws, and by-laws.
- VI. This Statement will be an integral part of the Company's annual report and prospectus and will be made public. Any misrepresentation or concealment in this Statement shall be subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Company's Board of Directors on February 24, 2023. Of the 7 directors present, 0 had objections, and the rest all agreed with the content of this statement and hereby declare the same.

TSH Biopharm Corporation Ltd.

Chairperson: Chuan Lin

Signature and/or Seal

President: Sze-Yuan Yang

Signature or Seal

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during 2022 or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders' meeting or a board of directors meeting during 2022 or during the current fiscal year up to the date of publication of the annual report:

1. Important resolutions of the Shareholders' Meeting and their implementation:

Meeting title/date	Important resolutions and their implementation			
Annual Shareholders' Meeting May 25, 2022	1. Approved the Company's business report and financial statements for 2021. Implementation status: Passed through a resolution.			
	2. Approved the Company's 2021 Earnings Distribution Proposal. Implementation status: Passed through a resolution by the Shareholders' Meeting and fully implemented accordingly. Set the ex-dividend record date for June 19, 2022 and the payable date for July 8, 2022 (NT\$1.5 of dividends in cash to each share).			
	3. Approved the revision of the Company's "Regulations Governing the Election of Directors." Implementation status: Passed through a resolution.			
	4. Approved the revision of the Company's "Procedures for the Acquisition or Disposal of Assets." Implementation status: Passed through a resolution.			
	5. By-election of independent directors. Implementation status: Election results: The list of new independent directors is as follows; the list was approved for registration by the Taipei City Government and announced on June 7, 2022.			
		Account number/Tax number	Account name/Name	Number of votes secured
	Independent Director	F22194****	Yaw-Bin Huang	23,221,995 votes

2. Important resolutions of the Board of Directors:

Meeting title/date	Summary of important resolutions
Board of Directors March 4, 2022	1. Proposal to distribute compensation to the Company's employees and directors of 2021. 2. Proposal on the Company's 2021 Business Report and financial statements. 3. Proposal on the Company's Earnings Distribution Proposal for 2021. 4. By-election of independent directors. 5. Proposal to revise the Company's "Procedures for the Acquisition or Disposal of Assets." 6. Approved the revision of the Company's "Regulations Governing the Election of

Meeting title/date	Summary of important resolutions
	<p>Directors.”</p> <ol style="list-style-type: none"> 7. Proposal on the agenda, date, time, and venue of the Company’s Annual Shareholders’ Meeting for 2022. 8. Proposal on the Company’s 2021 Statement on Internal Control. 9. Proposals submitted by the Remuneration Committee <ol style="list-style-type: none"> (1) Proposal to distribute bonus to employees of 2021: To stimulate the Company’s key officers (including managers and non-managerial staff), the Company intends to distribute performance bonus along with employee compensation. (2) Proposal on the regulations for distributing bonus to officers of the Company’s Sales Division for 2022. (3) Proposal on the regulations for distributing bonus to officers of the Company’s Business Development Division for 2022. (4) Proposal on the suggestions to adjust the salary of the Company’s managers of 2022.
<p>Board of Directors April 14, 2022</p>	<ol style="list-style-type: none"> 1. Proposal on the list of candidates for independent directors in the 2022 by-election. 2. Proposal on the Company’s intention to sign a “product distribution contract” with company T. 3. Proposal on the revision of the Company’s “Corporate Governance Best-Practice Principles.” 4. Proposal on the revision of the Company’s “Corporate Social Responsibility Best-Practice Principles.” 5. Proposals submitted by the Remuneration Committee <ol style="list-style-type: none"> (1) Proposal on the list of directors eligible for the 2021 directors’ compensation.
<p>Board of Directors May 5, 2022</p>	<ol style="list-style-type: none"> 1. Proposal on the Company’s financial statements for the first quarter of 2022. 2. Proposal on the revision of the Company’s “Regulations for Material Inside Information Handling and Insider Trading Prevention” 3. Proposal on the nomination for the Company’s spokesperson. 4. Proposals submitted by the Remuneration Committee <ol style="list-style-type: none"> (1) Proposal on the nomination for the Chief Governance Officer.
<p>Board of Directors May 25, 2022</p>	<ol style="list-style-type: none"> 1. Proposal on the appointment of members of the Company’s 4th “Remuneration Committee.”
<p>Board of Directors August 4, 2022</p>	<ol style="list-style-type: none"> 1. Proposal on the Company’s financial statements for the second quarter of 2022. 2. Proposal on the revision of the Company’s “Regulations for Material Inside Information Handling and Insider Trading Prevention.” 3. Proposal on the planning of the timeline for the Company’s GHG inventory and verification. 4. Proposal to set up the Sustainable Development Committee under the Board of Directors and formulate the Company’s “Sustainable Development Committee Charter.” 5. Proposal to appoint members of the Company’s 1st Sustainable Development Committee.
<p>Board of Directors November 3, 2022</p>	<ol style="list-style-type: none"> 1. Proposal on the Company’s financial statements for the third quarter of 2022. 2. Proposal on the Company’s 2023 Audit Plan. 3. Proposal on the amendment to the Company’s Internal Control System and Internal Audit System. 4. The company intends to sign a contract with Company C as well as a the Company’s development projects supplemental agreement. 5. Proposals submitted by the Remuneration Committee

Meeting title/date	Summary of important resolutions
	(1) Proposal to revise the Company’s “Regulations for Determining the Salary of Managers” and its attachments.
Board of Directors December 22, 2022	<ol style="list-style-type: none"> 1. Proposal on the Company’s 2023 budget and key performance indicators (KPIs). 2. Proposal to appoint KPMG Taiwan as the Company’s accounting firm and for various audit fees for various audit services for 2023. 3. Proposal to formulate the general principles for the Company’s pre-approval of non-assurance service policy. 4. Proposal to sign a “Lease Agreement” of the period between 2023 and 2024 with TTY Biopharm Company Limited 5. Proposal to sign an “Information Service Contract” of the period between 2023 and 2024 with TTY Biopharm Company Limited 6. Proposal to sign a “Legal Affairs Outsourcing Service Contract” of the period between 2023 and 2024 with TTY Biopharm Company Limited
Board of Directors March 24, 2023	<ol style="list-style-type: none"> 1. Proposal to distribute compensation to the Company’s employees and directors of 2022. 2. Proposal on the Company’s 2022 Business Report and financial statements. 3. Proposal on the Company’s Earnings Distribution Proposal for 2022. 4. Proposal on amendment to the Company’s “Articles of Incorporation.” 5. Proposal on general election of directors. 6. Proposal on the agenda, date, time, and venue of the Company’s Annual Shareholders’ Meeting for 2023. 7. Proposal on the Company’s 2022 Statement on Internal Control. 8. Proposal to sign a contract with TTY Biopharm Company Limited to allow it to exclusively sell flu vaccine products. 9. Proposals submitted by the Remuneration Committee <ol style="list-style-type: none"> (1) Proposal on the list of directors eligible for the 2022 directors’ compensation. (2) Proposal to distribute bonus to employees of 2022: To stimulate the Company’s key officers (including managers and non-managerial staff), the Company intends to distribute performance bonus along with employee compensation. (3) Proposal on the suggestions to adjust the salary of the Company’s managers of 2023. (4) Proposal on the regulations for distributing bonus to officers of the Company’s Sales Division for 2023. (5) Proposal on the regulations for distributing bonus to officers of the Company’s Business Development Division for 2023. (6) Proposal to promote managers by the Company’s performance management regulations and internal approval authority table.

(XII) During 2022 or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIII) A summary of resignations and dismissals, during 2022 or during the current fiscal year up to the date of publication of the annual report, of the company’s chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

Summary table of resignation and dismissal of relevant persons in the Company

March 31, 2023

Title	Name	Date the person took office	Date the person was dismissed	Reason for resignation or dismissal
Vice President of the General Administrative Division and Chief Governance Officer	Hsin-Yang Liu	April 1, 2020	April 30, 2022	Personal career planning

Note: The term “relevant persons” as used here refers to the chairperson, president, vice presidents, accounting officer, financial officer, internal audit officer, chief corporate governance officer, and research and development officer.

V. Audit fees paid to attesting CPAs

(I) Audit fees paid to attesting CPAs

Unit: NT\$1,000

Accounting firm Name	CPA Name	CPA audit period	Audit fee	Non-audit fees	Total	Remark
KPMG Taiwan	Shin-Ting Huang	January 1, 2022– December 31, 2022	1,020	407	1,427	—
	Yilien Han	January 1, 2022– December 31, 2022				

Note1: The Company's non-audit fees comprise the fees for attestation of taxation documents, printing of financial statements, and specimen chop verification, totaling NT\$407 thousand.

Note 2: If the Company changed its CPAs or accounting firm during the fiscal year, list the audit periods before and after the change separately, and specify the reason for the change in the "Remarks" column and disclose sequentially the audit and non-audit fees paid. For non-audit fees, additionally specify the content of the services.

- 1. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed:**

Not applicable.

- 2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor should be disclosed.**

Not applicable.

VI. Information on replacement of CPAs: The Company did not replace its CPAs in the most recent year.

VII. Where the company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, managerial officers, and shareholders with a stake of more than 10 percent, and the number of shares transferred or pledged.

(I) Changes in Shareholding of Directors, Managerial Officers, and Major Shareholders

Title (Note 1)	Name	2022		Year-to-date through March 31	
		Number of shares held increase (or decrease)	Pledged shareholding increase (or decrease)	Number of shares held increase (or decrease)	Pledged shareholding Increase (or decrease)
Director (Major shareholder holding more than 10% of the Company's shares)	TTY Biopharm Company Limited	0	0	0	0
Independent Director	Chih-Li Wang	0	0	0	0
Independent Director	Rwei-Syun Chen	0	0	0	0
Independent Director	Yaw-Bin Huang	0	0	0	0
Independent director (resigned on April 15, 2022)	Yi-Ming Wang	0	0	0	0
President	Sze-Yuan Yang	0	0	0	0
Vice President of the General Administrative Division (Resigned on April 30, 2022)	Hsin-Yang Liu	0	0	0	0
Director of the Business Development Division	Chao-Jen Liao	0	0	0	0
Director of the Business Division	Chien-Jung Huang	0	0	0	0
Senior Manager of the Accounting Department, General Administrative Office	Chen-Ju Kan	0	0	0	0
Manager of the Administrative Department of the General Administrative Division	Shu-Ping Huang	0	0	0	0

Note 1: Shareholder who holds more than 10% of the Company's total shares: TTY Biopharm Company Limited

Note 2: Where the counterparty of a transfer of shareholding or a pledge of shareholding is a related party: None.

(II) Information on Transfers of Shareholding: Not applicable.

(III) Information on Pledges of Shareholding: Not applicable.

IX. Information on the relationship among the 10 largest shareholders who are a related party, spouse, or a relative within the second degree of kinship of one another

Name (Note 1)	Shares held by the person Number of shares held		Shares held by spouse and minor children		Shares held under the name of others Total number of shares held		The name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree as stated in the Financial Accounting Standards – Statement No.6 (Note 3)		Remark
	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Title (or name)	Relationship	
TTY Biopharm Company Limited Representative: Chuan Lin	21,687,177	56.48	0	0	0	0	None	None	-
Chuan Lin	0	0	0	0	0	0	None	None	-
Dawan Technology Co., Ltd. Representative: Ying-Jun Hsiao	805,941	2.10	0	0	0	0	None	None	-
TransGlobe Life Representative: Teng-De Peng	690,000	1.80	0	0	0	0	None	None	-
Ding-Wei Hong	432,730	1.13	0	0	0	0	None	None	-
Microbio Co., Ltd. Representative: Shian-Shou Kuo	386,240	1.01	0	0	0	0	None	None	-
Rong-Jin Lin	350,194	0.91	0	0	0	0	None	None	-
Ya-Chi Pan	302,000	0.79	0	0	0	0	None	None	-
Ying-Chang Liu	282,300	0.74	0	0	0	0	None	None	-
Wen-Xing Lee	268,000	0.70	0	0	0	0	None	None	-
Bing-Yu Hsieh	230,000	0.60	0	0	0	0	None	None	-

Note 1: All of the top 10 shareholders should be listed, and the names of corporate/juristic person shareholders and their representatives should be listed separately.

Note 2: The shareholding ratio (%) is calculated as the total numbers of shares respectively held by the shareholder, their spouse and minor children, or through nominees.

Note 3: Disclose the relationships among the above-listed shareholders, including corporate/juristic person shareholders and natural person shareholders, in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The total number of shares and the consolidated equity stake percentage held in any single investee enterprise by the Company, its directors, managerial officers, or any companies controlled either directly or indirectly by the Company

Not applicable to the Company.

Four. Fund Raising Status

I. Capital and shares

(1) Source of share capital

Unit: thousand shares; NT\$1,000

Date	Issue Price	Authorized capital stock		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Source of share capital	Capital paid in by assets other than cash	Others
September, 2010	10	50,000	500,000	15,000	150,000	Issuance of new shares worth NT\$150,000 thousand in connection of acquisition of the shares of other companies due to demergers	None	Note1
November 2010	30	50,000	500,000	25,000	250,000	Follow-on offering of NT\$100,000 thousand	None	Note2
January 2011	10	50,000	500,000	28,000	280,000	Recapitalization of earnings in the amount of NT\$30,000 thousand.	None	Note3
April 2012	88	50,000	500,000	31,734	317,340	Follow-on offering of NT\$37,340 thousand	None	Note 4
September 2012	10	50,000	500,000	34,907	349,074	Recapitalization of earnings in the amount of NT\$31,734 thousand.	None	Note 5
September 2013	10	50,000	500,000	38,398	383,981	Recapitalization of capital reserves in the amount of NT\$34,907 thousand	None	Note 6
June 2020	10	100,000	1,000,000	38,398	383,981	To increase the registered capital	None	Note 7

Note 1: Approved by TPCG with its official letter Fu-Chan-Ye-Shang-Zi No.09987636410 dated September 21, 2010, and registered.

Note 2: Approved by TPCG with its official letter Fu-Chan-Ye-Shang-Zi No.09989789610 dated November 29, 2010, and registered.

Note 3: Approved by TPCG with its official letter Fu-Chan-Ye-Shang-Zi No.10087837410 dated September 22, 2011, and registered.

Note 4: Approved by TPCG with its official letter Fu-Chan-Ye-Shang-Zi No.10183748410 dated May 25, 2012, and registered.

Note 5: Approved by TPCG with its official letter Fu-Chan-Ye-Shang-Zi No.10187530210 dated September 19, 2012, and registered.

Note 6: Approved by TPCG with its official letter Fu-Chan-Ye-Shang-Zi No.10288087900 dated September 24, 2013, and registered.

Note 7: Approved, as evidenced by the official letter Fu-Chan-Ye-Shang-Zi No.10950337800 dated June 9, 2020, and registered.

Type of shares

Unit: shares

Type of shares	Authorized share capital			Remark
	Shares outstanding (Note 1)	Unissued shares	Total	
Registered common shares	38,398,140	61,601,860	100,000,000	

Note 1: Shares started to be traded on the OTC market on April 30, 2012.

Note 2: Information about the shelf registration system: None

Information about the shelf registration system: None

(II) Shareholder structure

March 31, 2023 (Unit: persons; shares)

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of people	0	1	14	4,284	17	4,316
Number of shares held	0	690,000	23,012,622	14,291,870	403,648	38,398,140
Shareholding percentage	0.00%	1.80%	59.93%	37.22%	1.05%	100%

Note: Primary TWSE and TPEX listed companies and Emerging Stock companies should disclose the shareholding ratio of Mainland Chinese investors. "Mainland Chinese investors" means citizens, legal entities, groups, or other institutions of the Mainland China area, or a company in which the same have invested in a third jurisdiction as provided in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area

(III) Distribution of Shareholding

1. Common shares

At a par value of NT\$10 per share

March 31, 2023

Range of no. of shares held (shares)			Number of shareholders (persons)	Number of shares held (shares)	Shareholding percentage (%)
1	to	999	2,121	252,461	0.66
1,000	to	5,000	1,746	3,276,085	8.53
5,001	to	10,000	224	1,736,059	4.52
10,001	to	15,000	72	918,064	2.39
15,001	to	20,000	33	605,624	1.58
20,001	to	30,000	41	1,032,535	2.69
30,001	to	40,000	16	565,813	1.47
40,001	to	50,000	14	652,694	1.70
50,001	to	100,000	24	1,709,107	4.45
100,001	to	200,000	14	1,994,116	5.19
200,001	to	400,000	7	2,039,734	5.31
400,001	to	600,000	1	432,730	1.13
600,001	to	800,000	1	690,000	1.80
800,001	to	1,000,000	1	805,941	2.10
Add additional ranges above 1,000,001 if necessary, based on actual circumstances			1	21,687,177	56.48
Total			4,316	38,398,140	100.00

2. Preferred shares: Not applicable because the Company did not issue preferred shares.

(IV) List of major shareholders

Name of major shareholder	Shares	Number of shares held (shares)	Shareholding percentage (%)
TTY Biopharm Company Limited		21,687,177	56.48
Dawan Technology Co., Ltd.		805,941	2.10
TransGlobe Life		690,000	1.80
Ding-Wei Hong		432,730	1.13
Microbio Co., Ltd.		386,240	1.01
Rong-Jin Lin		350,194	0.91
Ya-Chi Pan		302,000	0.79
Ying-Chang Liu		282,300	0.74
Wen-Xing Lee		268,000	0.70
Bing-Yu Hsieh		230,000	0.60

Note: This table includes shareholders who hold more than 5% of the total shares or are among the 10 largest shareholders.

(V) Market price, net worth, earnings and dividends per share and the related information for the most recent two years:

Unit: New Taiwan dollar; share

Item	Year		2021	2022	Year-to-date through March 31, 2023 (Note 8)
	Market price per share (Note 1)	Highest		61.50	51.90
	Lowest		38.80	39.00	Not applicable
	Average		46.06	45.99	Not applicable
Net worth per share (Note 2)	Before distribution		28.22	27.80	Not applicable
	After distribution		26.72	26.20	Not applicable
Earnings per share	Weighted average number of shares		38,398	38,398	Not applicable
	Earnings per share (Note 3)		1.23	1.61	Not applicable
Dividends per share	Cash dividend		1.50	1.60	Not applicable
	Stock dividends	Stock dividends from earnings	0	0	Not applicable
		Stock dividends from capital reserves	0	0	Not applicable
	Accumulated undistributed dividends (Note 4)		None	None	Not applicable
Return on investment analysis	Price/earnings ratio (Note 5)		37.45	28.57	Not applicable
	Price/dividend ratio (Note 6)		30.71	28.74	Not applicable
	Cash dividend yield (Note 7)		3.26	3.48	Not applicable

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

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

- Note 2: Calculate the net worth per share based on the number of outstanding shares at yearend. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders' meeting.
- Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.
- Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.
- Note 5: $\text{Price/earnings ratio} = \text{average closing price per share for the year} / \text{earnings per share}$.
- Note 6: $\text{Price / dividend ratio} = \text{average closing price per share for the year} / \text{cash dividends per share}$.
- Note 7: $\text{Cash dividend yield} = \text{cash dividend per share} / \text{average closing price per share for the year}$.
- Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

(VI) Company's dividend policy and implementation thereof

1. Dividend policy stipulated in the Company's Articles of Incorporation

The Company's dividend policy is implemented in accordance with the Company Act and the Company's Articles of Incorporation, so as to ensure the normal operations of the Company and protect the rights and interests of investors. Below is the dividend policy stated in Article 29 through Article 31 of the Company's Articles of Incorporation:

- (1) Where the Company makes a profit in the year, it shall allocate 2% to 8% of the profit as employee compensation, which may be paid out in stock or cash as per the resolution by the Board of Directors. The recipients of the remuneration may include employees of affiliates or subordinate companies who meet certain criteria. The Company may allocate no more than 2% of the above-mentioned profit as the directors' compensation, which can be paid only in cash. The proposals to distribute compensation to employees and directors shall be reported at the Shareholders' Meeting. However, if the Company is still in losses, an amount equal to such losses shall be reserved before such earnings can be distributed as employee compensation and director compensation in the proportion mentioned above.
- (2) In the event of surplus earnings after the closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated for. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserves. However, in the event that the accumulated legal reserves are equivalent to or exceed the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. If there are remainder earnings, the Board of Directors shall draft an earnings distribution proposal regarding the remainder of the earnings as well as accumulated undistributed earnings for approval at the shareholders' meeting, at which the allocation of shareholders' dividends shall be decided.
- (3) As the end of each year, the Board of Directors takes into account factors, including the Company's profitability, capital and financial structure, future operating needs, cumulative earnings and legal reserves, as well as market competition, and then makes an earnings distribution proposal and submits it to the shareholders' meeting for resolution before distributing earnings.
- (4) The Company may, as per financial, business, and operating factors, distribute not less than 50% of the distributable earnings for the year. To reinforce the Company's financial structure and take into account investors' rights and interests, the Company adopts a dividend balance approach and pays out more than 50% of the dividends distributed in the year as cash dividends.

2. State of distribution of dividends for 2022 (distribution of the earnings of 2021):

Type of dividend	Dividend per share determined by the Shareholders' Meeting (NT\$)	Amount actually distributed	Source
Cash dividends	1.50	57,597,210	Undistributed earnings
Total	1.50	57,597,210	—

3. Distribution of dividends determined at the Shareholders' Meeting of 2023 (distribution of the earnings of 2022):

Distribution of dividends determined at the Shareholders' Meeting of 2023 (reviewed and approved by the Audit Committee and drafted by the Board of Directors on February 24, 2023)

Type of dividend	Amount distributed to each share (NT\$)	Amount	Source
Cash dividends	1.60	61,437,024	Undistributed earnings
Total	1.60	61,437,024	—

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting in 2023: Not applicable.

(VIII) Profit-sharing compensation of employees and directors:

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

According to Article 29 of the Company's Articles of Incorporation, if the Company makes a profit in the year, it shall allocate 2% to 8% of the profit (e.g. the pre-tax profit inclusive of employee compensation and director compensation) as employee compensation, which may be paid out in stock or cash as per the resolution by the Board of Directors. The recipients of the remuneration may include employees of affiliates or subordinate companies who meet certain criteria. The Company may allocate no more than 2% of the above-mentioned profit as the directors' compensation, which can be paid only in cash. The proposals to distribute compensation to employees and directors shall be reported at the Shareholders' Meeting.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.
 - (1) The Company's February 24, 2023 Board of Directors approved the distribution of compensation to the Company's employees and directors of 2022. The above-mentioned compensation refers to the distribution percentage of 2% and 1.99%, as specified in the Articles of Incorporation, of the pre-tax profit of a given year inclusive of employee compensation and director compensation, and is recognized as operating expenses of 2022.
 - (2) If the actual distribution amount is different from the estimated amount, such differences are accounted for by adjusting the profit or loss of the year in which distribution is made.
3. Compensation distribution approved by the Board of Directors:
 - (1) If the amount of any employee profit-sharing compensation and director and employee profit-sharing compensation distributed in cash or stocks is different from the estimated figure for the fiscal year these expenses are recognized, the difference, its cause, and the status of treatment shall be disclosed: The Company's Board of Directors meeting dated February 24, 2023 resolved to distribute employee compensation in cash in the amount of NT\$1,604 thousand, employee compensation in stock in the amount of NT\$0, and director compensation in the amount of NT\$1,604 thousand. The figure determined through a resolution was not different from the estimated figure recognized in the year in which these expenses

occurred.

- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports for the current period and total employee compensation: Not applicable, because the Company distributed employee compensation solely in cash in this period.
4. The actual distribution of employee and director profit-sharing compensation for 2022 (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director profit-sharing compensation, additionally the discrepancy, cause, and how it is treated: No discrepancy.

(IX) Status of a company repurchasing its own shares: None.

II. Issuance of corporate bonds, preference shares, global depository receipts, employee stock options, and restricted stock awards

(I) Issuance of corporate bonds (including overseas corporate bonds): None.

(II) Issuance of preferred shares: None.

(III) Participation in the issuance of global depository receipts: None.

(IV) Issuance of employee stock options:

1. The annual report shall disclose unexpired employee stock options issued by the company in existence as of the date of publication of the annual report, and shall explain the effect of such options upon shareholders' equity. Any privately placed employee stock options shall be prominently identified as such: None.
2. The annual report shall disclose the names of top-level company executives holding employee stock options and the cumulative number of such options exercised by said executives as of the date of publication of the annual report. The annual report shall also disclose the names of the ten employees holding employee stock options authorizing purchase of the most shares, along with the cumulative number of options exercised by these ten employees, as of the date of publication of the annual report: None.

(V) Issuance of restricted stock awards:

1. For all restricted stock awards for which the vesting conditions have not yet been met for the full number of shares, the annual report shall disclose the status up to the date of publication of the annual report and the effect on shareholders' equity: None.
2. Names and acquisition status of managerial officers who have acquired restricted stock awards and of employees who rank among the top ten in the number of restricted stock awards acquired, cumulative to the date of publication of the annual report: None.

III. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies

- (I) The annual report shall include a clear opinion prepared by the managing underwriter concerning any issuance of new shares in connection with any merger or acquisition or with any acquisition of shares of any other company within the past quarter: None.**
- (II) In addition to requirements set forth in the preceding item, the annual report shall also disclose the state of implementation of any of the aforementioned matters during the most recent quarter. If the progress or benefits of such implementation were not as good as expected, the annual report shall explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: None.**
- (III) Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall disclose the state of the plan's implementation together with the basic identifying information of the company (or companies) to be merged or acquired or whose shares are to be acquired. Where any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company is currently in progress, the annual report shall disclose the state of the plan's implementation and its effect upon shareholders' equity: None.**

IV. Implementation of the company's capital allocation plans

Not applicable, because the Company did not have previous issue or private placement of securities up to the quarter preceding the publication date of the annual report, nor did it have such a plan which had been completed in the most recent three years but whose benefits have not been yielded.

Five. Operational Highlights

I. Business content

(I) Business scope

1. The Company's main business activities

- | | |
|--|---|
| (1) C199990 Manufacture of Other Food Products Not Elsewhere Classified
(2) C802060 Veterinary Drug Manufacturing
(3) F102170 Wholesale of Foods and Groceries
(4) F108021 Wholesale of Western Pharmaceutical
(5) F108031 Wholesale of Medical Devices
(6) F108021 Retail Sale of Western Pharmaceutical | (7) F208031 Retail Sale of Medical Apparatus
(8) F401010 International Trade
(9) F601010 Intellectual Property Rights
(10) IC01010 Medicine Inspection
(11) IG01010 Biotechnology Services
(12) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval. |
|--|---|

2. Revenue breakdown (%)

Unit: In NT\$1,000

Item \ Year	2021		2022	
	Amount	Revenue breakdown (%)	Amount	Revenue breakdown (%)
Cardiovascular medicines	280,841	67.92	318,742	68.64%
Gastroenterology medicines	78,775	19.05	88,028	18.96%
Central nervous system medicines	27,576	6.67	35,498	7.64%
Others	0	0	0	0.00%
Testing	24,188	5.85	17,798	3.83%
Service revenue	2,103	0.51	4,312	0.93%
Total	413,483	100.00	464,378	100.00%

3. The company's current goods (service) items

The Company's current products are mainly cardiovascular drugs, gastroenterology drugs, central nervous system drugs, and precision medical testing. The main products and their important uses are as follows:

Drugs – main products and their important uses

Item	important uses	Representative products
Cardiovascular medicines	Hypertension	Amtrel
Cardiovascular medicines	Arrhythmia	Rhynorm
Cardiovascular medicines	To reduce blood lipids	Linicor、Cretrol
Cardiovascular medicines	Angina pectoris	Rancad、Isormol

Cardiovascular medicines	Platelet aggregation inhibitor	Licodin
Cardiovascular medicines	Improvement in symptoms of peripheral arterial occlusive disease	Alprosm
Gastroenterology medicines	Discomfort caused by abnormal peristaltic function of digestive organs	Mopride
Central nervous system medicines	Epilepsy	Aleviatin
Central nervous system medicines	Osteoarthritis	Lonine
Central nervous system medicines	Rheumatoid arthritis	Lacoxa SR

Precision medical testing – main products and their important uses

Testing technology	Testing subject and target	Testing item Chinese/English name	
ddPCR	11 genes are analyzed to determine suitable medication for lung cancer patients.	Lung diagnostics (tissue)	Lung Cancer Panel
CtDNA (NGS sequencing)	For solid carcinoma patients; 118 genes are analyzed to find the right target or immune drug, to seize the opportunity for early treatment and increase the choice of drugs for clinical trial.	Precise Cancer Testing (癌液準) (blood)	Alpha-liquid 100
DNA (NGS sequencing)	For solid carcinoma patients; 118 genes are analyzed to find the right target or immune drug, to seize the opportunity for early treatment and increase the choice of drugs for clinical trial.	Precise Cancer Testing (癌液準) (tissue)	Alpha-solid 100
CtDNA (NGS sequencing)	For solid carcinoma patients; 118 genes are analyzed to find the right target or immune drug, to seize the opportunity for early treatment and increase the choice of drugs for clinical trial.	Precise Cancer Testing (癌液準) (body fluid)	Alpha-liquid 100
Gene methylation	Assessment of the risk of endometrial cancer by taking a sample from the cervix of patients with abnormal uterine bleeding, so as to provide basis for doctors to determine whether to conduct invasive examinations.	MPap®test	MPap
DNA+RNA (NGS sequencing)	For solid carcinoma patients; 572 genes, 72 RNAs, and the MSI are analyzed to find the right target or immune drug, to seize the opportunity for early treatment and increase the choice of drugs for clinical trial.	Tissue testing	Lucence tissue test

4. New items planned for development

- (1) The Company invests in clinical research and medication treatment, hoping to become a provider of drugs with high economic value for special chronic diseases.
- (2) The Company is committed to drug development, especially the drugs for cardiovascular and autoimmune diseases that have a high entry barrier and for which a patent may be filed. In addition to obtaining the license for putting Rancad on market in 2020, the Company also successfully obtained the license for putting Cretrol on market and the permit to transfer the drug license of Alprosm in 2021. In addition, Cretrol was also included in the health insurance reimbursement list at the end of 2022.
- (3) The Company will actively market its drugs already on the market and the drugs to be put on market soon to the world in line with the pace of development of new drugs and expansion of marketing channels. For instance,

a drug license has been obtained for Amtrel in Thailand and Myanmar, and Amtrel is under the registration process in the Philippines and Malaysia. Rhynorm was examined and registered in Hong Kong and granted a license in 2022. In 2023, the Company also plans to have its drugs examined and registered in Southeast Asia to tap into the Southeast Asian markets.

- (4) The Company continues to develop international partners and assess indications in new disease area, and plan and provide medical product portfolio to doctors to improve patients' living quality.

(II) Industry overview

1. Current state and development of the pharmaceutical industry

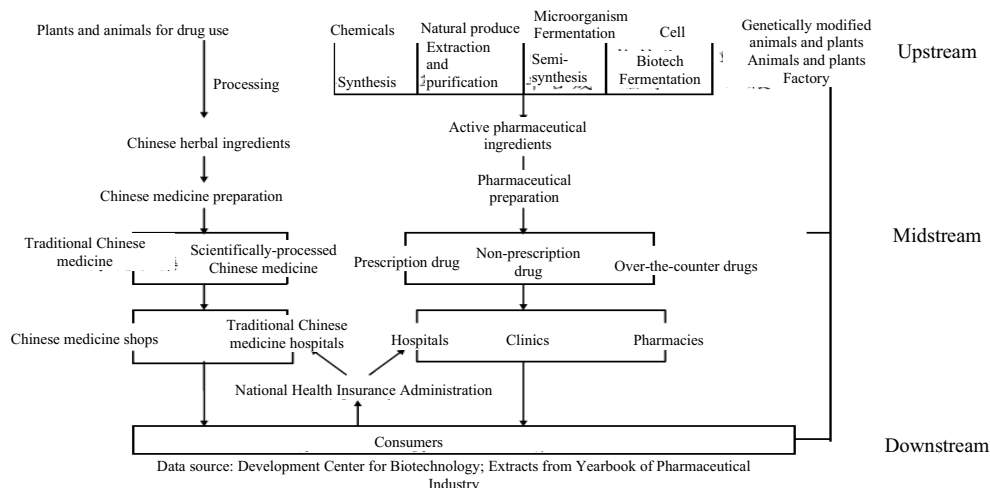
The pharmaceutical industry is an industry characterized by cutting-edge technology, high added value, low pollution, low energy consumption, long development period, and long life cycle. The Company's products are mainly for treatment of human diseases and closely related to the life and health of our citizens, so their safety and efficacy are of considerable concern. The development of the pharmaceutical industry also symbolizes the advanced level of a country. The higher the national income, the more developed the pharmaceutical manufacturing industry. Countries such as the United States, Europe, and Japan are typical examples.

Below are the prospects for global pharmaceutical industry:

- (1) To meet the basic requirements of drug safety, pharmaceutical laws and regulations are demanding on the environmental requirements, increasing the cost of developing new drugs, lengthening the time to market, boosting the research and development costs, and yielding poor research and development performance. Given so, to maintain the competitiveness of research and development and control the growth of R&D expenses, many pharmaceutical companies turn to adopt a co-development policy, by which they authorize the pre-development of drugs to their partners and share the R&D expenses as well as the fruitful results.
 - (2) Both Europe and the United States legislate to encourage the development of innovative drugs. Facing the stress of competition, more pharmaceutical companies will adopt the strategy of developing niche drugs and sell them among different markets, or will focus on the research and development of the drugs for certain types of diseases, to increase the value of drugs; a typical example of this is the increasing ratio of orphan drugs to all approved new drugs in the US in recent years.
 - (3) China is actively aligning its pharmaceutical laws and regulations with international standards. Such a globalized competition in the pharmaceutical industry gradually form a globalized pharmaceutical manufacturing network in terms of regulatory framework, markets, supply chain, and marketing. Therefore, manufacturers capable of leveraging global resources and identifying their roles in the industrial supply chain will have brighter prospects.
2. The relationship between the upstream, mid-stream, and down-stream of the pharmaceutical industry

The pharmaceutical manufacturing industry can be broken down to upstream, midstream, and downstream; those in the upstream and midstream engage in the search and manufacturing of raw materials (substances), and those in the downstream are the manufacturers and sellers of preparations. Drugs can be simply divided into three types: original drugs, innovative generics, and pure generics. At present, Taiwan's pharmaceutical industry generally sits in the downstream, and most of them are only engaged in the manufacture and sale of pure generics. A broader picture is shown below:

Pharmaceutical Products Manufacturing Structure Diagram



Upstream: A stage in which raw materials are prepared for pharmaceutical processing. Pharmaceutical raw materials include general chemicals, natural plants, animals, minerals, microbial strains, and related tissue cells, among which general chemicals account for the majority. The upstream of traditional Chinese medicine is mainly Chinese medicines, which are composed of raw materials, mainly plants and a small part of animals and minerals. Thanks to advancing biotechnology, scientists have successfully created some transgenic animals and plants by means of gene transfer. Therefore, in the future, plants can be cultivated and animals raised to produce drugs. This is a major breakthrough in upstream pharmaceutical manufacturing technology.

Midstream: Mainly the substances industry and the processing industry of traditional Chinese medicinal materials. The substances industry includes organic chemical synthesis, natural materials extraction and purification, microbial fermentation or post-fermentation semi-synthesis, and cell fermentation and recycling purification improved by means of genetic engineering technology. The processing of Chinese medicinal materials is mainly based on the processing of medicinal plants.

Downstream: Mainly the pharmaceutical products manufacturing industry; it combines substances with auxiliary preparations, e.g. excipients, disintegrating agents, adhesives, and lubricants, into dosage form convenient for use. Domestic manufacturing at this stage must comply with the PIC/S GMP requirements; they then sell through marketing channels such as hospitals, clinics, and pharmacies to consumer patients.

3. Various development trends of pharmaceutical products

The trend of the development of global pharmaceutical products in the coming years can be summarized into the following points:

- (1) The concentration of population in cities around the world has gradually refined urban life patterns as well as diet. In addition, the substantial growth in the elderly population in the world has resulted in rapid growth of diseases, e.g. hypertension, high cholesterol, diabetes, obesity, depression, and cancer, which in turn has boosted the pharmaceutical market's demand for drugs for chronic diseases and cancer.
- (2) Aside from the outbreaks of infectious diseases such as SARS and bird flu caused by new strains in recent years, globalization also enables infectious diseases to spread more easily. Therefore, pharmaceutical industry will

focus its research and development on developing drugs for infectious diseases in the future.

- (3) Research on therapy using gene-related drugs or protein drugs therapy is still the battlefield for many pharmaceutical companies. Since it can significantly impact pharmaceutical development and bring about considerable profits, it is considered to be the key to the development of the pharmaceutical industry.
 - (4) As for the cardiovascular drug market, since there has been no successful development of new antihypertensive drugs with new mechanism of action (MOA) in recent years, it will become a trend to use a combination of at least two types of drugs with supplementary mechanisms of action to cure cardiovascular diseases in the future.
 - (5) At present, many drugs for autoimmune diseases, such as lupus erythematosus and Alzheimer's disease, cure only symptoms rather than diseases. Therefore, there is still considerable demand for autoimmune drugs.
4. Drug competition

According to statistics of the Taiwan Pharmaceutical Manufacturers' Association, Taiwan features a small market and numerous small pharmaceutical companies which are not able to compete with international pharmaceutical giants. What's more, 150 (statistics as of the end of 2022) of such companies have passed the PIC/S GMP certification in terms of pharmaceutical preparations factory specifications.

Pharmaceutical products in Taiwan are sold mainly through three channels, namely, hospitals, pharmacies, and clinics (excluding government medical stations, special medical hospitals, and dental clinics). Most of the Company's products are sold in hospitals, accounting for more than 80% of the turnover. The distribution network spans across the hospitals in Taiwan, e.g. National Taiwan University Hospital, Veterans General Hospital, Mackay Hospital, Tri-Service General Hospital, and so on.

The Company's products mainly feature pharmaceutical preparations, e.g. oral tablets and small-volume injections. To expand product application fields and reduce business risks, the Company has successively developed cardiovascular and gastroenterology preparations and achieved remarkable results. Products in this regard include Mopride, Amtrel, Linicor, and Rancad, all of which have already hit the market. TSH also successfully put Cretrol was put on the health insurance reimbursement list in November 2022 on market this year. In addition, to cope with the impact of reduced health insurance rates year on year, the Company, in addition to successively developing drugs for cardiovascular, autoimmune, and gastrointestinal diseases, will actively penetrate the international market. To sharpen its competitiveness in the market and on the international arena, the Company will mainly develop the targets which pose a high entry barrier and for which patents can be filed in the future. Currently, the Company is striding towards bio-tech pharmaceutical manufacturing.

5. Current status and development of precision medical testing industry

Precision medicine, which has emerged in recent years, plays a key role in the four major aspects of cancer, namely, risk assessment, therapeutics, prognosis, and monitoring. One typical example is liquid biopsy, whose application in oncology medicine has advanced rapidly. Since nothing but body fluid sample (e.g. blood, saliva, or urine) is required, liquid biopsy is not so much as invasiveness. It can be used for screening for cancer, as well as early detection of other major diseases. Therefore, liquid biopsy has demonstrated huge market potential.

Cancer screening methods in clinical use currently include traditional biochemical tumor indexes testing (e.g. CEA, CA153, CA125) or traditional

biopsy, both are prone to the condition of personal health and physical fitness, have low sensitivity and specificity, are restricted by sampling times, quantity, or organ tissue, and therefore cannot be used for early screening for cancer. Highly radioactive instruments such as positron emission tomography (PET), computed tomography (CT), and magnetic resonance imaging (MRI) can be used only for disease diagnosis; they cannot be used for early screening for cancer due to their sensitivity, or for postoperative follow-up due to their high radiation doses. There are also many clinical cancers that cannot be detected early due to the lack of effective detection methods; when they are detected, they are often at the end stage. Cancers falling into this category include colorectal cancer, lung cancer, liver cancer, gastric cancer, etc., most of which cannot be detected at the early stage by appearance or touch.

The Company works with multiple companies at home and abroad to provide detection services using different types of liquid biopsy technologies, including circulating tumor DNA (ctDNA) and next generation sequencing (NGS), which can be used for a comprehensive analysis of the efficacy of medicines, so as to provide physicians with alternative choice of therapy. In addition, NGS can be used to assess the risk of acquiring hereditary cancer. In addition, starting from 2022, body fluid samples from different sources, e.g. pleural fluid, also provided clinicians with further testing options in the treatment of specific cancers. Moreover, target gene methylation and mitochondrial DNA analysis are actually the use of the two technologies to conduct a non-invasive assessment of acquiring specific types of cancer. What's more, circulating tumor cells (CTCs) detection can be used for cancer prognosis and disease monitoring. TSH uses different liquid biopsy technologies to provide cancer detection services needed by different groups including healthy people, sub-healthy people, and patients.

At present, most cancer detection companies in the market rely on single technology or sell traditional reagent kit. On the contrary, TSH adopts a strategy that focuses on technologies and clinical efficacy; it commercializes the technologies of domestic teams or imports foreign products produced using more advanced technologies into Taiwan through licensing, so as to provide more sufficient information for physicians or patients in their hours of need to assess risks or undergo therapy, thereby improving the effectiveness of cancer therapy. In order to ensure the quality of testing services, TSH's partners are internationally certified laboratories and teams. In the future, TSH plans to promote such technology and service products to domestic cooperative hospitals and laboratories by leveraging the distribution channels and experience accumulated from its years of engagement in the field of chronic diseases and cancer, so as to provide a basis for medical clinical inspection, accelerate and improve clinical value and services, benefit more patients, and facilitate early screening for cancer and follow-up of medical treatment.

(III) Overview of Technology and R&D

1. The technical level and research and development of the business

The Company mainly focuses developing new drugs by Taiwan's new chemical entity (TNCE) improving existing drugs, e.g. controlled release, compound dosage form products, and biopharmaceutical research and development.

- Controlled release and compound dosage form products

At present, the company has achieved considerable technology and achievements in the research of sustained-release dosage form technology. The first long-acting cough suppressant Regrow in Taiwan and Lacoza SR, a long-acting rheumatoid arthritis drug, have been launched; compound dosage forms, such as the marketed Amtrel and Linicor. This year, the new blood lipid-lowering compound drug Cretrol has also been approved for marketing. In the future, the Company will continue to engage in the development of special dosage forms and compound dosage forms of drugs for the treatment of chronic diseases, and treatment solutions for special patient groups.

- Research of biopharmaceuticals manufacturing

Biopharmaceuticals manufacturing is an emerging field of the pharmaceuticals manufacturing industry. Since biopharmaceuticals are derived from master cells and efficacy varies with types of master cells, so biopharmaceuticals cannot be completely replicated, leading to a high entry barrier and longer product life cycle.

The Company opts to develop biosimilars whose risks are low and chances of success are high, based on its experience in developing new biopharmaceuticals. Development takes place by collaborating with manufacturers at home and abroad; doing so lays the foundation for tapping into the global markets in the future. Currently, the drugs are under the examination and registration process in Taiwan.

2. Research and development expenditures in 2022 and the first quarter of 2023

Unit: NT\$1,000

Item	2022	First quarter of 2023
R&D expenditure	26,345	Not applicable
Net operating revenue	464,378	Not applicable
As a percentage of net operating revenue	5.67%	Not applicable

3. Technology or product successfully developed

September 2010	Obtained a patent for preparations of Amtrel, a compound anti-hypertensive
September 2012	Obtained a drug license for Linicor, a compound hypolipidemic drug.
February 2015	Obtained the patent of combination preparations for DMTA in mainland China.
July 2017	TuNEX passed the registration review conducted by Taiwan's Ministry of Health and Welfare.
March 2020	Rancad® Extended Release passed the review by the Ministry of Health and Welfare and was approved for marketing.
April 2020	Guzipbio, a TWSE-listed company, licensed its MPap test technology for detecting endometrial cancer exclusively to the Company.
October 2020	Became the exclusive licensee of IMBDx's NGS products for cancer diagnostics in Taiwan and turned

	the license into a business.
March 2021	Became a licensee of Centogene's testing items for detection of cancer and non-cancer diseases in Taiwan.
December 2021	Obtained the marketing license in Taiwan for Crerol, new compound hypolipidemic drug.
December 2021	Obtained the marketing authorization of Alprosm Lyophilized Powder for Injection, used for the alleviation of the symptoms of peripheral arterial occlusive diseases, for Taiwan's market.
July 2022	Became the exclusive licensee of IMBDx's NGS body fluid testing products for cancer diagnostics in Taiwan and turned the license into a business.
September 2022	Collaborated with Chi Mei Medical Center on lung disease diagnostics and testing.

4. Unfinished research and development plan and implementation progress

R&D plan	R&D progress	To-be-invested research and development expenditure (NT\$1,000)	Expected to be listed Time	Main factors affecting R&D success in the future
1. TRIA11	The drug is intended to be sold to the world; has completed the EMA Scientific advice in Europe, and is undergoing the process validation trial.	130,000	2026Q2	Comparative analysis and clinical trial
2. LBCA19	Expected to complete three consecutive batches validation by 2023Q4.	1,500	2025Q1	Three consecutive batches validation
3. ACTA20	Expected to complete the bioequivalence pilot study by 2023Q4.	30,000	2025Q4	Prescription development and bioequivalence trial
4. EDIA20	Expected to complete prescription development by 2023Q3	6,000	2025Q4	Prescription Development
5. IECA22	Expected to complete the bioequivalence pilot study by 2025Q2.	37,000	2027Q1	Prescription development and bioequivalence trial

(IV) Long-term and short-term business development plans

1. Short-term plan development direction

- (1) Marketing strategy: Execute the marketing strategy for domestic target markets – Implement the business plan through established domestic marketing network.
- (2) Production strategy: Production will be carried out by means of strategic alliance or outsourcing, and will be outsourced to professional pharmaceutical manufacturers passing the PIC/S GMP certification. The Company will focus on producing pharmaceutical products with high competitiveness and high economic value, and on improving core preparations and clinical development capability.
- (3) Research and development strategy: Focus on the development of special dosage forms of drugs and reach the quality meeting international standards, so as to prepare for penetrating the international markets.
- (4) Business planning: Deepen the relationship with customers engaged in the field of chronic diseases in Taiwan; optimize the life cycle of existing product portfolios; and continuously increase profits to maintain the momentum for new product development. Continue to carefully select the most suitable partners in the target market, and establish a long-term cooperative relationship with them on all products meeting the international standards of CMC/CTD format and ICH data and manufactured by PIC/S GMP-certified manufacturers.

2. Long-term plan development direction

- (1) Marketing strategy: Principally market the drugs for core diseases and improve competitiveness in terms of distribution channels, aiming to become a bio-tech start-up in Greater China and the best pharmaceutical products development and marketing partner in the Chinese market.
- (2) Production strategy: Produce PIC/S-certified drugs in line with the

development of new drugs and the expansion of international marketing channels, so as to put the Company's products on the international market.

(3) R&D strategy:

- A. Put the semi-new drugs or new drugs with international market potential and specifications developed by the Company for international authorization after Phase I or II and complete the launch in Taiwan; leverage the experience in clinical trial in Taiwan in combination with drugs for international clinical trial to develop new drugs and obtain patents in the world.
- B. Integrate Taiwan market with mainland China market using marketing, and fast, most effective, and most accurate clinical trial capabilities.
- C. Participate in the early research and development of international biotechnology companies, and enjoy a part of the benefits from global patents for new drugs.

(4) Business planning:

Corporate vision: Committed to improving the quality of life of patients with unmet medical needs.

Corporate mission:

- 1. "Become the best partner of international innovative biotechnology pharmaceutical companies in the development and marketing of new drugs in Asia. "
- 2. "Provide medical product portfolio for patients whose needs are not met." "
- 3. "Dedicated to co-development of new ingredients, special dosage forms, and innovative therapies. "

II. Markets, production, and marketing

(I) Market analysis

1. Geographic areas where the main products (services) of the Company are provided (supplied), and the Company's market share.

The Company's main products are mainly sold domestically through hospitals and practice clinics, accounting for more than 95% of the net operating revenue.

2. Demand and supply conditions for the market in the future, and the market's growth potential

2-1. Chronic disease market

According to the statistics from the Ministry of the Interior, declining fertility rate and increasing longevity in recent years have caused those aged 65 and more to account for more than 16% of total population (statistics on the Statistics Inquiry Website of the Ministry of the Interior in December 2020), which is indicative of an aging society (the WHO defines an aging society as one where the elderly population accounts for 7% or more of total national population). According to the population estimation system of the National Development Council, Taiwan will officially become a super-aged society in 2025, which means that Taiwan's population is aging at an accelerating rate. Therefore, it is expected that the continuously increasing elderly population will increase the demand for drugs for cardiovascular and autoimmune diseases.

According to BCC Research "Cardiovascular Drugs: Global Markets to 2022," the global markets for cardiovascular drugs reached US\$141.1 billion in 2017. Such markets are predicted to maintain a compound annual growth rate of about 1% until 2025, reaching US\$150 billion by then. At present, the patents on billion-dollar cardiovascular drugs in the world have already expired. Aside from developing new products, many pharmaceutical companies also constantly manage their product life cycle, including launching different dosages and dosage forms, new indications and multi-substance combinational drugs, to cope with the impact. Since cardiovascular diseases tend to occur in pairs, it is required to take multiple drugs at the same time. Given so, multi-substance combinational drugs are the core of development of many pharmaceutical companies, mainly due to such drugs' features of low cost, short time to market, and possession of the advantages of existing products, in the hope to maintain their market share. Many combinational drugs emphasize more on a single pill with multiple effects. For instance, hypolipidemic substances and antihypertensives, or two or more types of them, can be combined into new combinational drugs, whose emergence will bring new changes to the cardiovascular drugs market.

COVID-19 has greatly impacted the market for cardiovascular drugs, mainly due to changes in the way people seek medical advice. For patients with cardiovascular on long-term medications, the convenience of getting medicines and medication will be the key consideration.

In the future, the growing and gradually aging population will increase the awareness of health, thereby boosting the demand for drugs. Therefore, the global pharmaceutical manufacturing industry will be an industry which sees constantly increasing demand and steady development.

2-2. Precision medicine market

According to a BIS Research report, the global precision medicine market will gradually grow from US\$78.9 billion in 2018 to US\$216.8 billion in 2028, with a compound annual growth rate of 10.64%. In addition, data from Netscribes also indicates that the growth in precision medicine market in the Asia-Pacific will outpace that in the world, with an estimated compound annual growth rate of 16.63%. Given so, the Asia-Pacific market will see its economic scale reaching US\$20.9 billion by 2023.

In recent years, governments around the world have actively invested in precision medicine. For example, in January 2015, former U.S. President Barack Obama actively

promoted the “Precision Medicine Initiative,” and further proposed the “MoonShot Project” jointly with the then Vice President Joe Biden in 2016, aiming to cure cancer within the shortest possible time. At the end of 2016, the U.S. Congress passed the “21st Century Cures Act,” which fast-tracked the FDA’s review of drugs and medical equipment, encouraged medical research and innovation, and accelerated the United States’ investment in the field of precision medicine. Biotech companies in the world are also coincidentally promoting “precision medicine” policies in major countries.

As per the “Integral Ecosystem-Creating a Vibrant Biotechnology Industry Environment” policy and the recommendations from the Biotech Committee in 2016, the Ministry of Economic Affairs included precision medicine, gene therapy, and cell therapy, starting from 2016 when the Executive Yuan approved the “Bio-tech Industry Innovation and Promotion Project”; it also amended the Biotech New Drugs Industry Development Strategy, so as to accelerate industry performance. It also amended the “Act for the Development of Biotech and Pharmaceutical Industry” in December 2016. The Executive Yuan also proposed the “Five Plus Two Industry Innovation Plan,” under which the biomedical industry innovation promotion plan will focus on the development of niche precision medicine. The several government departments jointly promoted the multiple precision medicine plans, especially the “Precision Oncology” flagship plan, aiming to build Taiwan as a characteristic “Asia-Pacific Area Oncology Treatment Center.”

Since drugs covered by the National Health Insurance scheme are successfully rolled out, the accompanying target gene detection technology is one focus in the future. One typical example is liquid biopsy, whose application in oncology medicine has advanced rapidly. Since nothing but body fluid sample (e.g. blood, saliva, or urine) is required, liquid biopsy is not so invasive. It can be used for screening for cancer, as well as early detection of other major diseases. Therefore, liquid biopsy has demonstrated huge market potential.

3. Competitive niche
 - (1) In terms of the core competitiveness of the Company’s pharmaceuticals:
 - A. The Company’s positioning is clear.
 - B. The value chain of the pharmaceutical industry is complete.
 - C. Continue to develop core competitive drugs for chronic diseases.
 - (2) In terms of competitiveness in the precision medicine market:
 - A. The Group is deeply involved in the field of oncological diseases and familiar with key customer groups.
 - B. Has a complete tissue/liquid biopsy and risk assessment product lines.
 - C. Continue to introduce relevant featured testing products at home and abroad.
4. Positive and negative factors for future development, and the company’s response to such factors
 - (1) Positive factors
 - A. Taiwan market is trending upwards.
 - (a). Pharmaceutical product market
Sales of MAT in the pharmaceutical market in June 2022 were NT\$235.35 billion in Taiwan, a growth of 2.32% yoy, though this was a slowdown compared with a 5% yoy growth in previous years. However, since the epidemic became more severe between April 2021 and July 2022, it is estimated that the growth rate of the overall pharmaceutical market will be substantially affected, with the major impact coming from the outpatient volume limit imposed on each medical center and the change in the elders’ habit of filling a prescription, especially the drugs for chronic diseases.
As society ages, the overall medical expenses should increase by about 6%. The national health insurance system lowers the payment rate of drugs every year in order to reduce the volatility of overall medical

expenditures to a controllable extent. However, in the long term into the future, Taiwan's medical expenditure will still gradually increase, by about 3% according to estimates; therefore, the pharmaceutical industry as a whole has the prospects for continuous growth.

(b). Precision medicine market

When analyzed by disease category, the development of global medicine is still predominantly for cancer. Therefore, the precision medicine industry also focuses on the research and development for the treatment of cancer. During the period between 2017 and 2026, the CAGR of precision medicine applications in the market for cancer applications will be 10.4%. Other chronic diseases such as central nervous system diseases and cardiovascular diseases are also another focus of research and development of precision medicine.

B. Excellent R&D and marketing capabilities

(a). The Company is committed to cultivating talents and investing in research and development, and cooperates with GMP-certified companies, enabling itself to complete the pre-clinical trials, draft and complete the human trial protocols, furnish a summary report, and apply for marketing of new drugs, thereby ensuring the success of putting new products on the market and the time to market.

(b). The marketing and business team has been deeply engaged in the Taiwan market for many years, and has grasped the key channels and important customers for main products; this helps promote and put new products on the market in a rapid way, thereby boosting the Company's business performance in a continuous manner. Meanwhile, proper manpower and resources were invested in line with the progress of market development projects, so as to continuously assess new markets and new fields, thereby creating new opportunities for the Company growth.

(2) Negative factors, and response to such factors

A. Impact of the drug price reimbursement system on drug price.

Since the implementation of the global budget payment system, Taiwan has changed the drug payment reimbursement system for many times; the global budget payment system aims to control the drug price and volume of domestic pharmaceutical companies, and has affected the price and sales of some drugs, squeezing the operating revenue and profits of pharmaceutical companies.

Response measures:

Aside from creating a complete distribution network throughout Taiwan to provide real-time service to medical institutions and increase the extensiveness of sales, the Company also develops the distribution channels and customer for drugs with certain market scale and value, and continues to bolster the confidence of medical institutions and physicians in prescription drugs. In addition, the Company also intensifies the research and development and introduction of new drugs, and launches new competitive self-pay drugs while enhancing the experience and capability of the marketing and business team to sell self-pay drugs. On the other hand, by launching genetic testing-related products, the Company branches out into the precision medicine market and gradually increases sales, so as to reduce the financial impact from health insurance reimbursement cuts, to reduce the pressure on the Company from the drop of profitability as a result of the annual change in drug price reimbursement scheme of the health insurance system.

B. Manufacturers are small and face pressure to upgrade

Domestic pharmaceutical companies are traditional SMEs that mainly produce generic drugs and act as agents for the sale of foreign drugs. However, when it comes to their export business, they lack the professional information on

foreign markets and international laws and regulations, and are not experienced in international marketing, so their growth is quite limited. In addition, after Taiwan joined the World Trade Organization (WTO), there came foreign competitors grabbing Taiwan's pharmaceutical market share using lower prices, causing a blow to domestic SMEs which largely rely on domestic markets. To align with the trend of international laws and regulations and improve drug quality, Taiwan implemented the Drug Master File (DMF) management system in 2013, and fully implemented PIC/S GMP in 2015 to require drugs, domestically made or imported alike, and their manufacturer to comply with PIC/S GMP. Therefore, pharmaceutical companies that did not comply with PIC/S GMP were phased out.

Response measures:

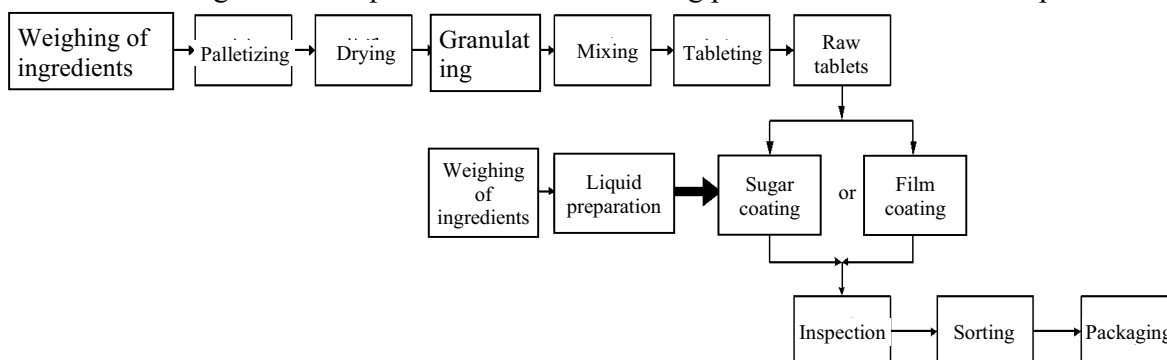
Currently, the Company has continuing branched out into the development, introduction, and sales of innovative generic drugs and deepened its operations in the field of chronic diseases, so as to maintain the momentum for researching and developing new products. Meanwhile, the Company focuses on specialty drugs with economic effects, including the development of drugs which have a high entry barrier and for which a patent can be filed for, so as to create a complete construction of the development of drugs for cardiovascular (CV), gastrointestinal, (GI) and autoimmune diseases. (In this way, the Company is committed to becoming) a biotech pharmaceutical company dedicated to developing international drugs and do marketing in the Taiwan market, thereby fulfilling the role of developing and marketing drugs for CV, GI, and auto-immune diseases for international partners . Thanks to its engagement in the said fields, the Company's existence helps partners concentrate on developing drugs to create profits with more added value.

(II) Usage and manufacturing processes for the company's main products

The Company's main products are prescription drugs and testing items. The usage and manufacturing process are enumerated as follows:

1. The important uses of prescription drugs include the following:
 - A. Cardiovascular drugs: hypertension , arrhythmia, anti-platelet, angina pectoris, hypolipidemic.
 - B. Gastrointestinal drugs: Discomfort symptoms caused by abnormal peristaltic function of digestive organs.
 - C. Central nervous system drugs: Epilepsy, osteoarthritis, rheumatoid arthritis.
2. Manufacturing process:

The diagram below pictures the manufacturing process of the main tablet products:



3. Testing items by category are as follows:
 - A. Testing for risk assessment: Testing for detection of hereditary cancer risk, and endometrial cancer gene methylation, postoperative chemotherapy risk detection for breast cancer patients.
 - B. Next-generation gene sequencing (NGS) testing: Liquid biopsy NGS, biopsy NGS.
 - C. Oncogene detection for medication prescription.

4. Manufacturing process

At present, all testing items are service-based products. Relevant blood or tissue samples obtained from medical institutions are transferred to the referral laboratory, which performs commissioned inspection service and issues an inspection report; the report is then provided by the Company to the said medical institutions.

(III) Supply situation for the company's major raw materials

The Company does not have a production factory at the moment. Although adopting a business model in 2020 under which materials are provided by customers for processing, the Company is still mainly engaged in the sale of goods and finished products. The Company's raw materials are supplied by manufacturers at home and abroad. To secure a stable source of supply, the Company maintains close cooperation with existing suppliers while actively seeking new ones.

(IV). A list of any customers accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Major suppliers

Information on Major Suppliers for the Most Recent 2 Years

Unit: NT\$1,000

Item	2021				2022				1st quarter of 2023			
	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer
1	TTY	71,615	43.61	Parent	TTY.	80,282	46.12	Parent	Not applicable	Not applicable	Not applicable	Not applicable
2	GBL	28,794	17.53	None	GBL	35,817	20.58	None	Not applicable	Not applicable	Not applicable	Not applicable
3	Others	63,815	38.86	None	Others	57,977	33.30	None	Not applicable	Not applicable	Not applicable	Not applicable
	Purchase Net amount	164,224	100.00	-	Purchase Net amount	174,076	100.00	-	Purchase Net amount	Not applicable	Not applicable	-

Note 1: List all suppliers accounting for 10 percent or more of the Company's total procurement amount in the 2 most recent fiscal years and the amounts bought from each and the percentage of total procurement accounted for by each. If the company is prohibited by contract from revealing the name of a supplier, or a trading counterparty is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be disclosed. °

2. Major Customers

Information on Major Customers for the Most Recent 2 Fiscal Years

Unit: NT\$1,000

Item	2021				2022				1st quarter of 2023 (Note 2)			
	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer
1	KAO FONG (Note 3)	69,809	16.88	None	KAO FONG (Note 3)	78,820	16.97	None	Not applicable	Not applicable	Not applicable	Not applicable
2	Others	341,571	82.61	None	Others	381,246	82.10	None	Not applicable	Not applicable	Not applicable	Not applicable
3	Service Revenue	2,103	0.51	Parent	Service Revenue	4,312	0.93	Parent	Not applicable	Not applicable	Not applicable	Not applicable
	Sale Net amount	413,483	100.00	-	Sale Net amount	464,378	100.00	-	Sale Net amount	Not applicable	Not applicable	-

Note 1: List all customers accounting for 10 percent or more of the Company's total sales amount in the 2 most recent fiscal years and the amounts sold to each and the percentage of total sales accounted for by each. If the company is prohibited by

contract from revealing the name of a customer, or a trading counterparty is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be disclosed.

Note 3: The major customer is TOP PHARM. MEDICALWARE COMPANY LIMITED. The sales ratio increased because the Company had put its cardiovascular drugs, e.g. Linicor and Rhynorm, and other testing products on the market.

(V) An indication of the production volume for the 2 most recent fiscal years:

Unit: thousand pieces, thousand needles; NTS1,000

Production volume and value Major products	January 1, 2021 to December 31, 2021			January 1, 2022 to December 31, 2022		
	Production capacity (Note 1)	Production volume (Note 2)	Production value (Note 3)	Production capacity (Note 1)	Production volume (Notes 2 and 3)	Production value
Cardiovascular medicines	Not applicable	69,039	95,677	Not applicable	76,902	112,506
Gastroenterology medicines	Not applicable	76,618	34,607	Not applicable	79,916	35,723
Central nervous system medicines	Not applicable	8,625	13,908	Not applicable	15,459	23,922
Testing items	Not applicable	2	16,263	Not applicable	0	11,653
Total	Not applicable	154,284	160,455	Not applicable	172,277	183,804

Note 1: The Company does not have a factory, and therefore does not have any information on the production capacity.

Note 2: Production volume refers to the finished products produced using material supplied by customers, and imported products.

Note 3: Expressed as 0 because the number of testing items is less than 1,000.

(VI) Sales Volume and Value in the Most Recent 2 Fiscal Years:

Unit: thousand pieces, thousand needles; NTS1,000

Sales volume and value Major products	January 1, 2021 to December 31, 2021		January 1, 2022 to December 31, 2022		January 1, 2022 to December 31, 2022		January 1, 2022 to December 31, 2022	
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cardiovascular medicines	66,997	276,999	1,728	3,842	76,400	314,717	1,731	4,025
Gastroenterology medicines	76,230	76,857	250	1,918	85,358	87,916	9	112
Central nervous system medicines	10,462	27,576	Not applicable	Not applicable	14,555	35,498	Not applicable	Not applicable
Testing items	1	24,188	Not applicable	Not applicable	0	17,798	Not applicable	Not applicable
Other medicines	0	0	Not applicable	Not applicable	0	0	Not applicable	Not applicable
Total	153,690	405,620	1,978	5,760	176,313	455,929	1,740	4,137

III. In-service Employees

Year		2021	2022	2023 up to March 31
Number of employees.	Managerial officers	14	14	14
	R&D technicians	7	7	7
	Other employees	47	50	52
	Total	68	71	73

Average age		40.25	39.7	40
Average years of service		4.5	4.6	4.9
Education distribution Percentage (%)	Ph.D.	0%	1%	1%
	Master	35%	33%	33%
	BA	48%	50%	50%
	Junior college	16%	16%	16%
	Senior high school	0%	0%	0%
	Below senior high school	0%	0%	0%

IV. Disbursements for environmental protection

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Company has never polluted the environment since its establishment on September 1, 2010 and up to the publication date of this annual report, and will uphold the same ideal to maintain the best environmental performance.

V. Labor relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor and management agreements and measures for preserving employees' rights and interests

1. Employee welfare measures and implementation

To foster a close relationship with employees and encourage them to contribute their efforts, the Company offers more welfare measures and takes care of their lives. In addition, the Company also builds a good corporate culture and values. Moreover, the Company set up its Employee Welfare Committee by referring to the competent authority's "Employee Welfare Fund Act" and "Organization Regulations on Employee Welfare Committee"; the committee was approved by the competent authority with its official letter Bei-Shi-Lao-Zi-Zi No.09941864100 dated November 8, 2010. After that, the Company makes welfare contribution as required by law to the committee, which will then carry out the various welfare measures. Below is a summary description of the welfare measures:

- A. Birthday monetary gifts: Monetary gifts in the amount of NT\$1,000 will be given to employees in the month of their birth.
- B. Wedding monetary gifts: Employees with the Company for more than three months but less than one year will be given monetary gifts of NT\$3,600; employees with the Company for one year or more will be given monetary gifts of NT\$6,000.
- C. Childbirth monetary gifts: Employees passing the probationary period or employees whose spouse gives birth to a child are entitled to this welfare measure, and will be given NT\$3,600.
- D. Monetary gifts for the Chinese New Year and other major festivals: NT\$1,000 will be given in the month of Dragon Boat Festival, Mid-autumn Festival, and the International Workers' Day.
- E. Educational subsidies: Including scholarships and grants. Scholarships, which range from NT\$1,000 to NT\$4,000, aim to reward employees and their school children who attain certain score depending on their grade; grants, which range from NT\$4,000 to NT\$10,000, aim to help school children of employees qualified as low income households depending on their grade.
- F. Consolation money for hospitalization: NT\$3,000 will be provided to colleagues who have passed the probation period and are hospitalized due to illness; the worth of consolation gifts must not exceed NT\$800.
- G. Emergency relief money: Colleagues suffering an emergency will be given NT\$5,000 to NT\$30,000 depending on the situation..
- H. Condolence money:
 - a. Employees whose parent, child, spouse, or the spouse's parent passes away will be given NT\$3,100 in cash and NT\$2,000 worth of flower baskets.
 - b. Employees whose grandparent, maternal grandparent, sibling, grandchild, maternal grandchild, great-grandparent, or maternal great-grandparent passes away will be given NT\$1,500 in cash or NT\$2,000 worth of flower baskets (either NT\$1,500 or NT\$2,000).
- I. Others: Company dinner parties and year-end party: The Welfare Committee will hold various activities from time to time depending on the budget and needs. The committee is also responsible for planning the year-end party and preparing the gifts at the end of each year.

2. Continuing education, and training, of employees, and the implementation thereof

To enhance the professional knowledge and skills of employees for them to effectively complete tasks and achieve work goals, and to stimulate their potential and enhance their willingness to learn to meet the needs of their self-growth and organizational development, the Company implements pre-employment training, internal and external on-the-job training, and external training at home or abroad according to its “Education and Training Management Regulations.” To embark on the trend of globalization, the Company signed a contract with multiple foreign language learning institutions for a preferential learning program in 2022, thereby providing employees with diverse learning resources. In addition, to provide the organization with sustainable talent sources and establish a successor echelon, the Company launched the 8-month “Empowerment Leadership Plan” and 1-year “Group-based Study Plan,” in which officers and departmental potential talents formed a cross-department task force to lead the organization through strategic co-creation, thereby striding towards the goals of the five-year plan.

The state of implementation in the year was as follows:

Item	Number of classes	Total number of trainees	Total hours	Total cost (yuan)
New employee orientation	4	17	20	1,050
Professional and occupational training	9	39	47	11,810
Talent training for officers	11	240	58	769,696
Liberal education and training	2	7	12	1,852
External training	37	95	375	221,927
Total	63	398	512	1,006,335

3. Employee retirement scheme and its implementation

All our employees have adopted the new scheme under the Labor Pension Act, which has been implemented since July 1, 2005. We have adopted a defined contribution plan for employees' length of service. We make a contribution to their pension funds equal to not less than 6% of their monthly salaries to their individual labor pension accounts.

(1) Implementation status:

Pension scheme	New scheme
Applicable law	Labor Pension Act
Contribution method	Make a contribution equal to 6% of their insured salary level to their individual account under the Labor Insurance Bureau.
Contribution amount	A total of NT\$4,243,000 was contributed in 2022.
Application for retirement	No employee applied for retirement in 2022.

(2) Retirement eligibilities:

As per Article 24 of the Labor Pension Act, employees who have reached the age of 60 and have worked for more than 15 years may apply for monthly pension payment. However, those who have worked for fewer than 15 years should apply for pension payment in a lump sum.

(3) Pension payment standards

Individual pension account system:

- Monthly pension payment: The amount calculated based on the individual pension account, cumulative income, average life expectancy specified in the annuity mortality table, and the interest rate is adopted as the amount of the monthly pension payment.
- Pension in a lump sum: The principal and cumulative income in the individual pension account are paid to each employee in a lump sum.

4. Labor and management agreements and measures for preserving employees' rights and interests:

Any amendment or revision in relation to labor relations are determined only through a labor and management meeting in which workers and the management fully communicate with each other. The Company regularly held labor and management meetings in 2022, and set up additional communication channels, e.g. TSH Reporting, TSH TV, and TSH Talk (employee email box) whereby the opinions of both parties can flow freely without any obstruction. Moreover, the

Company has formulated its Employee Handbook and various internal regulations, wherein employees' rights and obligations are specified. In this way, the Company spares no efforts in protecting employees' rights and interests.

5. Employee code of conduct or ethical principles
To specify the rights and obligation of employees and the employer, the Company has formulated its Work Rules as required by law; the Work Rules, which was already approved by the competent authority and disclosed, serves as the basis for compliance by employees. The Work Rules sets out regulations for employment, lay-off, resignation, discharge, retirement, wage, working hours, rewards and discipline, compensation for work-related injury and illness, compensation for death, welfare measures, and safety and health measures. In addition, the Company has also formulated its "Ethical Corporate Management Best-Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct," which prohibit employees from directly or indirectly providing, promising, demanding, or accepting any improper benefits, committing unethical or illegal conduct, or breaching fiduciary duty, in exchange for, or for the purpose of maintaining, benefits during the course of business conduct. For the contents of the "Ethical Corporate Management Best-Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct," see the Company's website at <http://www.tshbiopharm.com>.
6. Measures at workplace to protect the personal safety of employees
 - (1) The Company organizes a health check for employees every year and has prepared a first aid kit inclusive of medicines.
 - (2) We have installed drinking water equipment in alignment with the drinking water standards in the workplace, and we regularly clean and maintain it every 1 to 2 months.
 - (3) We outsource environmental sanitation management and cleaning and maintenance of the workplace to a professional cleaning company to maintain the sanitation quality of the work environment as per the Company's cleaning and maintenance checklist in accordance with the cleaning standards to maintain the quality of our work environment.
 - (4) The "Regulations for the Safety and Maintenance of Offices" is formulated to maintain office safety.
 - A. Flammable and dangerous items are prohibited.
 - B. The last employee leaving the office after getting off work every day or working overtime on holidays should close the doors and windows and turn off air-conditioners and lights in the front of the gate.
 - C. After getting off work every day or working overtime on holidays, employees are required to lock the door (ground lock) when there is no one else in the office to prevent thieves from breaking in at night.
 - D. We ban smoking inside the Company and public places in accordance with the Tobacco Hazards Prevention Act.
 - E. Employees who have borrowed a parking space or office keys must return them after use; employees are not allowed to lend the Company's access card or key to non-company personnel without authorization.
 - (5) To maintain the work environment and employees' personal safety, we have formulated the Safety and Health Work Rules and designated an occupational safety and health specialist: The Company's "Safety and Health Work Rules" has been implemented since it was approved by the competent authority.
 - A. In principle, the safety and health inspection work is carried out by the operators and supervised by the personnel in charge of management, command, and supervision.

- B. To prevent the stacked objects from collapsing or falling off, we tie up all stacked objects with ropes or protect them by bollards or at a limited height or change the stacking method.
 - C. We stipulate the first aid measures for general first aid, bleeding, electrical shock, fractures, apnea, and cardiac arrests.
 - D. In the event of three or more casualties at the same time in an accident in the workplace with one or more victim hospitalized or under the circumstances specified in the announcement made by the central competent authority, we should offer emergency first aid and rescue victims and report to the labor inspection agency within eight hours.
- (6) We implement access control. Employees and visitors entering the Company should pass the card swipe sensor for verification at the elevators of our building in the park and the door of our office.
 - (7) We participate in fire exercises and lectures held by the Management Committee of the Nangang Software Park Phase II every year.
 - (8) We made available adequate number of fire extinguishers in the workplace.
 - (9) Aside from covering all employees with labor insurance and national health insurance, the Company also purchases a group insurance for them. Employees on a business trip abroad are further covered with a travel insurance purchased by the general affairs unit. In addition, the coverage amount may be adjusted to ensure employees' travel safety whenever required.
 - (10) Zhongxiao Branch, Taipei City Hospital, set up an outpatient department at the Nangang Software Park Phase II, in which the Company is located.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company has a harmonious relationship with workers. Therefore, in the most recent year and up to the publication date of the annual report, the Company did not suffer any loss due to labor disputes.

VI. Cyber security management:

(I) Describe the cyber-security risk management framework, the cyber-security policy, the specific management plan, and the resources committed to the cyber-security management, etc.

1. Cyber security risk management framework

To coordinate, plan, audit, and promote information security management and relevant matters, the Company has set up an independent information security risk management team. The Company's information security risk management team consists of the head of the General Administrative Division, head of the Administrative Department, chief officer in charge of information security affairs, information personnel. The chief officer in charge of information security affairs, and information security personnel must be the personnel from the IT Department. The state of implementation of information security was reported to the Board of Directors meeting dated November 3, 2022.

The team's duties mainly include the formulation and revision of information security policy operating procedures; promotion, coordination, and review of

cyber security management items; regular review of cyber security policy and goals; execution of checks every quarter to ensure information security; and report on the implementation of information security to the Board of Directors every year.

2. Information Security Policy and Specific Management Plan

The goal of the Company's information security policy is to ensure the confidentiality, integrity, and availability of information.

- (1) Availability – Availability: Ensuring that various information assets are up to date and accurate enough to meet the needs of users.
- (2) Integrity – Classifying information assets by importance and adopting appropriate protection measures to ensure their integrity.
- (3) Confidentiality – Confidentiality: Appropriately classifying data into different confidentiality levels, and assigning proper regulations and protection to them according to their confidentiality level.

The Company's information security system is in compliance with ISO 27001. However, as the Company is not an enterprise required to obtain international certification for our information security policies and specific management plans, we do not need to purchase insurance for information security risks for the time being as per the information security risk appetite identified by the Company's information security risk management team. However, for the purpose of information security management, the Company will continue to strengthen information security protection and establish joint defense plans. In addition, the team members continue to participate in information security management courses every year to enhance their professional competencies and keep abreast of issues of concern. In 2022, the Company invested about NT\$1,214,000 in updating information software, hardware, and information security services, and held five meetings related to information security, so as to enhance its information security protection capabilities.

The Company's information security policy and specific management plans are as follows:

Aspect	Activity	Implementation status
Core business system management	<ul style="list-style-type: none"> ● Core business system control ● Confidential and sensitive data control 	<ol style="list-style-type: none"> 1. Identified the Company's core business and confidential and sensitive information, and inventoried the information assets of the core business system. 2. Formulated the recovery time objective (RTOs) and recovery point objectives (RPOs) for core business. 3. Scanned and checked for the vulnerabilities and performed a penetration test for core systems, and fixed, tracked, and managed the vulnerabilities for items with medium to high risk in the testing report. 4. The operating host and equipment of the core information system were continuously updated and security vulnerabilities were fixed.
Information and communications system development, maintenance, and security management	<ul style="list-style-type: none"> ● Information system access control ● Password management ● Physical and remote security 	<ol style="list-style-type: none"> 1. Registered or canceled usernames in line with the Company's user management, and periodically reviewed usernames and their permission. 2. Periodically changed the passwords. 3. System server mainframe was installed in an area where access is controlled. 4. Server room environment complied with the requirements for safety operation in a server room. 5. Telecommuting was controlled in terms of encrypted communication, identity verification, and work contents.
Information security protection and control measures	<ul style="list-style-type: none"> ● Endpoint security protection ● Email security management ● Intrusion detection and prevention mechanism ● threat and attack defense measures ● Cyber security threat detection and management mechanism 	<ol style="list-style-type: none"> 1. An endpoint security protection center is set up to reflect malware intrusions and information security incidents in real time, and to provide statistics, so as to reduce information security risks. 2. Perform information security checks quarterly. 3. The email system is capable of filtering out and detecting malware, to implement email security management. 4. An intrusion detection and prevention mechanism is in place at each network node. 5. A firewall is erected for open application systems to reduce operational risks.
Control of the security of outsourced service	<ul style="list-style-type: none"> ● Management of outsourced development ● Contractor management 	<ol style="list-style-type: none"> 1. Information security requirements are specified for outsourcees to ensure that the work performed by them is within the agreed work content and scope. 2. Confidentiality requirements and service change methods are specified in contracts.
Information security risk management, and response and reporting procedures	<ul style="list-style-type: none"> ● Information security risk assessment ● Procedures for responding to and reporting information security incidents ● Material information announcement 	<ol style="list-style-type: none"> 1. The Company assesses information security risk, identifies information security risks for core business and core information systems, and implements corresponding control measures every year. 2. The Company has established information security incident response and reporting procedures. 3. The Company has gathered threat information and reported information security incidents, and has joined Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC).
Continuous advancement of cyber security	<ul style="list-style-type: none"> ● Periodical audits ● Information security operation 	<ol style="list-style-type: none"> 1. Auditors conduct inspections periodically; if any event is spotted, they propose improvement measures and

	annual report <ul style="list-style-type: none"> ● Information security awareness session ● Disaster recovery drill 	suggestions and periodically track the progress of improvement. <ol style="list-style-type: none"> 2. The Board of Directors is periodically briefed on the implementation of cyber security measures. 3. An information security awareness session is regularly held every year to enhance employees' information security awareness. 4. Disaster recovery drills are regularly held every year to ensure the ability to respond to information security incidents and reduce system operation risks.
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(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber-security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Company did not suffer any loss in the most recent fiscal year and up to the annual report publication date due to significant cyber-security incidents.

VII. Important contracts

Nature of contract	Party	Beginning and end dates of contract	Major content	Restrictive clauses
Equity investment	CellMax Ltd.	From February 13, 2019	Overseas Equity investment	According to the contractual terms
Transfer Drug license	Mycenax Biotech Inc.	January 4, 2018 – Completed	Drug license rights transfer	According to the contractual terms
Commissioned manufacturing	TTY Biopharm Company Limited	January 1, 2021 – December 31, 2025	Commissioned manufacturing	According to the contractual terms
Commissioned manufacturing	Genovate Biotechnology Co., Ltd.	November 1, 2020 – October 31, 2024	Commissioned development	According to the contractual terms
Commissioned manufacturing	Genovate Biotechnology Co., Ltd.	January 1, 2020 – December 31, 2023	Commissioned manufacturing	According to the contractual terms
In-licensing	Lupin Limited	July 1, 2011 – June 30, 2027	In-licensing and distribution of drugs	According to the contractual terms
In-licensing	Aju Pharm Co., Ltd.	October 1, 2019 – September 30, 2025	Drug in-licensing distribution agency agreement	According to the contractual terms
Authorization granted to external parties	American Taiwan Biopharm	From August 20, 2013	Overseas in-licensing distribution agency agreement	According to the contractual terms
Agency agreement	CENTOGENE GmbH	From February 20, 2019	Drug distribution agency agreement	According to the contractual terms
Commissioned service	IMBdx, Inc.	October 27, 2020 – October 26, 2025	Commissioned testing service	According to the contractual terms

Six. Financial overview

I. The condensed financial information for the last five years shall record the following items:

(I) Condensed balance sheet and statements of comprehensive income

Condensed Balance Sheet

Unit: In NT\$1,000

Item \ Year	Financial information for the last five years (Note 1)					Financial information for the three months ended March 31, 2023	
	2018	2019	2020	2021	2022		
Current assets	895,718	885,884	943,841	919,972	907,522	Not applicable	
Property, plant, and equipment	21,585	26,225	25,255	22,792	24,566	Not applicable	
Intangible assets	10,572	8,239	6,180	3,628	14,392	Not applicable	
Other assets	279,052	337,213	249,587	216,334	201,301	Not applicable	
Non-current assets	13,394	6,194	4,517	6,700	6,644	Not applicable	
Total assets	1,220,321	1,263,755	1,229,380	1,169,426	1,154,425	Not applicable	
Current liabilities	Before distribution	99,417	138,792	98,618	85,800	82,501	Not applicable
	After distribution	160,854	207,909	167,735	143,397	143,938	Not applicable
Non-current liabilities	23	0	4,418	0	4,557	Not applicable	
Total liabilities	Before distribution	99,440	138,792	103,036	85,800	87,058	Not applicable
	After distribution	160,877	207,909	172,153	143,397	148,495	Not applicable
Equity attributable to the owner of the	1,120,881	1,124,963	1,126,344	1,083,626	1,067,367	Not applicable	
Share capital	383,981	383,981	383,981	383,981	383,981	Not applicable	
Capital reserves	458,977	458,977	458,977	459,361	459,435	Not applicable	
Retained earnings	Before distribution	151,366	175,256	266,626	224,075	228,368	Not applicable
	After distribution	89,929	106,139	197,509	166,478	166,931	Not applicable
Other equity	126,557	106,749	16,760	16,209	(4,417)	Not applicable	
Treasure shares	0	0	0	0	0	Not applicable	
Non-controlling	0	0	0	0	0	Not applicable	
Total equity	Before distribution	1,120,881	1,124,963	1,126,344	1,083,626	1,067,367	Not applicable
	After distribution	1,059,444	1,055,846	1,057,227	1,026,029	1,005,930	Not applicable

Note 1: The earnings distribution proposal for 2022 has yet to be approved by the shareholders' meeting.

Condensed Statement of Comprehensive Income

Unit: In NT\$1,000

Item \ Year.	Financial information for the last five years					Financial information for the three months ended March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	515,646	507,666	447,862	413,483	464,378	Not applicable
Operating gross profit	334,386	314,730	285,192	247,358	279,872	Not applicable
Operating profit or loss	61,964	56,198	74,304	55,615	63,199	Not applicable
Non-operating income and expenses	3,943	47,157	2,928	5,934	13,789	Not applicable
Pre-tax net profit	65,907	103,355	77,232	61,549	76,988	Not applicable
Continuing operations net profit for the period	57,784	85,327	61,570	47,108	61,890	Not applicable
Loss from discontinuing operations	0	0	0	0	0	Not applicable
Net profit (loss) for the period	57,784	85,327	61,570	47,108	61,890	Not applicable
Other comprehensive income for the period (net of tax)	(2,888)	(19,808)	8,928	(21,094)	(20,626)	Not applicable
Total comprehensive income for the period	54,896	65,519	70,498	26,014	41,264	Not applicable
Net profit attributable to owners of the parent	54,896	65,519	70,498	26,014	41,264	Not applicable
Net profit attributable to non-controlling interest	0	0	0	0	0	Not applicable
Total comprehensive income attributable to owner of the parent	54,896	65,519	70,498	26,014	41,264	Not applicable
Total comprehensive income attributable to non-controlling interest	0	0	0	0	0	Not applicable
EPS	1.50	2.22	1.60	1.23	1.61	Not applicable

(II) Condensed Balance Sheet and Income Statement – Enterprise Accounting Standards of the R.O.C.

1. Condensed Balance Sheet – Enterprise Accounting Standards of the R.O.C.

Unit: In NT\$1,000

Year Item		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current asset[s]		—	—	—	—	—
Property, plant, and equipment (Note 2)		—	—	—	—	—
Intangible assets		—	—	—	—	—
Other assets		—	—	—	—	—
Total assets		—	—	—	—	—
Current liabilities	Before distribution	—	—	—	—	—
	After distribution	—	—	—	—	—
Non-current liabilities		—	—	—	—	—
Other liabilities		—	—	—	—	—
Total liabilities	Before distribution	—	—	—	—	—
	After distribution	—	—	—	—	—
Share capital		—	—	—	—	—
Capital reserves		—	—	—	—	—
Retained earnings	Before distribution	—	—	—	—	—
	After distribution	—	—	—	—	—
Other equity		—	—	—	—	—
Treasure shares		—	—	—	—	—
Total equity	Before distribution	—	—	—	—	—
	After distribution	—	—	—	—	—

Note 1: If the information for any fiscal year has not been audited and attested by a CPA, this fact shall be noted.

Note 2: If the company that has conducted any asset revaluation in a fiscal year, it shall state the date of the asset revaluation and the amount of the revaluation increment.

Note 3: For the “after distribution” figures above, please fill in the amounts based on the amount resolved by the board of directors on or resolved in the shareholders’ meeting of .

Note 4: If the competent authority has notified the Company to make a correction or restatement to its financial information, this table shall be prepared based on the corrected or restated figures, and a note shall be give specifying the specific circumstances and reasons.

Note 5: The Company was incorporated on September 1, 2010.

2. Condensed Comprehensive Income Statement – Enterprise Accounting Standards of the R.O.C.

Unit: In NT\$1,000

Item	Year	Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		—	—	—	—	—
Gross profit		—	—	—	—	—
Operating profits or losses		—	—	—	—	—
Non-operating income and expenses		—	—	—	—	—
Pre-tax profit (loss)		—	—	—	—	—
Profit or loss from continuing operations		—	—	—	—	—
Profit and loss from discontinued operations		—	—	—	—	—
Cumulative effect of changes in accounting principles		—	—	—	—	—
Net profit (net loss) for the period		—	—	—	—	—
Total other comprehensive income for the period		—	—	—	—	—
Total comprehensive income for the period		—	—	—	—	—

Note: The Company was incorporated on September 1, 2010.

(III) Names of CPAs attesting the financial statements for the past five years, and their opinions

Year	Name of attesting CPAs	Audit opinion
2018	KPMG Taiwan: Shih-Chin Chih; Kuo-Yang Tseng	Unqualified opinion
2019	KPMG Taiwan: Shih-Chin Chih; Kuo-Yang Tseng	Unqualified opinion
2020	KPMG Taiwan: Shih-Chin Chih; Kuo-Yang Tseng	Unqualified opinion
2021	KPMG Taiwan: Shih-Chin Chih; Kuo-Yang Tseng	Unqualified opinion
2022	KPMG Taiwan: Shin-Ting Huang; Yilien Han	Unqualified opinion

II. Financial analysis for the most recent 5 years

(I) Financial Analysis

Year (Note 1) Analysis Items (Note 3)		Financial analysis for the most recent five years					Year-to-date through March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial structure %	Debt to assets ratio	8.15	10.98	8.38	7.34	7.54	Not applicable
	Ratio of long-term capital to property, plant, and equipment	5,192.98	4,289.66	4,477.38	4,754.41	4,363.44	Not applicable
Solvency %	Current ratio	900.97	638.28	957.07	1,072.23	1,100.01	Not applicable
	Quick ratio	852.88	576.75	849.58	971.72	1,018.67	Not applicable
	Times interest earned	Not applicable	1,261.43	2,861.44	770.36	2,655.76	Not applicable
Operating performance	Receivables turnover (times)	3.95	4.30	3.91	3.94	4.46	Not applicable
	Average collection days	92	85	93	93	82	Not applicable
	Inventory turnover (times)	3.28	3.63	2.38	2.20	2.79	Not applicable
	Payables turnover (times)	3.47	4.94	6.70	16.50	12.64	Not applicable
	Average sales days	111	101	154	166	131	Not applicable
	Property, plant, and equipment turnover (times)	25.16	21.24	17.40	17.21	19.61	Not applicable
	Total asset turnover (times)	0.41	0.41	0.36	0.34	0.40	Not applicable
Profitability	Return on assets (%)	4.62	6.88	4.94	3.93	5.33	Not applicable
	Return on equity (%)	5.10	7.60	5.47	4.35	5.75	Not applicable
	Pre-tax income to paid-in capital (%) (Note 7)	17.16	26.92	20.11	16.03	20.05	Not applicable
	Profit margin (%)	11.21	16.81	13.75	11.39	13.33	Not applicable
	Earnings per share (NT\$)	1.50	2.22	1.60	1.23	1.61	Not applicable
Cash flow	Cash flow ratio (%)	62.98	63.87	11.77	80.08	89.56	Not applicable
	Cash flow adequacy ratio (%)	71.83	77.93	63.02	70.82	79.69	Not applicable
	Cash flow reinvestment ratio (%)	-1.44	2.13	-4.82	-0.04	1.45	Not applicable
Leverage	Operating leverage	1.94	2.19	1.83	1.94	1.89	Not applicable
	Financial leverage	1.00	1.00	1.00	1.00	1.00	Not applicable

Please indicate the reasons for the changes in the financial ratios in the past two years: (analysis may be exempted if the change does not reach 20%)

(1) As the COVID-19 pandemic is successfully contained, the outpatient business of each medical center gradually revives, increasing the sales of cardiovascular drugs and self-pay testing products, thereby destocking rapidly. Therefore, the overall operating revenue in 2022 grew by about 12.31% from 2021, and the post-tax profit in 2022 grew about 31.38% from 2021.

(2) Due to said reasons, net profit in 2022 increased from 2021. Except the financial structure and leverage ratios, all other financial ratios, including times interest earned, some items under operating performance, e.g. inventory turnover (times), payables turnover (times), and average sales days, profitability ratios, and cash reinvestment ratio, changed by 20% or more.

Note 1: If the information for any fiscal year has not been audited and attested by a CPA, this fact shall be noted.

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be analyzed.

Note 3: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual

report:

1. Financial structure
 - (1) Debt to assets ratio ≤ 1) Total Liabilities/Total Assets.
 - (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio ≤ 1) Current Assets/Current Liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Times interest earned = earnings before tax and interest expenses / current interest expenses.
3. Operating performance
 - (1) Receivables (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
 - (2) Average collection days = 365 / accounts receivable turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Payables (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average payables balance (including accounts payable and notes payable arising from business activities).
 - (5) Average days in sales $1 \geq 365$ / inventory turnover.
 - (6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (net income + interest expenses * (1 - tax rate)) / average total assets.
 - (2) Return on equity = net income after tax / average total equity.
 - (3) Net profit margin = net income after tax / net sales.
 - (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = operating income / (operating income - interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any follow-on offering or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semiannual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

(II) Financial Analysis – Enterprise Accounting Standards of the R.O.C.

Analysis item		Year	Financial analysis for the last five years				
		2018	2019	2020	2021	2022	
Financial structure	Debt to assets ratio	—	—	—	—	—	
	Ratio of long-term capital to property, plant, and equipment	—	—	—	—	—	
Solvency	Current ratio (%)	—	—	—	—	—	
	Quick ratio (%)	—	—	—	—	—	
	Times interest earned	—	—	—	—	—	
Operating performance	Receivables turnover (times)	—	—	—	—	—	
	Average collection days	—	—	—	—	—	
	Inventory turnover (times)	—	—	—	—	—	
	Accounts payable turnover (times)	—	—	—	—	—	
	Average sales days	—	—	—	—	—	
	Property, plant, and equipment turnover (times)	—	—	—	—	—	
	Total asset turnover (times)	—	—	—	—	—	
Profitability	Return on assets (%)	—	—	—	—	—	
	Return on equity (%)	—	—	—	—	—	
	As a ratio to the paid-in capital (%)	Operating profit	—	—	—	—	—
		Pre-tax profits	—	—	—	—	—
	Profit margin (%)	—	—	—	—	—	
	Earnings per share (NT\$)	—	—	—	—	—	
Cash flow	Cash flow ratio (%)	—	—	—	—	—	
	Cash flow adequacy ratio (%)	—	—	—	—	—	
	Cash flow reinvestment ratio (%)	—	—	—	—	—	
Leverage	Operating leverage	—	—	—	—	—	
	Financial leverage	—	—	—	—	—	
Please indicate the reasons for the changes in the financial ratios in the past two years: None.							

Note 1: The Company was incorporated on September 1, 2010.

Note 2: Calculation formula:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Receivables (including accounts receivable and notes receivable arising from business activities) turnover =

- net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
- (2) Average collection days = 365 / Receivables turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Payables (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average payables balance (including accounts payable and notes payable arising from business activities).
 - (5) Average days in sales = 365 / inventory turnover.
 - (6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (net income + interest expenses * (1 - tax rate)) / average total assets.
 - (2) Return on equity = net income after tax / average net equity
 - (3) Net profit margin = net income after tax / net sales.
 - (4) Earnings per share = (net income after tax - preferred stock dividends) / weighted average number of shares outstanding (Note 4)
 5. Cash flow
 - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
 6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = operating income / (operating income - interest expenses).
- Note 3: Special attention should be paid to the following when calculating earnings per share by the above equation:
1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
 2. If there is any follow-on offering or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
 3. If there is any capitalization of retained earnings or capital surplus, the annual and semiannual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
 4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.
- Note 4: Special attention shall be paid to the following when making the calculations for cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
 2. Capital expenditures refers to the annual cash outflow used in capital investment.
 3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
 4. Cash dividends include the cash dividends of common stock and preferred stock.
 5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.
- Note 5: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

III. Audit Committee's review report for the most recent year's financial statements

TSH Biopharm Corporation Ltd.
Audit Committee Review Report

The Board of Directors has prepared and submitted the Company's 2022 Business Report, Financial Statements, and the Earnings Distribution Proposal, of which the Financial Statements were audited by CPA Shin-Ting Huang and CPA Yilien Han from KPMG Taiwan, who have also furnished an audit report. After reviewing the said reports and statements, the Audit Committee did not find any non-conformities, and thus prepared this Audit Committee Review Report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. For your approval.

To

TSH Biopharm Corporation Ltd. Annual General Shareholders' Meeting
of 2023

Convener of Audit Committee: Chih-Li Wang

February 24, 2023

- IV. Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices: see p.141 through p.195.**
- V. Parent company only financial statements for the most recent year which were audited and attested by CPAs: None.**
- VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of TSH Biopharm Corporation Ltd.

Opinion

We have audited the financial statements of TSH Biopharm Corporation Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the years ended December 31, 2022 and 2021, 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 of 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 and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the parent company only financial statements in the current period are stated as follow:

1. Valuation of Inventories

Please refer to notes 4(7), 5 and 6(5) of the notes to the parent company only financial statement for

the accounting policies on measuring inventory, assumptions used and uncertainties considered in determining net realizable value, allowances for impairment loss and obsolescence and balances of impairment loss and obsolescence, respectively.

Description of key audit matter:

Inventories are stated at of cost and net realizable value. Due to fierce competition in pharmaceutical industry and the declining prices of health insurance drugs every year, which will affect the sales prices of related products, resulting in a risk that the cost of inventories to exceed its net value. Therefore, inventory evaluation is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our audit procedures for the above key audit matters included assessing the Company's inventory allowance amount based on the nature of the inventories; performing audit to check the correctness of the inventory age report; reviewing the company's past inventory allowances and assessing whether the estimation methods and assumptions are appropriate; observe the inventory count and check the inventory status to assess whether the inventory is expired or damaged; sampling the latest sales prices of inventory and assessing the reasonableness of net realizable value; assessing whether disclosure items for inventory allowances are appropriate.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission and for such internal control as management determines is necessary to enable the preparation of 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 of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained 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 auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

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 identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Shin- Ting Huang and Yilien Han.

KPMG
Taipei, Taiwan (Republic of China)
February 24, 2023

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 report of independent accountants 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.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)
TSH Biopharm Corporation Ltd.
Balance Sheets
December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (notes 6(1) and (19))	\$ 404,476	35	381,887	33	2150		Notes payable (note 6(19))	441
1120 Current financial assets at fair value through other comprehensive income (notes 6(2) 、(19) and 13)	51,811	5	52,929	5	2170		Accounts payable (note 6(19))	5,833
1150 Notes receivable, net (notes 6(3) 、(16) and (19))	16,077	1	14,716	1	2180		Accounts payable to related parties (notes 6(19) and 7)	6,445
1170 Accounts receivable, net (notes 6(3) 、(16) and (19))	90,939	8	84,131	7	2200		Other payables (notes 6(10) 、(19) and 7)	60,409
1180 Accounts receivable from related parties (notes 6(3) 、(16) 、(19) and 7)	301	-	218	-	2230		Current income tax liabilities	7,102
1200 Other receivables (notes 6(4) 、(19) and 7)	1,658	-	1,064	-	2280		Current lease liabilities (notes 6(11) 、(19) 、(22) and 7)	4,567
130x Inventories (note 6(5))	59,259	5	73,219	6	2300		Other current liabilities	1,003
1476 Other financial assets-current (notes 6(1) 、(9) and (19))	275,053	24	298,589	26				
1479 Other current assets—other (notes 6(9))	7,948	1	13,219	1			Non-current liabilities:	85,800
	<u>907,522</u>	<u>79</u>	<u>919,972</u>	<u>79</u>	2580		Non-current lease liabilities (notes 6(11) 、(19) 、(22) and 7)	4,557
Non-current assets:							Total liabilities	<u>87,058</u>
1517 Non-current financial assets at fair value through other comprehensive income (notes 6(2) 、(19) and 13)	192,259	17	211,767	18			Equity (note 6(2) and (14)):	<u>7</u>
1600 Property, plant and equipment (note 6(6))	24,566	2	22,792	2	3100		Capital stock	383,981
1755 Right-of-use assets (note 6 (7))	9,042	1	4,567	1	3200		Capital surplus	459,361
1780 Intangible assets (note 6 (8))	14,392	1	3,628	-			Retained earnings:	113,065
1840 Deferred income tax assets (note 6 (13))	1,800	-	2,010	-	3310		Legal reserve	112,647
1915 Prepayment for equipment	711	-	-	-	3350		Unappropriated retained earnings	111,010
1920 Refundable deposits paid (notes 6(9) 、(19) and 7)	4,049	-	4,393	-	3400		Other equity	16,209
1984 Other non-current financial assets (notes 6(9) and (19))	84	-	297	-				-
	<u>246,903</u>	<u>21</u>	<u>249,454</u>	<u>21</u>			Total equity	<u>1,083,626</u>
Total assets	<u>\$ 1,154,425</u>	<u>100</u>	<u>\$ 1,169,426</u>	<u>100</u>			Total liabilities and equity	<u>\$ 1,154,425</u>
							100	1,169,426

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

TSH Biopharm Corporation Ltd.
Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

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

	2022		2021	
	AMOUNT	%	AMOUNT	%
4000 Operating revenue (notes 6(16) and 7)	\$ 464,378	100	\$ 413,483	100
5000 Operating costs (notes 6(5) and 7)	184,506	40	166,125	40
Gross profit	279,872	60	247,358	60
6000 Operating expenses (notes 6(3)、(11)、(12)、(17)、7 and 12):				
6100 Selling expenses	139,681	30	120,215	29
6200 Administrative expenses	50,564	11	48,113	12
6300 Research and development expenses	26,345	6	23,515	6
6450 Expected credit loss (gain)	83	-	(100)	-
	216,673	47	191,743	47
Operating income	63,199	13	55,615	13
Non-operating income and expenses (notes 6(11)、(18) and 7):				
7100 Interest income	3,224	1	2,099	1
7010 Other income	95	-	48	-
7020 Other gains and losses	10,499	2	3,867	1
7050 Finance costs	(29)	-	(80)	-
	13,789	3	5,934	2
Profit before tax	76,988	16	61,549	15
7950 Income tax expense (note 6(13))	(15,098)	(3)	(14,441)	(3)
Profit for the year	\$ 61,890	13	\$ 47,108	12
8300 Other comprehensive income				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8316 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	(20,626)	(4)	(21,094)	(5)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	(20,626)	(4)	(21,094)	(5)
8300 Other comprehensive income	(20,626)	(4)	(21,094)	(5)
Total comprehensive income	\$ 41,264	9	\$ 26,014	7
Earnings per share (note 6(15))				
9750 Basic earnings per share	\$ 1.61		\$ 1.23	
9850 Diluted earnings per share	\$ 1.61		\$ 1.23	

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

TSH Biopharm Corporation Ltd.
Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity interest	
	Ordinary share capital	Capital surplus	Legal reserve	Unappropriated retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance as of January 1, 2021	\$ 383,981	\$ 458,977	\$ 97,016	\$ 169,610	\$ 16,760	\$ 1,126,344
Net income for the year	-	-	-	47,108	-	47,108
Other comprehensive income for the year	-	-	-	-	(21,094)	(21,094)
Total comprehensive income for the year	-	-	-	47,108	(21,094)	26,014
Appropriation and distribution of retained earnings:						
Appropriation for legal reserve	-	-	16,049	(16,049)	-	-
Cash dividends of ordinary share distributed	-	-	-	(69,116)	-	(69,116)
Other changes in capital surplus	-	384	-	-	-	384
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(20,543)	20,543	-
Balance as of December 31, 2021	\$ 383,981	\$ 459,361	\$ 113,065	\$ 111,010	\$ 16,209	\$ 1,083,626
Net income for the year	-	-	-	61,890	-	61,890
Other comprehensive income for the year	-	-	-	-	(20,626)	(20,626)
Total comprehensive income for the year	-	-	-	61,890	(20,626)	41,264
Appropriation and distribution of retained earnings:						
Appropriation for legal reserve	-	-	2,656	(2,656)	-	-
Cash dividends of ordinary share distributed	-	-	-	(57,597)	-	(57,597)
Other changes in capital surplus	-	74	-	-	-	74
Balance as of December 31, 2022	\$ 383,981	\$ 459,435	\$ 115,721	\$ 112,647	\$ 4,417	\$ 1,067,367

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

TSH Biopharm Corporation Ltd.
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Profit before tax	\$ 76,988	\$ 61,549
Adjustments:		
Adjustments to reconcile profit		
Depreciation	7,059	7,233
Amortization	3,836	2,552
Expected credit loss (gain)	83	(100)
Interest expense	29	80
Interest income	(3,224)	(2,099)
Dividend income	(6,379)	(6,360)
Loss on disposal of property, plant and equipment	32	4
Impairment loss from non – financial assets	-	4,146
Gain on lease modification	-	(47)
Total adjustment to reconcile profit	<u>1,436</u>	<u>5,409</u>
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(1,361)	861
(Increase) decrease in accounts receivable(including related parties)	(6,974)	9,053
(Increase) decrease in other receivables	(295)	1,851
Decrease in inventories	13,960	4,687
Decrease in other current assets	5,271	11,042
Increase (decrease) in notes payable (including related parties)	292	(1,028)
Increase in accounts payable(including related parties)	3,467	6,329
Decrease in other payables	(8,197)	(9,709)
Increase in other current liabilities	379	322
Total changes in operating assets and liabilities	<u>6,542</u>	<u>23,408</u>
Total adjustments	<u>7,978</u>	<u>28,817</u>
Cash flows from operations	84,966	90,366
Interest received	2,925	2,165
Interest paid	(29)	(80)
Income tax paid	(13,972)	(23,744)
Net cash flows from operating activities	<u>73,890</u>	<u>68,707</u>

(Continued)

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

TSH Biopharm Corporation Ltd.
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 3,478)
Proceeds from disposal of financial assets at fair value through other comprehensive income		20,707
Acquisition of property, plant and equipment	(4,298)	(382)
Decrease (increase) in guarantee deposits paid	344	(1,757)
Acquisition of intangible assets	(14,600)	-
Decrease (increase) in other financial assets - current	23,536	(31,838)
Decrease in other financial assets - non-current	213	328
Increase in prepayment for equipment	(711)	-
Dividends received	6,379	6,360
Net cash flows from (used in) investing activities	<u>10,863</u>	<u>(10,060)</u>
Cash flows used in financing activities:		
Payments of lease liabilities	(4,567)	(4,345)
Cash dividends paid	(57,597)	(69,116)
Net cash flows used in financing activities	<u>(62,164)</u>	<u>(73,461)</u>
Net (decrease) increase in cash and cash equivalents	22,589	(14,814)
Cash and cash equivalents at beginning of year	<u>381,887</u>	<u>396,701</u>
Cash and cash equivalents at end of year	<u>\$ 404,476</u>	<u>\$ 381,887</u>

See accompanying notes to financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)

TSH BIOPHARM CORPORATION LTD.

Notes to the Parent Company Only Financial Statements

December 31, 2022 and 2021

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

1. History and organization

TSH Biopharm Corporation Ltd. (the “Company”) was incorporated on September 21, 2010. The Company's registered office address is 3F.-1, No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.). The shares of the Company have been listed on the Taipei Exchange (“TPEX”) since April 2012. The main activity of the Company is in sale of a variety of pharmaceuticals, chemical drugs and engaged in biotechnology services.

2. Approval date and procedures of the financial statements

The accompanying parent company only financial statements were authorized for issue by the Board of Directors on February 24, 2023.

3. Application of new standards, amendments and interpretations

(1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company believes that the adoption of the following IFRSs would not have any material impact on its parent-company-only financial statements.

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(2) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following standards would not have any material impact on its parent-company-only financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company believes that the adoption of the following standards would not have any significant impact on its parent-company-only financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

4. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these parent company only financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in these parent company only financial

TSH Biopharm Corporation Ltd.
Notes to the Parent Company Only Financial Statements

statements.

(1) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRSs endorsed by FSC”).

(2) Basis of preparation

A. Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income are measured at fair value.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand unless otherwise stated.

(3) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- A. an investment in equity securities designated as at fair value through other comprehensive income;
- B. a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- C. qualifying cash flow hedges to the extent that the hedges are effective.

(4) Classification of current and non-current assets and liabilities

The Company classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

TSH Biopharm Corporation Ltd.
Notes to the Parent Company Only Financial Statements

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprise cash and cash in bank. Cash equivalents are short-term and 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 which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(6) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(A) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on

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derecognition is recognized in profit or loss.

(B) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(C) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

(D) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;

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- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse features)

(E) Impairment of financial assets

The Company recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures its loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs resulting from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not

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otherwise consider :

- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(F) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instrument

(A) Classification of debt or equity

Debt and or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(B) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(C) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(D) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and

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settle the liability simultaneously.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings and structures	14 ~20 years
(b) Machinery and equipment	3 ~ 10 years
(c) Furniture and fixtures	3 ~ 10 years
(d) Other equipment	3 ~ 10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(9) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease

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liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (A) fixed payments, including in-substance fixed payments;
- (B) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (C) amounts expected to be paid under a residual value guarantee; and
- (D) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (A) there is a change in future lease payments arising from the change in an index or rate; or
- (B) there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee; or
- (C) there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (D) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option; or
- (E) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets, transportation equipment, furniture and fixtures equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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B. As a lessee

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

(10) Intangible assets

A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company including patents, computer software and drug permit licenses and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

(A) Patents and drug permit licenses	3~10 years
(B) Computer software cost	5~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(11) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment.

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If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(12) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

A. Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

B. Testing revenue

The company provides blood tests and other related services. This service is priced separately. When the service is provided according to the contract and has the right to collect the consideration unconditionally, the Company recognized revenue and accounts receivable.

C. Services revenue

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

The Company provides consulting and related management services to its customers. Revenue from providing services is recognized based on the actual service provided to the reporting date as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

(13) Employee benefits

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A. Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are provided by employees.

B. Defined benefit plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(14) Income taxes

Income taxes include both current taxes and deferred taxes. Except for items related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable profits (losses) for the year calculated using the statutory tax rate on the reporting date, tax payables that are calculated based on the part of the prior-year's earnings that have been decided during the shareholders' meeting in the current year which have not been distributed to the shareholders using the statutory tax rate, as well as and the tax adjustments related to prior years.

Deferred taxes will be recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and their tax base, and will not be recognized for:

- A. temporary differences on the initial recognized of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses;
- B. temporary differences related the investments in subsidiaries, associates and joint arrangement to the extent that the Company is able to control the timing of the reverse of the temporary differences and its probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which is the tax rate that had been enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (A) the same taxable entity; or
 - (B) different taxable entities which intend to settle current tax assets and liabilities on a net basis,

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or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(15) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus.

(16) Operating segment information

The Company has one reportable segment. The information of segment revenue, profit or loss and assets are in line with the parent company only financial statements. Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows: None

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. Please refer to note 6(5) for further description of the valuation of inventories.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash	\$ 150	\$ 140
Cash in banks	254,326	281,747
Time deposits	150,000	100,000
	<u>\$ 404,476</u>	<u>\$ 381,887</u>

A. The above cash and cash equivalents were not pledged as collateral.

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B. Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets-current. As of December 31, 2022 and 2021, the amount of time deposits were \$275,053 and \$298,589, respectively.

C. Please refer to note 6(19) for the foreign currency risk and sensitivity analysis of the financial assets of the Company.

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

Items	December 31, 2022	December 31, 2021
Equity instruments at fair value through other comprehensive income :		
Current	\$ 51,811	\$ 52,929
Non - current	192,259	211,767
	\$ 244,070	\$ 264,696

A. Equity instruments at fair value through other comprehensive income

The Company holds such equity investments as long-term strategic investment that is not held for trading purposes; thus, they are designated as equity investment measured at fair value through other comprehensive income.

No strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 30, 2022.

The Company sold some financial assets at fair value through other comprehensive income for the year ended December 31, 2021. The shares sold had a fair value of \$35,478 and the Company realized a loss of \$20,543, which is already included in other comprehensive income. The loss has been transferred to retained earnings.

B. Please refer to note 6(19) for credit and market risk information.

C. The above financial assets were not pledged as collateral.

(3) Notes receivable and accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable	\$ 16,077	\$ 14,716
Accounts receivable-measured at amortized cost	92,324	85,350
Less: Allowance for expected credit losses	(1,084)	(1,001)
	\$ 107,317	\$ 99,065

The Company applies the simplified approach to provide for its expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information. The loss allowance provision was determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 107,929	1%	\$ 1,079
Past due 1~60 days	452	1%	5
Past due 61~120 days	-	1%	-
Past due 181~365 days	20	2%	-
	\$ 108,401		\$ 1,084

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	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 99,677	1%	\$ 997
Past due 1~60 days	314	1%	3
Past due 61~120 days	20	1%	-
Past due 121~180 days	7	2%	-
Past due 181~365 days	48	2%	1
	\$ 100,066		\$ 1,001

The movement in the allowance for notes and accounts receivable was as follows:

	For the years ended December 31,	
	2022	2021
Balance on January 1	\$ 1,001	\$ 1,101
Expected credit losses recognized	83	-
Reversal of expected credit losses	-	(100)
Balance on December 31	\$ 1,084	\$ 1,001

(4) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	\$ 1,658	\$ 1,064
Other receivables - related parties	-	-
	\$ 1,658	\$ 1,064

For further credit risk information, please refer to note 6(19).

(5) Inventories

	December 31, 2022	December 31, 2021
Merchandise	\$ 33,360	\$ 35,567
Raw materials and supplies	33,650	45,165
Less: Allowance for inventory market decline and obsolescence	(7,751)	(7,513)
	\$ 59,259	\$ 73,219

The details of cost of goods sold were as follows:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 181,183	160,984
Losses on inventory market decline and obsolescence	238	4,991
Inventory physical count loss	451	150
Inventory write off loss	2,634	-
	\$ 184,506	166,125

As of December 31, 2022 and 2021, the aforesaid inventories were not pledged as collateral.

(6) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

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	<u>Land</u>	<u>Building and construction</u>	<u>Machinery equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost						
Balance on January 1, 2022	\$ 5,846	\$ 13,938	\$ 10,117	\$ 5,384	\$ 6,974	\$ 42,259
Additions	-	-	339	292	3,667	4,298
Disposals	-	-	-	(285)	-	(285)
Balance on December 31, 2022	\$ 5,846	\$ 13,938	\$ 10,456	\$ 5,391	\$ 10,641	\$ 46,272
Balance on January 1, 2021	\$ 5,846	\$ 13,938	\$ 9,908	\$ 5,228	\$ 6,974	\$ 41,894
Additions	-	-	209	173	-	382
Disposals	-	-	-	(17)	-	(17)
Balance on December 31, 2021	\$ 5,846	\$ 13,938	\$ 10,117	\$ 5,384	\$ 6,974	\$ 42,259
Accumulated depreciation and impairment:						
Balance on January 1, 2022	\$ -	\$ 3,924	\$ 6,043	\$ 3,542	\$ 5,958	\$ 19,467
Depreciation for the year	-	845	720	552	375	2,492
Disposals	-	-	-	(253)	-	(253)
Balance on December 31, 2022	\$ -	\$ 4,769	\$ 6,763	\$ 3,841	\$ 6,333	\$ 21,706
Balance on January 1, 2021	\$ -	\$ 3,079	\$ 5,266	\$ 2,913	\$ 5,381	\$ 16,639
Depreciation for the year	-	845	777	642	577	2,841
Disposals	-	-	-	(13)	-	(13)
Balance on December 31, 2021	\$ -	\$ 3,924	\$ 6,043	\$ 3,542	\$ 5,958	\$ 19,467
Carrying amounts:						
Balance on December 31, 2022	\$ 5,846	\$ 9,169	\$ 3,693	\$ 1,550	\$ 4,308	\$ 24,566
Balance on January 1, 2021	\$ 5,846	\$ 10,859	\$ 4,642	\$ 2,315	\$ 1,593	\$ 25,255
Balance on December 31, 2021	\$ 5,846	\$ 10,014	\$ 4,074	\$ 1,842	\$ 1,016	\$ 22,792

As of December 31, 2022 and 2021, the property, plant and equipment were not pledged as collateral.

(7) Right-of-use assets

The movements in the cost and depreciation of the leased buildings and transportation equipment were as follows:

	<u>Building and construction</u>
Costs:	
Balance on January 1, 2022	\$ 4,567
Additions	9,042
Decrease	(4,567)
Balance on December 31, 2022	\$ 9,042
Balance on January 1, 2021	\$ 8,783
Additions	4,567
Decrease	(8,783)
Balance on December 31, 2021	\$ 4,567

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		<u>Building and construction</u>
Accumulated depreciation:		
Balance on January 1, 2022	\$	-
Depreciation for the year		4,567
Decrease	(4,567)
Balance on December 31, 2022	<u>\$</u>	<u>-</u>
Balance on January 1, 2021	\$	-
Depreciation for the year		4,392
Decrease	(4,392)
Balance on December 31, 2021	<u>\$</u>	<u>-</u>
Carrying amounts :		
Balance on December 31, 2022	<u>\$</u>	<u>9,042</u>
Balance on January 1, 2021	<u>\$</u>	<u>8,783</u>
Balance on December 31, 2021	<u>\$</u>	<u>4,567</u>

(8) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2022 and 2021, were as follows:

		<u>Computer software</u>		<u>Patent and drug permit license</u>		<u>Total</u>
Costs:						
Balance on January 1, 2022	\$	696	\$	42,191	\$	42,887
Additions		-		14,600		14,600
Balance on December 31, 2022		<u>696</u>		<u>56,791</u>		<u>57,487</u>
Balance on December 31, 2021 (The same balance on January 1, 2021)	<u>\$</u>	<u>696</u>	<u>\$</u>	<u>42,191</u>	<u>\$</u>	<u>42,887</u>
Accumulated amortization and impairment loss:						
Balance on January 1, 2022	\$	291	\$	38,968	\$	39,259
Amortization for the year		136		3,700		3,836
Balance on December 31, 2022	<u>\$</u>	<u>427</u>	<u>\$</u>	<u>42,668</u>	<u>\$</u>	<u>43,095</u>
Balance on January 1, 2021	\$	155	\$	36,552	\$	36,707
Amortization for the year		136		2,416		2,552
Balance on December 31, 2021	<u>\$</u>	<u>291</u>	<u>\$</u>	<u>38,968</u>	<u>\$</u>	<u>39,259</u>
Carrying amounts :						
Balance on December 31, 2022	<u>\$</u>	<u>269</u>	<u>\$</u>	<u>14,123</u>	<u>\$</u>	<u>14,392</u>
Balance on January 1, 2021	<u>\$</u>	<u>541</u>	<u>\$</u>	<u>5,639</u>	<u>\$</u>	<u>6,180</u>
Balance on December 31, 2021	<u>\$</u>	<u>405</u>	<u>\$</u>	<u>3,223</u>	<u>\$</u>	<u>3,628</u>

A. Amortization expenses

Amortization expenses for intangible assets for the years ended December 31, 2022 and 2021

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were recognized in the statement of comprehensive income, were as follows:

	For the years ended December 31	
	2022	2021
Operating expenses	\$ 3,836	\$ 2,552

B. Collateral

As of December 31, 2022 and 2021, the aforementioned intangible assets were not pledged as collateral.

(9) Other current assets and other non-current assets

	December 31, 2022	December 31, 2021
Other current financial assets	\$ 275,053	\$ 298,589
Other non-current financial assets	84	297
Other current assets	7,948	13,219
Refundable deposits	4,049	4,393
	\$ 287,134	\$ 316,498

A. Other current financial assets were time deposits which did not meet the definition of cash equivalents. For further credit and market risk information, please refer to note 6(19).

B. Major of other current assets were prepayments. The Company took the future cash flow and recoverable amount into account, and recognized an impairment loss amounting to \$4,146 for the year ended December 31, 2021.

(10) Other payables

The nature of other payables was as follows:

	December 31, 2022	December 31, 2021
Salaries and compensation of employees and directors	\$ 25,307	\$ 23,419
Test and conversion expenses	8,881	2,901
Research expenses	1,793	17,103
Commission	1,351	1,349
Others	14,880	15,637
	\$ 52,212	\$ 60,409

(11) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ 4,485	\$ 4,567
Non-current	\$ 4,557	\$ -

For the maturity analysis, please refer to note 6(19).

The amounts recognized in profit or loss were as follows:

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	For the years ended December 31	
	2022	2021
Interest on lease liabilities	\$ 29	\$ 80
Variable lease payments not included in the measurement of lease liabilities	\$ 300	\$ 300
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 166	\$ 245

The amounts recognized in the statement of cash flows for the Company were as follows:

	For the years ended December 31	
	2022	2021
Total cash outflow for leases	\$ 5,062	\$ 4,970

A. Real estate leases

On December 17, 2020, the Company leased buildings for its office with a leases period of 2 years. A supplementary agreement was signed in December 2021, and the new lease contract will be effective from December 1, 2021. Due to the early termination of some lease contracts, the Company reassessed lease period and decreased the lease liability by \$4,439. In addition, the 2 year lease was renewed on December 28, 2022.

On July 1, 2019, the Company leased buildings for its plant with a leases period of 13.5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The lease payment of the plant contract is calculated on basis of the purchase quantity of the plant leased by the Company during the lease period. It is a variable lease payment that is not included in the measurement of the lease liability. Therefore, the Company will pay the relevant lease payment during the lease period to recognize the expense.

B. Other leases

In addition, the Company leases some of transportation equipment and office equipment, with lease terms of 1 to 5 years, these leases are leases of short-term or low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(12) Employee benefits

Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Selling expenses	\$ 3,168	\$ 2,898

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Administrative expenses	777	891
Research and development expenses	298	392
	<u>\$ 4,243</u>	<u>\$ 4,181</u>

(13) Income taxes

A. Income tax expense

The components of income tax in the years 2022 and 2021 were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense		
Current period	\$ 15,268	\$ 15,212
Adjustment for prior periods	(380)	(17)
Deferred income tax expense	14,888	15,195
Origination and reversal of temporary differences	210	(754)
Income tax expenses	<u>\$ 15,098</u>	<u>\$ 14,441</u>

There was no income tax recognized directly in equity and other comprehensive income for 2022 and 2021.

Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ 76,988	\$ 61,549
Income tax using the Company's domestic tax rate	\$ 15,398	\$ 12,310
Tax-exempt income	(1,276)	(1,272)
Tax incentives	(515)	2,636
Change in provision in prior periods	(380)	(17)
Surtax on unappropriated retained earnings	-	3,766
Others	1,871	2,290
	<u>\$ 15,098</u>	<u>\$ 14,441</u>

B. Deferred tax assets

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<u>Impairment loss</u>	<u>Loss from inventory devaluation</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:				
Balance on January 1, 2022	(\$ 282)	(\$ 1,503)	(\$ 225)	(\$ 2,010)
Recognized in profit or loss	211	(47)	46	210
Balance on December 31, 2022	<u>(\$ 71)</u>	<u>(\$ 1,550)</u>	<u>(\$ 179)</u>	<u>(\$ 1,800)</u>

	<u>Impairment loss</u>	<u>Loss from inventory devaluation</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2021	(\$ 494)	(\$ 505)	(\$ 257)	(\$ 1,256)

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Recognized in profit or loss	212	(998))	32	(754)
Balance on December 31, 2021	(\$ 282)	(\$	1,503)	(\$	225)	(\$	2,010)

C. Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the Taipei National Tax Administration.

(14) Capital and other equity

As of December 31, 2022 and 2021, the authorized capital of the Company amounted to \$1,000,000, with par value of \$10 per share, which consisting of 100,000 thousand shares of ordinary stock. The paid-in capital was \$383,981 which consisting of 38,398 thousand shares. All proceeds from shares issued have been collected.

A. Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021 were as following:

	December 31, 2022		December 31, 2021
Share Capital	\$ 458,977	\$	458,977
Others	458		384
	\$ 459,435	\$	459,361

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

B. Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the proposal by the Board of Directors and submitted to the stockholders' meeting for approval.

To enhance the Company's financial structure and maintain investors' equity, the Company adopts a stable dividends policy in which earnings distribution cannot be less than 50% of distributable earnings, and cash dividends payment has to be 50% of the distribution.

(A) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(B) Earnings distribution

Earnings distribution for 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on May 25, 2022 and August 20, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

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	For the years ended December 31,			
	2021		2020	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.50	\$ 57,597	\$ 1.80	\$ 69,116

On February 24, 2023, the board of directors proposed the 2022 earnings distribution to shareholders was as follows:

	For the years ended December 31, 2022	
	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.60	\$ 61,437

C. Other equity interests

	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance on January 1, 2022	\$ 16,209
Unrealized gains on financial assets measured at fair value through other comprehensive income	(20,626)
Balance on December 31, 2022	(\$ 4,417)
Balance on January 1, 2021	\$ 16,760
Unrealized losses on financial assets measured at fair value through other comprehensive income	(21,094)
Disposal of equity instruments measured at fair value through other comprehensive income	20,543
Balance on December 31, 2021	\$ 16,209

(15) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	For the years ended December 31,	
	2022	2021
Basic earnings per share		
Net income attributable to ordinary shareholders	\$ 61,890	\$ 47,108
Weighted-average number of ordinary shares	38,398	38,398
	\$ 1.61	\$ 1.23
Diluted earnings per share		

	For the years ended December 31,	
	2022	2021
Net income attributable to ordinary shareholders (after adjustment of dilutive potential ordinary shares)	\$ 61,890	\$ 47,108

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Weighted-average number of ordinary shares	38,398	38,398
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	54	35
Weighted-average number of ordinary shares (after adjustment of dilutive potential ordinary shares)	38,452	38,433
	\$ 1.61	\$ 1.23

(16) Revenue from contracts with customers

A. Disaggregation of revenue

	For the years ended December 31,	
	2022	2021
Major products/service lines:		
Pharmaceuticals	\$ 442,268	\$ 387,192
Test	17,798	24,188
Services	4,312	2,103
	\$ 464,378	\$ 413,483

B. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 16,077	\$ 14,716	\$ 15,577
Accounts receivable (included related parties)	92,324	85,350	94,403
Less: Allowance for expected credit losses	(1,084)	(1,001)	(1,101)
Total	\$ 107,317	\$ 99,065	\$ 108,879

For details on notes receivable, accounts receivable and allowance for expected credit losses, please refer to note 6 (3)

(17) Remuneration to employees and directors

According to the Company's articles of incorporation, the Company should contribute 2% to 8% of annual profits as employee compensation and no more than 2% of annual profits as directors' remuneration when there is profit for the year. Directors' remuneration can only be settled in the form of cash. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of employee compensation and directors' remuneration is reported to shareholders' meeting. The recipients of employee compensation may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2022 and 2021, the Company estimated its employee compensation amounting to \$1,604 and \$1,604 and directors' remuneration amounting to \$1,282 and \$1,282, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These compensation and remunerations recognized as operating expenses during 2022 and 2021. There was no difference between the amount of employees' and directors' remuneration resolved at the Board of Directors meeting and the amount stated in the parent company only financial statements for 2022 and 2021. Related information is available on the Market Observation Post System website.

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(18) Non-operating income and expenses

A. Interest income

The details of interest income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 3,224	\$ 22099

B. Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Rent income	\$ 95	\$ 48

C. Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31,	
	2022	2021
Foreign exchange gains (losses)	\$ 4,432	(\$ 1,255)
Dividend income	6,379	6,360
Gain on lease modification	-	47
Losses on disposals of property, plant and equipment	(32)	(4)
Impairment loss	-	(4,146)
Others	(280)	2,865
\$	10,499	\$ 3,867

D. Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31,	
	2022	2021
Other finance costs - Interest expenses	\$ 29	\$ 80

(19) Financial instruments

A. Credit risk

(A) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(B) Concentration of credit risk

The Company's concentration of credit risk on the top one customer accounted for 14% and 12% of the total receivables as of December 31, 2022 and 2021, respectively. The concentration of credit risk both accounted for 35% from the other top 10 customers of the Company of total receivables as of December 31, 2022 and 2021, respectively.

(C) Credit risk of accounts receivables and debt securities

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For credit risk exposure of notes and accounts receivables, please refer to note 6 (3).

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (6). There were no recognition and reversal of impairment losses for the years ended December 31, 2022 and 2021. The balance as of December 31, 2022 and 2021 are both zero.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>2~3 years</u>	<u>4~5 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Notes and accounts payable (including related parties)	\$ 16,478	\$ 16,478	\$ 16,478	\$ -	\$ -
Other payables	52,212	52,212	52,212	-	-
Lease liabilities	9,042	9,193	4,597	4,596	-
	<u>\$ 77,732</u>	<u>\$ 77,883</u>	<u>\$ 73,287</u>	<u>\$ 4,596</u>	<u>\$ -</u>
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>2~3 years</u>	<u>4~5 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Notes and accounts payable (including related parties)	\$ 12,719	\$ 12,719	\$ 12,719	\$ -	\$ -
Other payables	60,409	60,409	60,409	-	-
Lease liabilities	4,567	4,597	4,597	-	-
	<u>\$ 77,695</u>	<u>\$ 77,725</u>	<u>\$ 77,725</u>	<u>\$ -</u>	<u>\$ -</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

(A) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 1,295	30.71	\$ 39,759	\$ 1,890	27.68	\$ 52,306
CNY	2,311	4.408	10,185	2,265	4.344	9,838
EUR	104	32.72	3,408	104	31.32	3,262

(B) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents that is denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, CNY, and

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EUR as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$427 and \$523, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

(C) Foreign exchange gain and loss on monetary items

Information on the foreign exchange gains or losses, including these realized and unrealized by significant foreign currency, were as follows:

	For the years ended December 31,			
	2022		2021	
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
USD	4,143	-	(796)	-
CNY	143	-	(73)	-
EUR	146	-	(386)	-

D. Interest rate analysis: None

E. Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	For the years ended December 31,			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 10%	\$ 24,407	\$ -	\$ 26,470	\$ -
Decreasing 10%	(\$ 24,407)	\$ -	(\$ 26,470)	\$ -

F. Fair value of financial instruments

(A) Categories of financial instruments and fair value hierarchy

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive					

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income										
Domestic listed stocks	\$	167,624	\$	167,624	\$	-	\$	-	\$	167,624
Domestic OTC stocks		51,811		51,811		-		-		51,811
Domestic unlisted stocks		13,259		-		-		13,259		13,259
Foreign unlisted stocks		11,376		-		-		11,376		11,376
Subtotal		<u>244,070</u>		<u>219,435</u>		-		<u>24,635</u>		<u>244,070</u>
Financial assets measured at amortized cost										
Cash and cash equivalents	\$	404,476	\$	-	\$	-	\$	-	\$	-
Notes and accounts receivable (including related parties)		107,317		-		-		-		-
Other receivables		1,658		-		-		-		-
Other financial assets		275,137		-		-		-		-
Refundable deposits		4,049		-		-		-		-
Subtotal		<u>792,637</u>		-		-		-		-
Total	\$	<u>1,036,707</u>	\$	<u>219,435</u>	\$	-	\$	<u>24,635</u>	\$	<u>244,070</u>
Financial liabilities at amortized cost										
Notes and accounts payable (including related parties)	\$	16,478	\$	-	\$	-	\$	-	\$	-
Other payables		52,212		-		-		-		-
Lease liabilities		9,042		-		-		-		-
Subtotal		<u>77,732</u>		-		-		-		-
Total	\$	<u>77,732</u>	\$	-	\$	-	\$	-	\$	-

December 31, 2021

	Book Value	Fair Value			Total					
		Level 1	Level 2	Level 3						
Financial assets at fair value through other comprehensive income										
Domestic listed stocks	\$	182,433	\$	182,433	\$	-	\$	-	\$	182,433
Domestic OTC stocks		52,929		52,929		-		-		52,929
Domestic emerging stocks		14,563		-		-		14,563		14,563
Foreign unlisted stocks		14,771		-		-		14,771		14,771
Subtotal		<u>264,696</u>		<u>235,362</u>		-		<u>29,334</u>		<u>264,696</u>
Financial assets measured at amortized cost										
Cash and cash equivalents	\$	381,887	\$	-	\$	-	\$	-	\$	-
Notes and accounts receivable (including related parties)		99,065		-		-		-		-
Other receivables		1,064		-		-		-		-
Other financial assets		298,886		-		-		-		-
Refundable deposits		4,393		-		-		-		-
Subtotal		<u>785,295</u>		-		-		-		-
Total	\$	<u>1,049,991</u>	\$	<u>235,362</u>	\$	-	\$	<u>29,334</u>	\$	<u>264,696</u>

December 31, 2020

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					

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Notes and accounts payable (including related parties)	\$ 12,719	\$ -	\$ -	\$ -	\$ -
Other payables	60,409	-	-	-	-
Lease liabilities	4,567	-	-	-	-
Subtotal	<u>77,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 77,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(B) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- a. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(C) Valuation techniques for financial instruments not measured at fair value

The Company estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

Cash and cash equivalents, accounts receivables, other financial assets, notes payable and accounts payable are either close to their expiry date, or their future receivable or payable are close to their carrying value; thus, their fair value are estimated from the book value of the balance sheet date.

(D) Valuation techniques for financial instruments measured at fair value

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the financial instruments held by the Company are determined by reference to the market quotation.

If the financial instruments held by the Company have no active market, their fair values are listed as follows according to their categories and attributes:

- Equity instruments without public quotation: The fair value is measured by using the transaction prices of the stocks of companies engaged in the same or similar businesses in the active market, the value multipliers implied by these prices, and related transaction information to determine the value of the financial instruments, as well as adjusted for considering liquidity discount.

(E) Transfer between levels

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There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2022 and 2021, so there was no transfer between levels.

(F) Reconciliation of level 3 fair values:

	Fair value through other comprehensive income
	Equity instruments without quoted price
Balance as of January 1, 2022	\$ 29,334
Recognized in other comprehensive income	(4,699)
Balance as of December 31, 2022	\$ 24,635
Balance as of January 1, 2021	\$ 63,834
Additions	14,771
Disposals	(49,271)
Balance as of December 31, 2021	\$ 29,334

(G) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets at fair value through other comprehensive income - equity investments.

The significant unobservable inputs of the equity investments without an active market are individually, and there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable companies method	<ul style="list-style-type: none"> • Discount for lack of market liquidity (as of December 31, 2022 and 2021, the rate were 16.43% ~ 30.0% and 20% ~ 28.52%, respectively) expected volatility (as of December 31, 2022 and 2021, the rate were 58.78% and 60.84%, respectively) 	<p>The estimated fair value would decrease if the discount for lack of market liquidity was higher.</p> <p>The estimated fair value would increase if the volatility was higher.</p>

(H) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is deemed reasonable. However, use of different valuation models or assumptions may lead to different results. The following is the effect on other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

		Recognized in other comprehensive income	
Input value	Degree of	Favourable	Unfavourable

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		<u>variation</u>	<u>change</u>	<u>change</u>
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount rate	1%	264 (246)
	expected volatility	1%	39 (39)
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount rate	1%	2 (2)
	expected volatility	1%	494 (489)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(20) Financial risk management

A. Overview

The Company is exposed to the following risks from its financial instruments:

- (A) Credit risk
- (B) Liquidity risk
- (C) Market risk

The following likewise discusses the Company's objectives, policies, and processes for measuring and managing the above mentored risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

B. Structure of risk management

The objective of the Company's financial risk management is to manage foreign exchange risk, interest rate risk, credit risk and liquidity risk related to operating activities. In order to reduce adverse effects on the financial performance, the Company identifies, evaluates and hedges market uncertainties.

The important financial activities of the Company are reviewed in accordance with relevant regulations and internal control systems approved by the Board of Directors. When performing financial plan, the Company must comply with the overall financial risk management and the authorized procedure of financial operating.

C. Credit risk

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Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

(A) Accounts receivable and other receivables

The Company's credit policy is to transact with creditworthy customers and to obtain collateral to mitigate risks arising from financial loss due to default. The Company transacts with customers with credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company assesses the ratings based on other publicly available financial information and the records of transactions with its customers. The Company continuously monitor the exposure to credit risk and counterparty credit ratings, and to evaluate the customers' credit ratings and credit limits via annual review and approval by the finance department to manage the credit exposure.

The Company did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

(B) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

(C) Guarantees

As of December 31, 2022 and 2021, the Company did not provide any endorsement or guarantee.

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

F. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(21) Capital management

Based on the characteristics of the current operating industry and the future development of the Company, and considered changes in the external environment, the Company plans the requirement of working capital, research and development expenses, and dividend payments in the future to ensure that the Company to continue to operate, to provide a return on shareholders, to maintain the interests of other stakeholders and to maintain an optimal capital structure to enhance shareholder value.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment

TSH Biopharm Corporation Ltd.
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to the shareholders, issue new shares, reduce the capital for redistribution to shareholders, or buy back the stocks of the Company.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total amount of capital represents all the equity components (that is, share capital, capital surplus, retained earnings, and other equity) plus net debt.

The Company's debt-to-equity ratio as of December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 87,058	\$ 85,800
Less: cash and cash equivalents	(404,476)	(381,887)
Net debt	(317,418)	(296,087)
Total capital	<u>1,067,367</u>	<u>1,083,626</u>
Adjusted capital	<u>\$ 749,949</u>	<u>\$ 787,539</u>
Debt to equity ratio	<u>(42.33%)</u>	<u>(37.60%)</u>

(22) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2022 and 2021, were as follows:

A. Acquisition of right-of-use assets under leases, please refer to note 6(7).

B. Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2022</u>	<u>Cash flow</u>	<u>Non-cash changes Others</u>	<u>December 31, 2022</u>
Lease liabilities	\$ 4,567	(\$ 4,567)	\$ 9,042	\$ 9,042

	<u>January 1, 2021</u>	<u>Cash flow</u>	<u>Non-cash changes Others</u>	<u>December 31, 2021</u>
Lease liabilities	\$ 8,783	(\$ 4,345)	\$ 129	\$ 4,567

7. Related-party transactions

(1) Parent company and ultimate controlling company

TTY Biopharm Company Limited is both the parent company and the ultimate controlling party of the Company.

(2) Names and relationship with related parties

The followings are entities that have transactions with related party during the periods covered in the financial statements.

<u>Name of related parties</u>	<u>Relationship with the Company</u>
TTY Biopharm Company Limited	Parent company

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Notes to the Parent Company Only Financial Statements

American Taiwan Biopharm(Thailand) Other related party
 Chuangyi Biotech Co., Ltd. Other related party

(3) Significant related-party transactions

A. Operating revenue

The amounts of significant sales by the Company to its related parties were as follows:

	For the years ended December 31,	
	2022	2021
Parent company- TTY Biopharm Company Limited	\$ 1,923	\$ 1,946
Other related parties	4,025	3,842
	\$ 5,948	\$ 5,788

The selling price and payment terms to related parties were not significantly different from those of sales to third parties. The collection terms for sales to related parties were month-end 60 days, or 14 days after the date of shipment. The collection terms for commission were month-end 30 to 90 days.

B. Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31,	
	2022	2021
Parent company - TTY Biopharm Company Limited	\$ 80,282	\$ 71,615
Other related parties - Chuangyi Biotech Co., Ltd.(Note)	-	(13)
	\$ 80,282	\$ 71,602

Note: The reason of negative purchase amount was due to purchase return with Chuangyi Biotech Co., Ltd for the year ended December 31, 2021.

The pricing and payment terms with related parties were not materially different from those of purchases with third parties. The payment terms for purchases from related parties were month-end 30 and 90 days.

C. Receivables from related parties

The amounts of receivables from related parties were as follows:

Items	Related Party Categories	December 31, 2022	December 31, 2021
Accounts receivable	Parent company	\$ 301	\$ 218

D. Payables to related parties

The amounts of payables to related parties were as follows:

Items	Related Party Categories	December 31, 2022	December 31, 2021
Accounts payable- related parties	Parent company	\$ 7,245	\$ 6,445

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Other payables	Parent company	2,185	2,473
		\$ 9,430	\$ 8,918

F. Lease

The Company leases offices and equipments from the parent company, and the refundable deposits amounted to \$766 and \$766, respectively, as of December 31, 2022 and 2021.

In December 28, 2022, the Company signed a period of 2 years lease contract with the parent company for office and equipment, with a total contract amount of \$9,193.

In addition, the Company signed a new two-year lease contract with the parent company on December 17, 2020 for lease office and equipment with a total contract amount of \$8,892 and amended the lease contract in December 2021.

The interest expenses of \$29 and \$80 were recognized for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the balances of lease liabilities were \$ 9,042 and \$4,567, respectively.

G. Others

(A) For the years ended December 31, 2022 and 2021, the operating expenses paid by the Company to the parent company or other related parties due to the operating and business transactions amounted to \$6,865 and \$6,754, respectively.

(B) The company authorizes other related parties to sell specific products with contract period from June 1, 2020 to May 31, 2021. As the contract expired, the purchase volume of other related parties did not reach the minimum purchase amount of \$3,000. Thus, the difference of \$2,897 was paid in June, 2021, which were accounted for under other income.

(4) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 19,124	\$ 17,601
Post-employment benefits	464	495
	\$ 19,588	\$ 18,096

8. Pledged assets: None.

9. Significant commitments and contingencies

As of December 31, 2022 and 2021, the unrecognized contractual commitments of the Company were as follows:

	December 31, 2022	December 31, 2021
Contract with other units for research and development	\$ 39,739	\$ 86,828
Acquisition of intangible assets	186	5,355

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Others

(1) The followings are the summary of employee benefits, depreciation, and amortization by function for the years ended December 31, 2022 and 2021:

TSH Biopharm Corporation Ltd.
Notes to the Parent Company Only Financial Statements

By function By item	For the years ended December 31,					
	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	-	91,856	91,856	-	83,707	83,707
Labor and health insurance	-	7,042	7,042	-	7,005	7,005
Pension	-	4,243	4,243	-	4,181	4,181
Director's remuneration	-	4,168	4,168	-	3,772	3,772
Others	-	3,852	3,852	-	3,298	3,298
Depreciation	-	7,059	7,059	-	7,233	7,233
Amortization	-	3,836	3,836	-	2,552	2,552

Additional information on the number of employees and employee benefits of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Number of employees	<u>76</u>	<u>80</u>
Number of directors who were not employees	<u>7</u>	<u>7</u>
Average of employees benefits	<u>\$ 1,551</u>	<u>\$ 1,345</u>
Average of salary	<u>\$ 1,331</u>	<u>\$ 1,147</u>
Average adjustment of salary	<u>16.04%</u>	<u>(15.79%)</u>
Supervisor's remuneration	<u>\$ -</u>	<u>\$ -</u>

The Company's salary and remuneration policy (including directors, managers and employees) were as follows:

A. The Company has constructed a salary structure table of different job attributes and ranks based on market standards and salary conditions in the same industry, and reviewed it based on the industry salary adjustment reports from time to time.

B. Annual salary adjustment

When the Company adjusted the annual salary, the main factors considered by the Company were as follows:

- (A) Price index rate: The price index rate announced by the government is considered when the annual salary is adjusted.
- (B) Industry salary adjustment: The industry salary adjustment of market surveys, which was also one of the main indicators to determine the average salary adjustment.
- (C) Company's operating conditions: This is an important indicator to determine the average salary adjustment.
- (D) The market salary level of important positions in the Company.

(2) Others:

The Company donated \$9,146 and \$7,136 to related medical foundation and associations to support non-profit organizations developing drugs, promoting disease prevention and correct dosages for the

TSH Biopharm Corporation Ltd.
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year ended December 31, 2022 and 2021, respectively.

13. Other disclosures

(1) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of December 31, 2022 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
TSH Biopharm Corporation Ltd.	Lumosa Therapeutics Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	1,315	51,811	0.81 %	51,811	
"	Fubon Financial Holding Co., Ltd. Preferred stock B	-	Non-current financial assets at fair value through other comprehensive income	2,500	143,750	0.38 %	143,750	
"	Union Bank of Taiwan Preferred stock A	-	"	400	20,680	0.20 %	20,680	
"	Fubon Financial Holding Co., Ltd. Preferred stock C	-	"	58	3,194	0.02%	3,194	
"	CellMax Ltd.	-	"	1,593	11,376	- %	11,376	
"	Chuangyi Biotech Co., Ltd.	-	"	1,320	13,259	3.89 %	13,259	Note

Note: Chuangyi Biotech Co., Ltd. has terminated to trade on the Emerging Stock Market on October 15, 2022.

D. Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Purchaser /seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TSH Biopharm Corporation Ltd.	TTY Biopharm Company Limited	parent company	Purchases	80,282	46.12%	month-end 30 days	Normal	-	(7,245)	(43.97)%	

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

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I. Trading in derivative instruments: None.

(2) Information on investees: None.

(3) Information on investment in mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None.

B. Limitation on investment in Mainland China: None.

C. Significant transactions: None.

(4) Major shareholders:

Shareholding Shareholder's name	Total shares owned	Percentage of ownership (%)
TTY Biopharm Company Limited	21,687,177	56.48%

14. Segment information

The Company has one reportable segment. The information of segment revenue, profit or loss and assets are in line with the parent company only financial statements. Please refer to the balance sheets and statements of comprehensive income.

(1) Geographic information

The Company's main revenue is from domestic.

(2) Information on products

The Company's operating revenue is mainly from pharmaceuticals, chemical drugs and biotechnology services.

(3) Major customer

Major customer information of the Company for the years ended December 31, 2022 and 2021 were as follows :

	For the years ended December 31,	
	2022	2021
A403001	\$ 78,820	\$ 69,809

TSH Biopharm Corporation Ltd.
Statement of Cash and Cash Equivalents

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Petty cash		\$ 150
Cash in banks	Checking accounts	147
	Demand deposits	225,879
	Time deposits	150,000
	Foreign currency deposits	28,300
		<u>404,326</u>
		<u>\$ 404,476</u>

TSH Biopharm Corporation Ltd.

Statement of Notes Receivable

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
A403001		\$ 7,922	
G330043D		4,926	
HBAC002		3,519	
HAAF001		2,366	
G360001		2,314	
G351001		2,154	
HBAJ001		2,037	
HBAF001B		1,631	
HBAF001		1,549	
HAAB001		1,477	
Other		62,429	
Less: Allowance for expected credit losses		(1,084)	
Net amount		<u>\$ 91,240</u>	

TSH Biopharm Corporation Ltd.
Statement of Other Financial Assets - Current
December 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Other financial assets - current	Time deposits over 3 months	<u>\$ 275,053</u>	

TSH Biopharm Corporation Ltd.
Statement of Financial Assets at Fair Value Through Other Comprehensive Income - Current
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan dollars)

Name of investee	Beginning Balance			Additions		Decrease			Ending Balance			Collateral
	Shares	Percentage of ownership (%)	Amount	Shares	Amount	Shares	Amount	Evaluation	Shares	Percentage of ownership (%)	Amount	
Lumosa Therapeutics Co., Ltd.	315,000	0.81%	<u>\$ 52,929</u>	-	<u>\$ -</u>	-	<u>\$ -</u>	(\$ 1,118)	1,315,000	0.81%	<u>\$ 51,811</u>	None

TSH Biopharm Corporation Ltd.

Statement of Financial Assets at Fair Value Through Other Comprehensive Income –Noncurrent

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Name of investee	Beginning Balance			Additions		Decrease			Ending Balance			Collateral
	Shares	Percentage of ownership (%)	Amount	Shares	Amount	Shares	Amount	Evaluation	Shares	Percentage of ownership (%)	Amount	
Fubon Financial Holdings Co., Ltd. Preferred Stock B	2,500,000	0.38%	\$ 157,750	-	\$ -	-	\$ -	(\$ 14,000)	2,500,000	0.38%	\$ 143,750	None
Fubon Financial Holdings Co., Ltd. Preferred Stock C	57,969	0.020%	3,483	-	-	-	-	(289)	57,969	0.020%	3,194	"
Union Bank of Taiwan Preferred Stock A	400,000	0.20%	21,200	-	-	-	-	(520)	400,000	0.20%	20,680	"
Chuangyi Biotech Co., Ltd.	1,319,808	3.89%	14,563	-	-	-	-	(1,304)	1,319,808	3.89%	13,259	"
CellMax Ltd.	1,592,516	-%	14,771	-	-	-	-	(3,395)	1,592,516	-%	11,376	"
			\$ 211,767		\$ -		\$ -	(\$ 19,508)			\$ 192,259	

TSH Biopharm Corporation Ltd.

Statement of Inventories

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	net realizable value	
Merchandise	\$ 33,360	27,558	net realizable value
Raw materials and supplies	33,650	33,650	replacement cost
Subtotal	67,010	61,208	
Allowance for inventory market decline and obsolescence	(7,751)		
Total	\$ 59,259		

TSH Biopharm Corporation Ltd.
Statement of Others Payables
December 31, 2022
(Expressed in thousands of New Taiwan dollars)

Please refer to note 6(10)

TSH Biopharm Corporation Ltd.
Statement of Operating Revenue
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue:			
Lozenges	176,566,922	\$ 437,051	
Capsules	1,440,740	5,362	
Injections	45,211	2,830	
Sales revenue subtotal		445,243	
Testing revenue		18,123	
Service revenue		4,312	
Total		<u>467,678</u>	
Less: Sales returns and allowances		(3,300)	
Net revenue		<u><u>\$ 464,378</u></u>	

TSH Biopharm Corporation Ltd.
Statement of Operating Costs
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Raw materials and supplies	
Add: Raw material, beginning of the year	\$ 45,165
Add: Purchase	32,380
Less: Raw materials, end of the year	(33,650)
Loss on physical inventory count	(451)
Transferred to expenses and losses	(875)
Write off loss	(461)
Raw materials consumed	<u>42,108</u>
Raw materials consumed	42,108
Add: Contract manufacture	<u>130,099</u>
Cost of goods sold	<u>172,207</u>
Merchandise	
Add: Merchandise, beginning of the year	\$ 35,567
Purchased	11,597
Less: Merchandise, end of the year	(33,360)
Transferred to expenses and losses	(2,598)
Write off loss	(2,173)
Reclassification	(57)
Cost of Merchandise sold	181,183
Add: Loss from inventory market decline	238
Loss on physical inventory count	451
Write off loss	2,634
Operating costs	<u>\$ 184,506</u>

TSH Biopharm Corporation Ltd.
Statement of Operating Expenses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>	<u>Total</u>
Salaries	\$ 64,998	\$ 24,789	\$ 6,237	\$ 96,024
Meal expenses	1,326	478	149	1,953
Pension	3,168	777	298	4,243
Insurance expense	4,907	1,635	500	7,042
Royalty expense	155	-	-	155
Rent expense	21	145	300	466
Traveling expenses	1,428	29	5	1,462
Freight	249	1,064	9	1,322
Advertising expense	5,352	150	69	5,571
Post and telecommunications	415	463	17	895
Entertainment expenses	9,200	377	5	9,582
Donation	8,965	181	-	9,146
Depreciation	848	5,185	1,026	7,059
Amortization	3,494	75	267	3,836
Commission expenses	7,213	-	-	7,213
Professional service fees	4,741	3,581	2,576	10,898
Sample cost	2,594	-	-	2,594
Research expense	-	-	11,125	11,125
Meeting expense	6,784	80	71	6,935
Transportation expense	4,880	587	8	5,475
Employee welfare	-	932	-	932
Others	8,943	10,036	3,683	22,662
Total	\$ 139,681	\$ 50,564	\$ 26,345	\$ 216,590

Seven. Review and Analysis of the Financial Position and Financial Performance, and Risks

- I. Financial position: The annual report shall list the main reasons for any material change in the company’s assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, the annual report shall describe the measures to be taken in response.**

Unit: In NT\$1,000

Year (item)	2021	2022	Differences	
			Amount	%
Current assets	919,972	907,522	(12,450)	-1%
Property, plant, and equipment	22,792	24,566	1,774	8%
Intangible assets	3,628	14,392	10,764	297%
Other assets	216,334	201,301	(15,033)	-7%
Non-current assets	6,700	6,644	(56)	-1%
Total assets	1,169,426	1,154,425	(15,001)	-1%
Current liabilities	85,800	82,501	(3,299)	-4%
Total liabilities	85,800	87,058	1,258	1%
Share capital	383,981	383,981	0	0%
Capital reserves	459,361	459,435	74	0%
Retained earnings	224,075	228,368	4,293	2%
Other equity	16,209	(4,417)	(20,626)	-127%
Equity	1,083,626	1,067,367	(16,259)	-2%

1. Reason for material changes

- (1) Intangible assets: increased. Increased from last year due to the purchase of two drug licenses and update of information software and equipment in 2022.
- (2) Other equity: decreased. Financial assets at fair value through other comprehensive income were adjusted mainly by the fair value and the appraisal report.

2. Effects of, and response to, material changes

II. Financial performance: The annual report shall list the main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor, and describe the effect upon the company’s financial operations as well as measures to be taken in response.

Item	2021	2022	Increase (or decrease)	Change in percentage terms (%)
Operating revenue	413,483	464,378	50,895	12%
Gross profit	247,358	279,872	32,514	13%
Operating profit and loss	55,615	63,199	7,584	14%
Non-operating income and expenses	5,934	13,789	7,855	132%
Pre-tax profit	61,549	76,988	15,439	25%
Net profit (loss) for the period	47,108	61,890	14,782	31%

1. Main reason for material changes:

As the COVID-19 pandemic is successfully contained, the outpatient business of each medical center gradually revives, driving the overall operating revenue and profits in 2022 up from the 2021 level. Furthermore, benefited from interest rate hike and USD appreciation, non-operating income and expenses also increased YoY.

2. Expected volume of sale, and the basis for such expectation:

The Company expects to sell 176,361 thousand tablets of oral preparations and 58 thousand injections in 2023. The figures estimated by the Company are based on the statistics report of the IMS, taking into account the changes in supply and demand in the market in the future, the time-to-market of new products, and the national health insurance policy.

3. Possible effect on the Company’s business and financial affairs, and response plan:

Each category of business operated by the Company is currently yielding stable profits. The Company will accelerate the proportion of business growth by means of exports of self-developed products and out-licensing of products at the early stage of development to overseas companies. In addition, aside from making progress in the application of drug license around the world, the Company will co-develop new drugs at the early stage of development with international partners and create value therefor, and will use a “Twin-engine strategy” to develop international drugs and do international marketing, so as to boost sales. In addition, the Company will introduce products in relation to personalized medicine. The rise of personalized medicine has made testing part of treatment or preventive medicine. In addition, AI has become increasingly available. TSH will continue to put more testing products on the market to meet more clinical needs, hoping to bring benefits to the Company’s business and financial performance.

III. Cash flow: Analysis of cash flow changes during the most recent fiscal year, corrective measures to be taken in response to illiquidity, and a liquidity analysis for the coming year.

1. Analysis of cash flow changes in 2022:

Unit: In NT\$1,000

Cash balance – beginning of year	Net cash flow from operating activities throughout the year	Net cash flow from investing and financing activities throughout the year	Cash surplus (deficiency) amount	Remedy for cash deficiency	
				Investment plan	Wealth management plan
381,887	73,890	(51,301)	404,476	—	—

- (1) Net cash inflow from operating activities: NT\$73,890 thousand, mainly from operating profits.
 - (2) Net cash flow from investing and financing activities throughout the year: A net cash outflow of NT\$51,301 thousand. Mainly due to an outflow of NT\$18,898 thousand for acquisition of intangible assets (purchase of drug licenses), and property, plant, and equipment; an inflow of NT\$23,536 due to decrease in other financial assets (i.e. matured time deposits, which were not renewed due to expenditure needs), an inflow of NT\$6,379 thousand from collection of dividends on financial assets, and an outflow of NT\$57,597 thousand due to distribution of cash dividends for 2022.
2. 2022 Corrective measures to be taken in response to illiquidity:
The Company has sufficient working capital, so it is not subject to illiquidity.
3. Liquidity analysis for the following year:

Unit: In NT\$1,000

Cash balance – beginning of year	Net cash flow expected of operating activities throughout the year	Net cash flow expected of investing and financing activities throughout the year	Expected cash surplus (deficiency) amount	Remedy for expected cash deficiency	
				Investment plan	Wealth management plan
404,476	70,253	(55,037)	419,692	—	—

- (1) Analysis of cash flow changes in the coming year (e.g. 2023):
 - A. Cash inflow from operating activities: NT\$70,253 thousand, mainly because of positive net cash inflow from operating activities as a result of expected operating revenue in 2023.
 - B. Estimated annual cash inflow: NT\$(55,037) thousand, mainly due to cash dividends expected to be distributed in the current year, dividends received from financial assets, and adjustments to other financial assets.
- (2) Measures to be taken to cope with a cash shortfall and liquidity analysis: Not applicable.

IV. Effect upon financial operations of any major capital expenditures during the most recent fiscal year in 2022: The Company did not incur major capital expenditures in 2022.

V. Investment policy in 2022, the main reasons for profit or loss, improvement plan, and investment plan for the coming year

1. Investment policy:

The Company invests in investees mainly by its “Procedures for the Acquisition and Disposal of Assets” formulated based on the competent authority’s “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”

- (1) Invest in new drug development companies to participate in the early stage of research and development carried out by biotechnology companies, to share the results of global patents for new drugs. For example: LUMOSA THERAPEUTICS CO. LTD. (“LUMOSA THERAPEUTICS” hereinafter).
- (2) Revitalize funds and increase non-operating income. For example: Union Bank of Taiwan Preferred stock A (stock code: 2838A); Fubon Financial Holding Co., Ltd. Preferred stock B (stock code: 2881B); Fubon Financial Holding Co., Ltd. Preferred stock C (stock code: 2881C).

- (3) Strategic investment featuring the synergy derived from acquisition of agency authority for products and product distribution channels at the same time. For example: CellMax Ltd.
2. The main reason for the profit or loss of the reinvestment, and the improvement plan:

- (1) New drug development company:

Below is a summary of LUMOSA THERAPEUTICS's research and development in progress:

A. LT3001, a new drug for acute ischemic stroke: LT3001 is an innovative small-molecule drug with an indication for the treatment of acute ischemic stroke.

(a) According to the single-dose Phase 2a clinical trial completed in Taiwan and the United States in 2021, patients with ischemic stroke receiving LT3001 treatment within 24 hours after stroke did not experience any increase in the risk of cerebral hemorrhage; in addition, the potential to improve neurobehavior and nerve function was also observed. Phase II clinical trials of multi-dose administration and thrombectomy with instruments are mostly in progress. Received notification from the US FDA in January 2022 on passing the US FDA's 60-day review and being granted the "Fast Track Designation" for new drugs. Such recognition enables LT3001 to access various assistances from the US FDA, which will help to fast-track the timeline for applying for a US drug license in the future.

(b) In 2022, the trial protocols passing the review of the US FDA will be submitted to Taiwan's Ministry of Health and Welfare for application for a Phase II clinical trial, so as to enroll patients at multiple centers around the world. It is expected to complete the multi-country, multi-center Phase II clinical trial of multi-dose administration of LT3001 within 2 years; 200 patients struck with acute ischemic stroke within 24 hours after the onset of stroke symptoms will be enrolled. However, the timeline will be adjusted according to the implementation progress.

(c) In March 2022, LT3001, a new chemical entity (NCE) intended to undergo phase 2 multi-dose administration clinical trial for the treatment of acute ischemic stroke, passed the clinical trial review of the Taiwan Food and Drug Administration(TFDA) and was given the go-ahead.

B. LT1001, a new long-acting analgesic drug: LT1001 is a long-acting dosage form of the prodrug of nalbuphine (nalbuphine), an analgesic drug coming on the market for years. A drug license in Taiwan was obtained in March 2017 (known as "Naldebain" in Taiwan) and a certain amount of clinical data was accumulated, and a marketing authorization was obtained in international markets like Thailand and Singapore.

(a) Naldebain is the only analgesic injection on the market that has an analgesic effect of up to seven days. In contrast, most other analgesic drugs on the market are short-acting, including those for post-operative analgesic treatment. According to the US FDA white paper "FDA Analysis of Long-Term Trends in Opioid Analgesic Products: Quantity, Sales, and Price Trends," prescription opioid sold in the US in 2015 amounted to US\$7.1 billion, judging from the data on Total Morphine Milligram Equivalent Sold and Price per Morphine Milligram Equivalent. However, tightening US FDA regulations have stacked up the development costs. Therefore, LUMOSA THERAPEUTICS resolved to end its "Relative Bioavailability Pharmacokinetic Trial," the trial for a new drug of Naldebain long-acting injection, in the US, and turned to seek other local

partners to continue to the development of such product, in the hope to complete all the human clinical trials required by the FDA for putting the product on the market.

- (b) In December 2019, the right to develop and commercialize LT1001 in China was licensed to Jiangxi Jimin KEXIN, which would be responsible for necessary pre-launch clinical trials in China. In February 2022, the results of the LT1001 Phase III clinical trial conducted by Jiangxi Jimin KEXIN were received. However, the main evaluation indicators of the trial failed to be statistically different. Jiangxi Jimin KEXIN will analyze the reasons for the underperformance, and will redesign the clinical trial and continue clinical development in China.
- (c) In June 2022, Amed Co. Ltd., one of the Company's partners, notified that a drug license had been granted by the Malaysia legal unit for import of the long-acting pain relief injections.
- (d) In December 2022, the Board of Directors of LUMOSA THERAPEUTICS CO., LTD. resolved to sign a contract with AJM Pharma Pvt. Ltd., a Pakistan company, to out-license LT1001, a long-acting pain relief injection, to AJM for exclusive distribution within Pakistan. LUMOSA was obliged to provide the long-acting pain relief injection LT1001 to AJM and AJM was responsible for applying for a drug license and doing marketing in Pakistan.

1,315 thousand shares, or 0.81% of total shares, were still in possession as of December 31, 2022.

- (2) Revitalize funds and increase non-operating income: Investment within the limit authorized by the Board of Directors is made. The above-mentioned preferred shares are purchased on the conditions of safety, profits, and more premium income than that from time deposits, mainly for the purpose of participating in dividend distribution.
- 3. Investment plan for the coming year: Long-term strategic investment will be the principle and any reinvestment plan will be carefully assessed.

VI. The section on risks shall analyze and assess the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report:

- (I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

- (1) Effect upon the company's profit and loss

Item	2022 (in NT\$1,000; %)
Net interest income	3,195
Net exchange gain or loss	4,432
Ratio of net interest income to pre-tax profit	4.15%
Ratio of net interest income to net operating revenue	0.69%
Ratio of net exchange gain or loss to pre-tax profit	5.76%
Ratio of net exchange gain or loss to net operating revenue	0.95%

- (2) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate
- A. Interest rate: The Company's interest income in 2022 and 2021 were NT\$3,195 thousand and NT\$2,019 thousand, respectively. Overall, changes in interest rates have no significant impact on the Company's profit or loss. However, the Company still actively builds and maintains good relationship with banks to grasp the interest rate trends and seek the most preferential deposit interest rate.
 - B. Exchange rate: The Company's Financial and Accounting Department always keeps abreast of any change in exchange rate and projects foreign currency need in the follow half year, so as to reduce the effect of exchange rate changes on the Company. The net exchange gains and losses in 2022 accounted for 0.95% of total operating revenue and were therefore considered a minor effect.
 - C. Inflation: Inflation has no significant impact on the Company's profit and loss.
- (II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.
- (1) The Company, adhering to the principle of conservatism and stability, did not engage in any high risk or highly leveraged investment in the most recent year or in the current year up to the publication date of this annual report. Any investment to be made in the future will be assessed cautiously in advance and be made in the manner specified in the Company's internal regulations.
 - (2) In the most recent year and in the current year up to the date of publication of the annual report, the Company did not loan funds to others or make endorsement or guarantee for others.
 - (3) Derivatives transactions; the main reasons for the profits/losses generated thereby: In the most recent year and in the current year up to the publication date of the annual report, the Company did not engage in any derivatives transaction.
 - (4) Future response measures:
If the Company must engage in financing, making endorsement or guarantee for others, or trading derivatives out of business considerations in the future, the Company will act by its internal regulations, and will announce the various information accurately and in a timely manner as required by law.
- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:
The Company's future research and development plan will focus on the development of new drugs for treatment of cardiovascular, gastrointestinal, and autoimmune diseases; heavy investment in clinical research and medication treatment, aiming to become the provider of high-value drugs for rare chronic diseases; and continuous development of international partners and business. The annual investment in research and development in the next two years is expected to exceed NT\$50,000 thousand.

- R&D expenditure and its proportion to operating revenue

Unit: In NT\$1,000

Year	R&D expenditure	As a percentage of the operating revenue
2021	23,515	5.69%
2022	26,345	5.67%

Year-to-date through March 31, 2023	Not applicable	Not applicable
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- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.
- (1) Since the implementation of the global budget payment system, Taiwan has changed the drug payment reimbursement system for many times; the global budget payment system aims to control the drug price and volume of domestic pharmaceutical companies, and has affected the price and sales of some drugs, squeezing the operating revenue and profits of pharmaceutical companies.
 - (2) Response measures

Aside from creating a complete distribution network throughout Taiwan to provide real-time service to medical institutions and increase the extensiveness of sales, the Company also develops the distribution channels and customer for drugs with certain market scale and value, and continues to bolster the confidence of medical institutions and physicians in prescription drugs. In addition, the Company also intensifies the research and development and introduction of new drugs, and launches new competitive drugs, lest the implementation of changes in drug price reimbursement system reduce the Company's profitability. On the other hand, by launching genetic testing-related products, the Company branches out into the precision medicine market and gradually increases sales, so as to reduce the financial impact from health insurance reimbursement cuts.
- (V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:
- (1) Industry change: Drug development takes a long time and huge research and development expenditures, with little chance of success. Therefore, technological changes and industrial changes will not have an immediate and significant impact on the Company's financial and business performance in the short term. However, the Company will still actively absorb new technological knowledge and invest in the research and development of innovative drugs, so as to cope with technological changes and industrial changes. In addition, the Company's cyber security measures include implementation of the information security system and system authority management; maintenance of remote backup systems; provision of education and publicity sessions; network monitoring; and regular education and training courses for the person in charge of the project or R&D information.
 - (2) Technological changes (cyber security risk): After carrying out an assessment, the Company did not expect technological changes in recent years to have a significant impact on its financial and business affairs. Nonetheless, given the increasing importance of information security, the Company will continuously enhance its information security protection measures, so as to reduce possible losses resulting from information security incidents. Below are the response measures taken by the Company:
 - Maintenance of remote backup systems.
 - Held information security awareness sessions for new and in-service employees, to raise their awareness of information security risk.
 - Joined Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) to gather threat information and report information security incidents.
 - Scanned and checked for the vulnerabilities and performed a penetration test for

core business systems, and fixed, tracked, and managed the vulnerabilities for items with medium to high risk.

- Established an information security maintenance and control center to implement information security monitoring.

(VI) Effect of changes in corporate image on corporate crisis management, and measures to be taken in response:

Having dedicated itself to the research and development and sale of drugs, the Company has been recognized by medical institutions, and by manufacturers and professionals in this industry. In addition, the Company is also committed to improving its internal system and capital structure, which will have a positive effect on its reputation and corporate bonds.

(VII) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: None.

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

Not applicable, because the Company had no plan to expand factories in the most recent year and in 2022 up to the publication date of the annual report.

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

(1) Risk of concentration of purchases: The Company mainly purchase from TTY Biopharm Company Limited and Genovate Biotechnology Co., Ltd.

TTY Biopharm Company Limited holds 56.48% of the Company's stock (i.e. the Company's parent). The Company was demerged from TTY Biopharm Company Limited on September 1, 2010, and has since been in charge of 100% of the medical and pharmaceutical business of TTY Biopharm Company Limited. The Company did not have own pharmaceuticals factories. Therefore, it purchased some pharmaceuticals from foreign brands, and some from domestic PIC/S-certified pharmaceuticals companies which were commissioned by the Company to produce. To effectively control the cost and quality of the various products, and the time sensitivity of production, in 2022, the Company ceased to purchase products directly and instead adopted a business model where materials were provided by the Company for processing. That is to say, the Company takes charge of purchasing active pharmaceutical ingredients (APIs) and handing them over to commissioned factories for manufacturing. AMTREL, MOPRIDE, and Rhynorm are produced by the PIC/S-certified Liudu factory of the parent company TTY on a commission basis, a reason 46.12% of the Company's total purchase in 2022 was from TTY. In addition, the Company outsourced the production of LINICOR (lipid lowering) to Genovate Biotechnology Co., Ltd. With the increasing sales year by year, the percentage of purchases in 2022 reached 20.58%.

At present, the Company outsources the production of its products to TTY Biopharm Company Limited and Genovate Biotechnology Co., Ltd., as well as to some domestic PIC/S GMP-certified pharmaceutical factories, in the hope to maintain supply flexibility, ensure uninterrupted supply of goods, and be in the right position for price negotiation. In addition, the Company has actively planned to invest in product research and development and seek strategic partners to meet the market demand for new products in the future. Therefore, the Company will gradually purchase less from the parent and more from suppliers, so as to reduce the risk of concentrated purchase.

- (2) Risk of concentration of sales: The Company's customers are mainly medical centers, district hospitals, and regional hospitals, so its customer sources are greatly dispersed. The sales ratio increased because the Company had put its cardiovascular drugs, e.g. Linicor and Rhynorm, and other testing products on the market. As the sales edged up, so did the Company's purchase from TOP PHARM. MEDICALWARE COMPANY LIMITED in 2022, to 16.97% in relation to total purchase.
- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.
- In 2022 and up to the publication date of this annual report, the Company did not experience any event in which a major quantity of shares belonging to a director or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands.
- (XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:
- (1) Jung-Chin Lin, former chairman of TTY Biopharm Company Limited, was involved in the offense of breach of trust whose penalty may be increased. In June 2015, Taiwan Taipei District Prosecutors Office officially prosecuted former chairman Jung-Chin Lin for violating the Securities and Exchange Act; on September 1, 2017, Taiwan Taipei District Court convicted the former chairman Jung-Chin Lin of violating the Securities and Exchange Act; on May 27, 2020, Taiwan High Court delivered an innocence verdict. This case was appealed to the Supreme Court, the court of the third instance, and was then remanded to Taiwan High Court for retrial on December 23, 2021. On April 23, 2018, Taiwan Taipei District Prosecutors Office maintained that the "Agreement on Commissioned Development of Risperidone" between Center Laboratories, Inc. and TTY Biopharm Company Limited signed by the former chairperson also violated the Securities and Exchange Act and requested that Taiwan High Court adjudicate the case jointly with the said cases in the second instance proceedings. On May 27, 2020, Taiwan High Court resolved to deny the request for joint adjudication. However, Taiwan Taipei District Prosecutors Office still believed that this case and the said case in the third instance proceedings are the same case, and requested anew on September 29, 2020 that TTY Biopharm Company Limited jointly adjudicate the cases. The civil suit collateral to criminal proceedings was transferred to the civil court of the Taiwan Taipei District Court on September 6, 2017 for adjudication. On February 13, 2018, TTY Biopharm Company Limited filed a civil suit collateral to the criminal case under second instance adjudication by the Taiwan High Court for damages. On June 29, 2017, in response to the part involving the case of "Risperidone" which the Taiwan Taipei

District Prosecutors Office filed for joint adjudication, TTY Biopharm Company Limited requested that the former chairman Jung-Chin Lin pay more damages for the civil suit collateral to the criminal case under the second instance adjudication.

- (2) On May 31, 2016, the Company filed a lawsuit against Inopha AG of Switzerland with the District Court of Canton Zug, Switzerland to confirm that the thirteen licensing contracts between the two parties were invalid, and requested that Inopha AG of Switzerland return the benefits derived from infringement of rights. The case is under adjudication by the Zug District Court of Swiss.
 - (3) Janssen Pharmaceutical NV filed the Tripartite Arbitration Case with the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center at the request of TTY Biopharm Company Limited for confirmation of the attribution of the contract amount on May 30, 2016. Currently, WIPO Arbitration and Mediation Center has suspended the review process. As of December 31, 2022, Janssen Pharmaceutical NV had deposited the contract amount of EUR 21,456,000 in a trust account.
 - (4) As for the “Agreement on Commissioned Development of Risperidone” between Center Laboratories and TTY Biopharm Company Limited, Center Laboratories filed a civil lawsuit against TTY Biopharm Company Limited with the Taipei District Court on July 1, 2016 to confirm the contractual relationship. On March 1, 2018, the Taipei District Court gave a verdict confirming the existence of a legal relationship. On March 11, 2020, the Taiwan High Court rejected the appeal of TTY Biopharm Company Limited. On April 10, 2020, TTY Biopharm Company Limited appealed to the Supreme Court in accordance with the law. On May 19, 2021, the Supreme Court reversed the original verdict. The case was later returned to Taiwan High Court for re-deliberation. Through an adjudication, Taiwan High Court delivered a verdict that the contract to develop Risperidone on a commissioned basis between TTY and Center Laboratories, Inc. does not exist. Center Laboratories, Inc. already appealed to the Supreme Court on December 21, 2022, and the case will be adjudicated by the Supreme Court.
 - (5) On February 28, 2020, TTY Biopharm Company Limited filed a civil damages lawsuit against Denis Opitz, the original substantial beneficiary of Inopha AG, Switzerland, with the Labor Court of Dresden, Germany. The case is under adjudication by the Labor Court of Dresden, Germany.
 - (6) On May 14, 2021, TTY Biopharm Company Limited received a disciplinary citation from the Fair Trading Commission stating that the exclusive agency agreement for sale of “Furil Capsules” that was signed between TTY Biopharm Company Limited and Lotus Pharmaceutical Co., Ltd. on February 4, 2009 constituted a concerted action and that the Company was fined NT\$220,000 thousand; the fine was recognized under other gains and losses. On July 12, 2021, TTY Biopharm Company Limited filed an administrative lawsuit with the Taipei High Administrative Court requesting revocation of the citation; the case is under adjudication by Taipei High Administrative Court.
- (XIII) Other important risks, and mitigation measures being or to be taken:
The Company passed its “Risk Management Policy and Procedures” through a resolution at the Board of Directors meeting dated October 30, 2020. In addition, the Company has also set up risk management organizations, defined possible risks inherent to operations and formulated countermeasures therefor, and set up a management mechanism for identification, measurement, monitoring, response, and reporting of risks, so as to avoid risks or reduce the risks to an acceptable level, thereby ensuring sustainable development

of the Company. For the risks identified and under management in 2022, please refer to “Corporate Governance/Corporate Governance Operation” on the Company’s website.

VII. Other important matters: None.

Eight. Special Items

I. Information on affiliates

For details, see pages 208–212.

II. Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose the date on which the placement was approved by the board of directors or by a shareholders' meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan:

None

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report

None

IV. Other matters that require additional explanation

None

V. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one.

None



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CPAs' opinion on the review of the affiliation report

To: TSH Biopharm Corporation Ltd.

We have reviewed the Affiliation Report of TSH Biopharm Corporation Ltd. for 2022 in the manner specified in Tai-Cai-Zheng(6) No.04448, the official letter issued by the former Securities of Futures Commission of the Ministry of Finance on November 30, 1999. The purpose of such review is to issue an opinion on whether the Affiliation Report of TSH Biopharm Corporation Ltd. for 2022 was compiled by the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and whether the information disclosed therein significantly deviated from the information of the financial statements for the same period that we had audited in February 24, 2023.

According to our review results, we did not find that the Affiliation Report of TSH Biopharm Corporation Ltd. for violated the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” nor did we find that the information disclosed therein significantly deviated from the information in the notes to the financial statements for the same period.

KPMG Taiwan

CPA :

Official approval letter from the competent securities authority
February 24, 2023
Jin-Guan-Zheng-Shen-Zi No. 1100333824
Jin-Guan-Zheng-Liu-Zi No. 1090332798

Declaration

The Company's Affiliation Report for 2022 was compiled by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and the information disclosed in the report did not significantly deviate from the information disclosed in the notes to the financial statements for the said period.

In witness thereof, the Declaration is hereby presented.

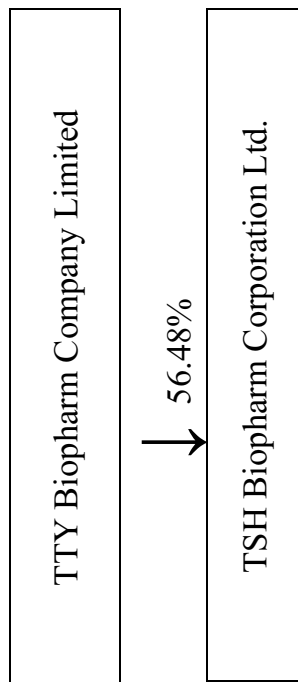
Company Name: TSH Biopharm Corporation Ltd.

Responsible person: Chuan Lin

February 24, 2023

1. Overview of affiliates

(1) Organization chart of affiliates



(2) Basic information on affiliates

Company name	Date of incorporation	Address:	Paid-in capital	Main business or production items
TTY Biopharm Company Limited	1960	3rd Floor, No. 3-1, Park Street, Nangang District, Taipei City	NT\$2,486,500 thousand	Manufacture and sales of various pharmaceuticals, animal medicines, pesticides, insecticides, chemicals, and cosmetics; manufacturing, sale, import, export, and agency sale of the various pharmaceutical raw materials, chemical raw materials, medical equipment, glassware, and rubber products.

II. Relationship between the subordinate company and the controlling company:

Unit: Share %

Name of controlling company	Reasons for the control	Details of shareholding and pledges			Any directors or managers appointed to the subordinate company by the controlling company	
		Number of shares held	Shareholding percentage	Number of shares pledged	Title	Name
TTY Biopharm Company Limited	The shareholding percentage exceeds 50%	21,687,177	56.48%	0	Chairman Director Director Director	Chuan Lin Carl Hsiao Chao-I Chiang Kang-Chi Chou

III. Purchase (sale) of goods:

Unit: In NT\$1,000; %

Purchase (sale)	Transaction with the controlling company		Transaction terms for or granted by the controlling company		Ordinary transaction terms		Reason for difference	Accounts and notes receivable (payable)			Overdue accounts receivable			Remark
	Amount	As a percentage of total purchase (sale)	Unit price (NT\$)	Credit period	Unit price (NT\$)	Credit period		Balance	As a percentage of total accounts or notes receivable (payable)	Amount	Actions taken	Allowance for doubtful debts		
Purchase	80,282	46.12%	-	Net 30 end of the month (EOM)	-	Net 30 end of the month (EOM)	Not significant difference from the purchase price from other suppliers.	(7,245)	(43.97)%	-	Not applicable	Not applicable	Purchase	

IV. Property transactions: None.

V. Financing: None.

IV. Asset leasing:

Unit: In NT\$1,000; %

Transaction type	Underlying asset		Lease term	Description
	Name	Location		
Rental of	office building	Two buildings, one on the Park Street of Taipei City, the other on Minsheng 1st Road of Kaohsiung City.	January 1, 2021 – December 31, 2022	To meet business need, the Company signed a contract with its parent company on December 17, 2020 to rent part of the premises and equipment for 2 years for NT\$8,892 thousand. The lease was modified accordingly in December 2021. Interest expenses recognized in 2022 were NT\$29 thousand. In addition, the Company signed a contract with its parent company on December 28, 2022 to rent an office for 2 years for NT\$9,193 thousand.

VI. Endorsement of guarantee: None.

VIII. Engagement in derivative transactions: None.

IX. Other important transactions:

Item	Amount (NT\$1,000)	Description
Other expenses	6,865	These are the warehouse management fees negotiated upon by both parties by referencing the rate prevailing in the industry, and must be paid in the following month.
Other payables	2,185	Mainly rent payable, fees for commissioned research, and fees for warehouse management.

TSH Biopharm Corporation Ltd.

Chairman : Chuan Lin

To Be Committed To Improving The Quality Of Life Of
Patients With Chronic Diseases

