

# **Polaris Group**

## **2022**

# **Annual Report**

Notice to readers

*This English translation is provided for reference only. In case of any discrepancies, the original Chinese version shall prevail.*

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VII. The list of board of directors and independent directors registered in Taiwan should add their nationality and main experience:

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Director	Chen, Shyan Tser	R.O.C	<ul style="list-style-type: none"> <li>• Department of Chemistry, National Tsing Hua University</li> </ul>
Director	Digital Capital Inc. Representative: Patrick Y. Yang	Samoa	<ul style="list-style-type: none"> <li>• Ph.D., Ohio State University</li> <li>• Academician of Industrial Technology Research Institute</li> <li>• Vice President, Merck, USA</li> <li>• Executive Vice President, Genentech Inc.</li> <li>• President of Global Technology Operations, Roche, Switzerland</li> <li>• Executive Vice President, Juno Therapeutics</li> <li>• Executive Yuan Biotechnology Industry Strategy Advisory Committee</li> </ul>
Director	Lien Mai Ting Investment Company Representative: Wayne Lin	R.O.C	<ul style="list-style-type: none"> <li>• MBA of University of California of Irvine</li> <li>• Founder and CEO of Cocoweb.com</li> </ul>
Independent Director	Way, Tzong Der	R.O.C	<ul style="list-style-type: none"> <li>• PhD of Institute of Biochemical Sciences, National Taiwan University</li> </ul>
Independent Director	Tai, Jang Huei	R.O.C	<ul style="list-style-type: none"> <li>• PhD candidate in Biochemistry, Brown University, USA</li> <li>• MBA, Columbia University</li> </ul>
Independent Director	Chao, Ying Chen	R.O.C	<ul style="list-style-type: none"> <li>• Master, Chemical Engineering, National Taiwan University</li> <li>• EMBA, Sun Yat-Sen University</li> <li>• Factory Director, Plant VI, Taiwan Semiconductor Manufacturing Company</li> <li>• General Manger in Mainland China, Taiwan Semiconductor Manufacturing Company</li> <li>• General Manager of TSMC Solar Ltd.</li> </ul>

VIII. The name, title, contact number and email address of litigation and non-litigation agents in the Republic of China

Name : Howard Chen Title : Chairman  
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## I. Letter to Shareholders

Dear Shareholders,

2022 was a year of excitement and significance! First of all, the Company's mesothelioma clinical trial, which lasted for 6 years of patient enrollment, was successfully unblinded in September 2022. Next, we will go through FDA's Fast Track authorized, actively accelerating the application for drug certificate. In addition, the Company was listed on the Taiwan Stock Exchange in June 6, officially becoming a listed company! These two major events are undoubtedly the most important milestones since the establishment of Polaris Group!

Below is a report on the 2022 R&D progress and results of the Company.

### I. FY 2022 Operating Results

#### (I)FY 2022 Business Plan Implementation Results

##### 1. Clinical Trial of ADI-PEG 20

The clinical trials currently underway are listed below:

Cancer Type	Stage	Lead Cancer Center	Intervention/Treatment
Soft Tissue sarcoma	Phase III	University of Washington	ADI-PEG 20 + Gemcitabine + Docetaxel
Glioblastoma	Phase II/III	Linkou Chang Gung Memorial Hospital Taiwan / Global Coalition for adaptive Research	ADI-PEG 20 +Temozolomide + Radiotherapy
Hepatic Cell Carcinoma	Phase II/III (note)	Linkou Chang Gung Memorial Hospital Taoyuan, Taiwan	Monotherapy (patients with GG Type genotype)
Acute Myeloid Leukemia	Phase I	MD Anderson Cancer Center Houston, Texas, United States	ADI-PEG 20 + Venetoclax + Azacitidine

Note: Used in clinical trials for drug certification registration.

##### 2. CDMO Pharmaceutical Contract Development and Manufacturing Services

The CDMO partnership between DRX USA and Helix BioMedix, Inc. (hereinafter referred to as Helix) is nearing its final stage; the Company and Nanotein Technologies, Inc. is collaborating to develop nanoprotein products, and Nanotein Technologies., Inc. continues to develop small and medium-sized companies, further providing customized technical services, and has actively negotiated with international distribution companies.

#### (II) Budget Implementation

The Company only sets an internal budget plan in 2022, and does not disclose financial

forecast data to the public. The overall budget spending situation generally conforms to the plan set by the Company.

### (III) Analysis of Financial Income and Expenses and Profitability

The decrease in revenue and operating costs compared to 2021 was mainly due to the decrease in CDMO foundry revenue as the Company shifted capacity to manufacturing its own products and DRX USA started to apply for NDA license. The 58% increase in operating expenses compared to 2021 is mainly due to the increase in stock option fees and related expenses for the subscription by employees due to the Group's application for listing, the increase in clinical expenses related to NDA, and the significant increase in personnel in response to future mass production.

Unit: NT\$ 1,000

Item	FY 2022	FY 2021	Difference of differ	%
Operating income	6,439	15,041	(8,602)	(57.2)
Operating costs	(5,024)	(12,944)	7,920	(61.2)
Operating gross profit	1,415	2,097	(682)	(32.5)
Operating expenses	(1,158,962)	(734,014)	(424,948)	57.9
Operating profit or loss	(1,157,547)	(731,917)	(425,630)	58.2
Non-operating Income and expenses	12,648	(7,793)	20,441	(262.3)
Net profit or loss before tax	(1,144,899)	(739,710)	(405,189)	54.8

### (IV) R&D Status

For details, please refer to the "2022 Business Plan Implementation Results" above.

## II. Outline of Business Plan for FY2023

### (I) Business Policy

1. Actively apply to FDA for drug license of mesothelioma.
2. In order to meet the upcoming global launch of ADI-PEG 20 new drugs and the mass production of CDMO business, the construction of a cGMP mass production plant in Taiwan that complies with U.S. FDA regulations will be launched.
3. Strategically plan clinical trials to obtain global drug licenses as soon as possible to benefit cancer patients worldwide.
4. Continue to explore the relationship between ADI-PEG 20 and genes, maximize the therapeutic benefit of patients through genetic testing, so as to achieve the ultimate goal of precision medicine, increase the penetration rate of ADI-PEG 20 in various cancer markets, and ultimately expand the market size.
5. Find and co-development or regional licensing with strategic alliance partners to secure working capital and spread risks.

6. Practically carry out relevant clinical trials on metabolic disease indications, such as severe fatty liver and diabetes, to make ADI-PEG20 the first choice for combination of metabolic therapy and various cancer drugs, so that more patients can benefit.

## (II) Expected Sales and Its Basis and Important Production&Sales Policies

The Company's self-developed products are still in the clinical trial stage and have not yet been marketed. At present, the main business income comes from contracting CDMO services. Management sets the Company's operation goals and strategies every year, and then the R&D, manufacturing, and clinical teams in the U.S. and Taiwan propose various R&D and CDMO projects accordingly. The R&D/foundry projects are approved for execution after evaluating feasibility, marketing and financial status.

## III. The Company's Future Development Strategy

### (I) Clinical Trials for NDA Submission

As a widely effective new cancer drug, ADI-PEG20 has been successfully used in clinical trials of various indications by many international medical centers before. Therefore, ADI-PEG20 has always been highly expected by the international medical community in the field of metabolic therapy for cancer. Therefore, ADI-PEG20 has been highly expected by the international medical community in the field of metabolic therapy for cancer. Now that it's unblinded, the Company will soon obtain the first first-line drug certificate in mesothelioma, which will be a prelude to the widespread application of this drug in cancer metabolic therapy. The primary goal of the future development strategy is to obtain more definite clinical efficacy data in the shortest possible time in order to enhance the value of the Company and make metabolic therapy the main treatment method for cancer. In the future, the Group will focus its resources on accelerating phase II/III clinical trials for lung mesothelial cancer, hepatic cell carcinoma and soft tissue sarcoma. In addition, the Company has commenced Phase II clinical trials for cerebral cancer and joined GBM AGILE platform for the clinical trial of cerebral cancer Phase II/III and acute myeloid blood cancer Phase I. These trials are described as follows:

#### 1. Soft Tissue Sarcoma

The Phase III trial was approved by the US FDA in January 2023 for the treatment of leiomyosarcoma with ADI-PEG 20 combined with Gemcitabine and Docetaxel. The trial was randomized, double-blind, multi-country and multi-center involved, and 300 patients were expected to be enrolled. The primary indicator is Progression Free Survival, and the secondary indicator is Overall Survival.

#### 2. Hepatic Cell Carcinoma

Collaborating with Dr. Yeh, Chauting from Taiwan Linkou Chang Gung Memorial Hospital, the Company will launch the world's first Phase II/III hepatic cell carcinoma clinical trial designed from a genetic perspective, screening for specific gene markers, and using double-blind methods. This is a randomized trial and is expected to enroll 150 subjects. The trial advances medication strategies from the general population to personalization for better treatment outcomes, also known as "personalized medicine" and "precision medicine". Meanwhile, the Company will start patient enrollment in Vietnam in the second half of 2022.

### 3. Glioblastoma

This clinical trial was conducted with ADI-PEG20 combined with radiotherapy and Temozolomide in the treatment of Glioblastoma, GBM. This case was originally a Phase I clinical trial, and after completing this stage, the evaluable subjects were enrolled. The Phase II clinical trial has been continued, with a change to a control placebo group, randomized allocation, and double-blind trial. It is expected that the scale of the trial will be expanded, and the number of cases collected globally will be 100. The main evaluation indicator was the Overall Survival, and the trial physician would observe the Progression-free survival, PFS. This experiment was led by Taiwan Linkou Chang Gung Memorial Hospital.

At the same time, the Company joined GBM AGILE, a new clinical trial platform approved by the US FDA, which allows simultaneous evaluation of multiple new drugs for cerebral cancer and sharing of patients in control group. And the platform has signed contracts with major international hospitals in order to quickly recruit patients. The Company aims to recruit 300 patients.

### 4. Acute Myeloid Leukemia

This is a Phase 1 clinical trial of ADI-PEG 20 in combination with Venetoclax and Azacitidine in patients with acute myeloid leukemia, led by MD Anderson Cancer Center. In addition to evaluating the safety and tolerability of ADI-PEG 20 in combination with Venetoclax and Azacitidine, the efficacy of this combination in the RP2D (recommended phase 2 dose) arm will also be explored. It has been submitted for regulatory review and it's expected to enroll 60 patients.

#### (II) Contract Development and Manufacturing Organization (CDMO)

In addition to the production of ADI-PEG 20, DRX USA, the Group's subsidiary in Northern California, also has a very mature technology that uses E. coli as a production platform. In November 2019, it officially began to provide contract drug R&D and production services, and received good feedback. This will develop into one of the major businesses of the Group. Subsidiary DRX Chengdu is currently the clinical and production base of the Group's freeze-dried biologicals, responsible for the Group's China ADI-PEG 20 new drug R&D and manufacturing and CDMO business. Negotiations with interested potential clients have begun. The Company's strategy is to develop CDMO business in the United States and Europe with DRX USA as the leading factory. DRX Chengdu, on the other hand, is not only responsible for domestic orders in China, but will also leverage Taiwan's upstream and downstream industries to be a technology development and manufacturing base to provide contract development and manufacturing services.

#### IV. The Impact of External Competition, Regulations and the General Business Environment

All the biotech and pharmaceutical companies in the world are racing to develop new cancer drugs. It is expected that more and more new anti-cancer drugs will continue to be approved and enter the market. Polaris Group is a comprehensive and vertically integrated new drug research and development company with diversified new drug research and development capabilities. ADI-PEG 20 has a unique mechanism of action and has shown preliminary efficacy and safety in various cancer trials. In addition, ADI-PEG 20 is suitable for use in combination with a variety of other treatments

and is therefore considered highly competitive in the future cancer drug market. The Company assumes that after ADI-PEG 20 is approved for marketing, there will be no similar drugs entering the market in the short term. In the matter of regulatory compliance, the Company has experts who are familiar with the drug regulatory systems of various countries, and pay attention to the update of regulatory announcements at any time, striving to be in line with international laws and regulations to ensure a stable operating environment for the Company. The Company's senior management has profound experience in new drug research and development and company operation. They always collect market information and observe market trends, so that the Company's operations can respond to changes in the business environment in a timely manner, minimize risks, and maintain a high degree of competitive advantage, thus maximizing values for all employees, shareholders and the investors.

Chairman:  
Howard Chen



CEO:  
Howard Chen



Accounting Supervisor:  
Kay Huang



## II. Company Profile

### I. Date of Establishment and Group Profile

Polaris Group (hereinafter referred to as the “Company” or “Polaris”) was incorporated in the British Cayman Islands on February 9, 2006 with a par value of NT\$10 per share. The Company and its subsidiaries include Polaris Pharmaceuticals, Inc. Polaris Pharmaceuticals Ireland Limited, TDW Pharmaceuticals RCompany Limited, DesigneRx Pharmaceuticals, Inc. Ltd. Raywapharm Ltd., Dirui (Shanghai) Ltd., Dirui (Chengdu) Co. Ltd. and Polaris Biopharmaceuticals, Inc., collectively referred to as the “Group”. The Group’s principal business activities are the manufacturing and sale of new drugs, biotechnology services and drug testing. The Group’s core research is the novel cancer target drug ADI-PEG 20, which is currently undergoing human clinical trials for various cancers worldwide.

### II. History of the Company and Group

Date	Important Notes on the Group and Company History
1996	Phoenix Pharmacologics, Inc., the original developer of ADI-PEG 20, was founded in Kentucky, USA.
March 1999	US FDA approved ADI-PEG 20 as an orphan drug for the treatment of hepatocellular carcinoma (#98-1183)
April 1999	US FDA approved ADI-PEG 20 as an orphan drug for the treatment of melanoma skin (#98-1208)
October 2000	US FDA granted first clinical approval for ADI-PEG 20 for cancer (IND #009420)
June 2001	Initiated Phase I clinical trial of ADI-PEG 20 in hepatic cell carcinoma at MD Anderson Cancer Center
April 2002	DesigneRx Pharmaceuticals Inc. established ("DRX USA")
March 2003	TDW Pharmaceuticals Inc. was established ("TDW Taiwan")
April 2003	TDW Taiwan acquires ADI-PEG 20 Greater China rights from Phoenix Pharmacologics , Inc. through DRX USA
July 2004	TDW Taiwan and other Taiwanese investors jointly acquire Phoenix Pharmacologics , Inc.
June 2005	European Union EMA approves ADI-PEG 20 as an orphan drug for the treatment of hepatocellular carcinoma (EU/3/05/289)
July 2005	DRX USA completes the plant hardware and obtains the certification from the State of California.
February 2006	Polaris Group established (the "Company" or "Polaris")
March 2006	Polaris Pharmaceuticals, Inc. was established ("PPI")
July 2007	DesigneRx Pharmaceuticals (Shanghai) Inc. was established (“DRX Shanghai)
January 2008	Licensed Uricase, a gout drug, to EnzymeRx in the US, and received a down payment of NT\$150 million.
March 2008	TDW Taiwan completed Phase II clinical trial for hepatocellular carcinoma

Date	Important Notes on the Group and Company History
	and reported to the FDA for review.
February 2011	Obtained FDA Phase III clinical trial approval for hepatocellular carcinoma through Special Protocol Assessment mechanism
March 2011	Started Phase II clinical trial of ADI-PEG 20 for lung mesothelial cancer
July 2011	Phase III clinical trial for hepatic cell carcinoma started at Memorial Sloan Kettering Cancer Center in New York
August 2011	Started ADI-PEG 20+ Docetaxel Phase I clinical trial for regenerative adenocarcinoma and non-small cell lung cancer
January 2012	Started ADI-PEG 20 Phase II clinical trial for acute myeloid leukemia
January 2012	Started ADI-PEG 20 Phase II clinical trial for non-Hodgkin's lymphoma
June 2012	Started ADI-PEG 20 + chemoembolization (TACE) Phase II clinical trial for hepatocellular carcinoma
August 2012	Phase I clinical trial of ADI-PEG 20+Cisplatin for melanoma of the skin, melanoma of the eye, sarcoma, cervical cancer, bile duct cancer and hepatocellular carcinoma
November 2012	TDW Group established ("TDWG")
December 2012	TDW HK Limited was established ("TDW HK")
January 2013	TDW HK signed an investment cooperation agreement with Chengdu Hi-tech Industrial Development Zone Management Committee and subsequently acquired 68 acres of land in Chengdu Hi-tech West District to build a mass production plant in compliance with international cGMP standards
March 2013	DesignRx Pharmaceuticals (Chengdu) Inc. was established ("DRX Chengdu")
April 2013	FDA approved Fast Track Designation of ADI-PEG 20 for hepatocellular carcinoma.
October 2013	US FDA granted clinical approval for ADI-PEG 20 for breast cancer (IND #119967)
October 2013	Initiation of Phase I clinical trial of ADI-PEG 20+ Doxorubicin for the treatment of breast cancer
November 2013	US FDA granted clinical approval for ADI-PEG 20 for blood cancer (IND #120345)
April 2014	European Union Phase I clinical approval for lung mesothelial cancer and non-small cell lung cancer (2013-005330-38)
June 2014	Phase II clinical trial results in lung mesothelial cancer presented at ASCO (American Society of Clinical Oncology) annual meeting in Chicago; ADI-PEG 20 has proven efficacy and minimal side effects
July 2014	FDA approved ADI-PEG 20 as an orphan drug for the treatment of mesothelial lung cancer (#14-4370)
July 2014	Phase I clinical trial of ADI-PEG 20+Pemetrexed+Cisplatin in lung mesothelial cancer, non-small cell lung cancer, melanoma of the eye and brain cancer

Date	Important Notes on the Group and Company History
October 2014	Started ADI-PEG 20+ Nexavar Phase I clinical trial for hepatocellular carcinoma
October 2014	Started ADI-PEG 20+ FOLFOX Phase I clinical trial for hepatocellular carcinoma
October 2014	Started ADI-PEG 20+ Gemcitabine+Nab-Paclitaxel Phase I clinical trial for pancreatic cancer
December 2014	European Union approves ADI-PEG 20 as an orphan drug for lung mesothelial cancer (EMA/OD/076/14)
October 2015	Acquisition of all shares of TDWG not already held by the Company through a share swap
November 2015	US FDA granted clinical approval for ADI-PEG 20 for the treatment of mesothelial lung cancer (IND #128604)
January 2016	Public offering of the Company's shares
February 2016	Approved by Taiwan Over-the-Counter Securities Trading Center and officially registered as an emerging company
February 2016	Submitted pivotal Phase II/III clinical trial protocol to the US FDA to initiate a global multinational multicenter clinical trial in lung mesothelial cancer
June 2016	Presented three papers at the ASCO Annual Meeting in Chicago on Phase III hepatic cell carcinoma, lung mesothelial cancer and pancreatic cancer combination trials
January 2017	Polaris Pharmaceuticals Australia Pty Ltd. established ("PPAU")
January 2017	Initiated Phase I clinical trial of ADI-PEG 20+Cytarabine for blood cancer
February 2017	Initiated Phase I clinical trial of ADI-PEG 20+ immunotherapy Pembrolizumab (Keytruda) for multiple cancers
July 2017	The Company completed a cash capital increase for common stock, raising NT\$720,000,000 and increasing paid-in capital to NT\$2,466,306,000.
August 2017	The Company completed a private placement of common stock, raising NT\$302,400,000 and increasing paid-in capital to NT\$2,556,306,000.
September 2017	The US FDA approved the design of a pivotal single-arm, uncontrolled, global clinical trial of ADI-PEG 20 in combination with FOLFOX for the treatment of hepatic cell carcinoma, using the Overall Response Rate as the primary efficacy measure.
October 2017	The Company completed a private placement of common stock, raising NT\$582,750,000 and increasing paid-in capital to NT\$2,655,551,000.
April 2018	Started clinical trial of ADI-PEG 20+ immunotherapy Atezolizumab ( Tecentriq ) and first-line chemotherapy in non-small cell lung cancer in collaboration with Roche
May 2018	The Company established a research alliance with MD Anderson Cancer Center to collaborate on immunotherapy therapeutic research through an immunotherapy platform

Date	Important Notes on the Group and Company History
September 2018	The Company completed a cash capital increase of NT\$600,000,000, raising paid-in capital to NT\$2,857,564,000.
December 2018	Polaris Pharmaceuticals Ireland Limited ("PPIR") is established.
April 2019	The Company completed a private placement of common stock to raise capital of NT\$154,229,000 and increased paid-in capital to NT\$2,929,014,000.
June 2019	The Company completed the capital increase of common stock, raising NT\$720,000,000 and increasing the paid-in capital to NT\$3,529,014,000.
December 2019	The Company completed a private placement of common stock to raise capital of NT\$3,000,000,000 and increased paid-in capital to NT\$6,529,014,000.
June 2020	Started Phase 1B clinical trial for brain cancer
August 2020	The Board of Directors resolved to merge with TDW Group
February 2021	Phase III interim analysis of lung mesothelial carcinoma showed a statistically significant overall survival rate of over 80%.
June 2021	Phase II clinical trial for soft tissue tumors completed and results presented orally at ASCO
July 2021	The US FDA approved DSMB's recommendation for early termination and unblinding of the Phase III clinical trial for mesothelial lung cancer, as the CP values for OS and PFS in the Phase III trial were over 80%.
August 2021	Raised NT\$5,120,000,000 through a cash capital increase of common stock
December 2021	Received a letter from the Industrial Development Bureau of the Ministry of Economic Affairs stating that the product is a technology business and has been successfully developed and is marketable
February 2022	The US FDA granted the Company an expedited review status for the development of a new drug for lung mesothelial cancer and the application for drug certification. The Company was also requested to announce the policy and method of EAP licensed medication in the near future.
April 2022	Polaris Biopharmaceuticals, Inc. (hereinafter referred to as "PBI") was founded.
June 2022	Completed the Capital Increase by Issuing New Shares for Cash Consideration prior to listing with the price and volume weighted average of each winning bid being NT \$84.57 per share; with the public offering price being NT \$82 per share; and totaling NT \$1,674,937,000.
September 2022	The unblindness results of Phase III clinical trials for mesothelioma were statistically significant in both primary and secondary evaluation criteria.
November 2022	Launch of Phase II clinical trial for cerebral cancer.
January 2023	The Company obtained FDA's approval for Phase III IND for soft tissue sarcoma

### III. Group Structure

Please refer to VIII of this Annual Report under “Special Notes”.

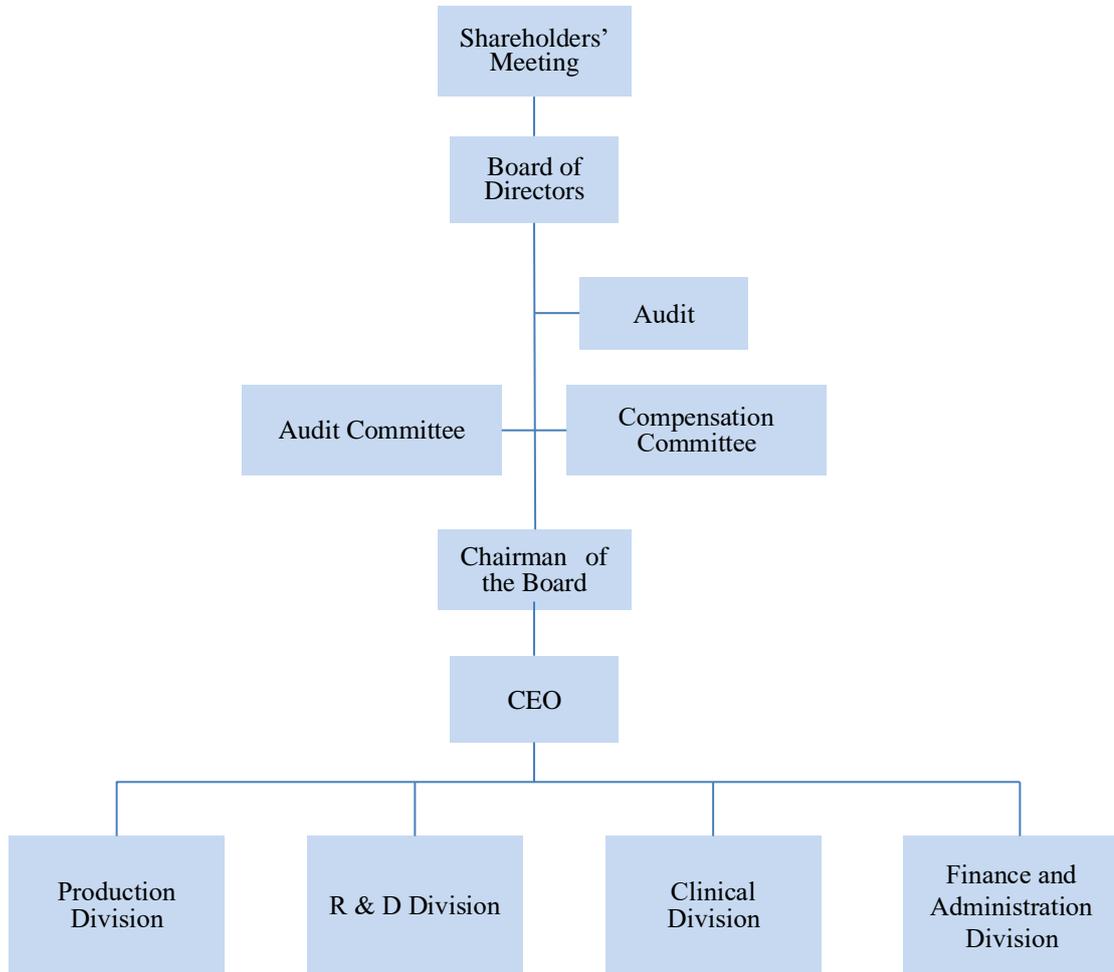
### IV. Risks

Please refer to VII “Review and Analysis of Financial Condition and Financial Performance and Risks” in this Annual Report for details of the general economic and political and economic environment in the countries of incorporation and the main operating countries, foreign exchange control, rent and taxation and related laws and regulations, recognition of the validity of civil verdicts by the courts in ROC, and other risks.

### III. Corporate Governance Report

#### I. Organizational System

##### (I) Organizational Structure



##### (2) Principal operations of each division

Division	Responsibilities Duties
Board of Directors	Execute the resolutions of the shareholders' meeting and decide on the Company's operating policies, business plans and major operating decisions within the authorization of the Shareholders' Meeting.
Audit Committee	To oversee the Group's business and financial affairs, the proper presentation of financial statements, the effective implementation of internal controls, the Company's compliance with relevant laws and regulations, and the control of existing or potential risks of the Company.
Compensation Committee	To establish and regularly review the policies, systems, standards and structures for performance evaluation and compensation of directors and managers, and to regularly evaluate and set the compensation of directors and managers.

Division	Responsibilities Duties
Audit Division	<ul style="list-style-type: none"> <li>(1) Review and evaluate the soundness, reasonableness, effectiveness and implementation of internal control system of each department.</li> <li>(2) Execution of annual audit plan.</li> <li>(3) Writing of audit reports, assessment of improvement operations and self inspection of internal control system.</li> <li>(4) Other activities in accordance with laws and regulations.</li> </ul>
Production Division	<ul style="list-style-type: none"> <li>(1) GMP-compliant cell culture and purification process scale-up and process improvement.</li> <li>(2) Pharmaceutical product filling, packaging and labeling, etc.</li> <li>(3) Management of upstream and downstream production, pharmaceutical production, equipment engineering and warehousing.</li> <li>(4) Design of pharmaceutical manufacturing processes and introduction of production technologies.</li> <li>(5) Formulation of pharmaceutical manufacturing specifications and processes.</li> <li>(6) Evaluation and analysis of production cost of pharmaceutical process technology.</li> <li>(7) Planning and execution of pharmaceutical mass production testing.</li> <li>(8) Design, construction and maintenance of production bases.</li> </ul>
Finance and Administration Division	<ul style="list-style-type: none"> <li>(1) Finance Department <ul style="list-style-type: none"> <li>A. Planning, scheduling and management of the Company's capital utilization.</li> <li>B. Budget editing, execution and management.</li> <li>C. Long-term and short-term investment operations.</li> <li>D. Preparation, implementation and revision of accounting system.</li> <li>E. Preparation of financial statements and tax returns and reporting to the competent authorities.</li> <li>F. Management accounting and financial analysis report editing.</li> <li>G. Organization and execution of board of directors' meetings and shareholders' meetings.</li> </ul> </li> <li>(2) Management Department <ul style="list-style-type: none"> <li>A. Payroll, labor and health insurance, and personnel information filing for new employees.</li> <li>B. Management of fixed assets accounts.</li> <li>C. Employee attendance, leave, business trips and other statistical operations and payroll preparation.</li> <li>D. Fixed assets and equipment, miscellaneous equipment purchase, accounting, scrapping, sale, etc.</li> <li>E. Management and maintenance of computer software and hardware.</li> <li>F. Information system construction and security management.</li> <li>G. Supervision and review of major contract provisions.</li> <li>H. Organization and execution of board meetings and shareholders' meetings.</li> <li>I. Patent maintenance</li> </ul> </li> </ul>
Research and Development Division	<ul style="list-style-type: none"> <li>(1) Culture, purification, and dosage form design.</li> <li>(2) Research on process scale-up and improvement.</li> <li>(3) Research and development and evaluation of new products and technologies.</li> <li>(4) Ensure that the research and development and production of</li> </ul>

Division	Responsibilities Duties
	pharmaceutical products meet FDA cGMP requirements. (5) Responsible for GMP certification and quality management of the Company's products.
Clinical Division	(1) Promote clinical trials in accordance with Good Clinical Practice (GCP) to confirm the quality and correctness of clinical trials. (2) Coordinate and ensure the consistency of the trials with multinational multi-center trials. (3) Design trial protocols, case report forms and trial-related working documents. (4) Conduct clinical trial facilitator meetings and training of research nurses. (5) Manage clinical trial drugs. (6) Closely monitor and audit the conduct of clinical trials and report (serious) adverse drug events. (7) Prepare clinical trial reports. (8) New drug development and drug submission regulations research. (9) Clinical license application and drug certificate application. (10) Liaison with national drug regulatory authorities.

## II. Information on Directors, Supervisors, President, Vice President, Assistant Directors, Heads of Departments and Branches

### (I) Information on Directors and Supervisors (the Company does not have a supervisor)

#### 1. Name, Gender, Age, Nationality or Place of Registration, Experience, Shares Held and Nature

April 14, 2023

Title	Nationality or place of incorporation	Name	Age and Gender	Election (appointment)Date	Term	Initial Election	when elected Shareholdings		Now Hold Number of shares	Spouse, minor children now Shareholdings		Shareholdings in the name of others		Main economic (education)degree	Currently holds positions in The Company and other companies	Other supervisors or directors with a spouse or		Note
							Number of shares	shareholding ratio %		Number of shares	shareholding ratio %	Number of shares	shareholding ratio %			Number of shares	shareholding ratio %	
Chairman of the Board	Republic of China	Gemtek Investment Co.,Ltd	—	2020.02.25	3	2018.06.26	1,139,000	1.33	8,674,542	1.17	—	—	—	—	—	—	—	None
		Representative: Howard Chen	Male 62 years old	2020.02.25	3	2014.11.24	—	—	34,700	0.005	—	—	23,428,220	3.15%	<ul style="list-style-type: none"> <li>• Master, Institute of Electrical Engineering, National Tsing Hua University</li> <li>• Taiwan Semiconductor Manufacturing Co., Ltd.</li> <li>• Taixin Semiconductor Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Director of PPI , DRX USA , DRX Chengdu and DRX Shanghai</li> <li>• Chairman of Gemtek Techology Co., Ltd.</li> <li>• Chairman of Gemtek Investment Co.,Ltd</li> <li>• Chairman of Browan Communications Incorporation</li> <li>• Chairman of Antek Networks Inc</li> <li>• Director of Speedlink Communications Co., Ltd.</li> <li>• Director of G-Technology Investment Co., Ltd</li> <li>• Witek Investment Investment Co., Ltd. Director</li> <li>• Ampak International Holding</li> </ul>	none	none



Other supervisors or directors with a spouse or		relation		Note
		Name	Title	
Currently holds positions in The Company and other companies				none
Main economic (education)/degree		<ul style="list-style-type: none"> <li>Vice President, Merck, USA</li> <li>Executive Vice President, Genentech</li> <li>President of Global Technology Operations, Roche, Switzerland</li> <li>Executive Vice President , USAJunio Biotechnology</li> <li>Executive Yuan Biotechnology Industry Strategy Advisory Committee</li> </ul>		<ul style="list-style-type: none"> <li>PHARMAESSENTIA CORPORATION</li> <li>Independent Director, Codexis, Inc.</li> <li>Independent Director, Sana Biotech</li> <li>Independent Director, Antheia Inc.</li> </ul>
Shareholdings in the names of others	shareholding ratio %	Number of shares	—	—
Now Hold Number of shares	Number of shares	888,000	0.12	—
Initial Election	Term	2020.02.25	3	2020.02.25
Name	Nationality or place of incorporation	Lien-Mai tin Investment Co.	USA/ R.O.C	Representative: Wayne Lin

Title	Nationality or place of incorporation	Name	Age and Gender	Election (appointment) Date	Term	Initial Election	when elected Shareholdings		Now Hold Number of shares	Shareholdings in the name of others	Spouse, minor children now Shareholdings	Other supervisors or directors with a spouse or		Note
							shareholding ratio %	Number of shares				shareholding ratio %	Number of shares	
Independent Director	R.O.C	Way, Tzong Der	Male 51 years old	2020.02.25	3	2020.02.25	—	—	—	—	—	—	—	none
Independent Director	R.O.C	Tai, Jang Hwei	Male 61 years old	2020.02.25	3	2020.02.25	—	—	—	—	—	—	—	none
Independent Director	R.O.C	Chao, Ying Chen	Male 64 years old	2021.08.23	Note2	2021.08.23	—	—	—	—	—	—	—	none

Note 1 : The legal person Director Digital Capital Inc. Representative was formerly the CEO Chen Shao-Chen , Digital Capital Inc. reassigned Representative Yang Yu -Min on December 30 , 2021, effective January 1 , 2022, and the term will expire in 2023 February 24

Note 2 : The former Independent Director Peng Yuyuan resigned on June 30 , 2020 due to personal reasons . The Company by-election of Chao, Ying Cheng as Independent Director at the Shareholders' Meeting on August 23 , 2021 , and the term will expire on February 24, 2023 .

Note 3 : Considering the company's operating decision-making efficiency and the principle of shareholders' interests, the chairman and the general manager are the same person, and more than half of the directors are not concurrently employees and managers, so as to strengthen the supervisory function of the board of directors.

## 2. Substantial Corporate Shareholders

April 14, 2023

Name of Corporate Shareholder	Substantial Shareholders
Digital Capital Inc.	Chen , Shyan Tser 25% , Chen Chang, Fang Hsin 25% , Chen , Yi Ting 25% , Chen, Yi Chun 25%
Digital Mobile Venture Ltd.	Chen, Shyan Tser 25%, Chen Chang, Fang Hsin 25%, Chen, Yi Ting 25%, Chen, Yi Chun 25%
Gemtek Investment Co., Ltd.	Gemtek Technology Co., Ltd. ( 4906.TW ) 100 %
Lien Mai Tin Investment Company	Aurora Group Limited 100%

## 3. Principal shareholders of legal entities whose principal shareholders are legal entities.

Name	Substantial Shareholders
Gemtek Ltd. ( 4906.TW)	Howard Chen 1.87%, Citibank (Taiwan) Commercial Bank, NA entrusted with 1.51% of the investment account of the Central Bank of Norway, Van Gard Emerging Markets Equity Index Fund, managed by Van Gard Group, 1.29%, Hwa-Wing Lien 1.23%, Chen, Yung-Hua, 1.13%, Chase entrusted with 1,09% of the investment account of Advanced Starlight Advanced Total International Equity Index, Special investment account of Bitbank entrusted by HSBC Taiwan Commercial Bank Co., Ltd. 0.85%, Yueh-Ji Chang 0.76%, Huang, Yi-Chie, 0.67%, entrusted with the custody of Westenrod Trust's Westenrod Emerging Markets Small Capital Dividend Fund Investment Account to Taipei Branch of Deutsche Bank, 0.65%
Aurora Group Limited 100%	Landmaster International Limited 100% ( Note )

Note: The major shareholders of the Company are Hwa-Wing Lien 10%, Yueh-Ji Chang 10%, Wei-Ting Lien 20%, Ying Lien 20%, Ho- Jie Lien 20% and Chuang Lien 20% . .

#### 4. Directors' Professional Knowledge and Independence

##### (1) Disclosure of Directors' Professional Qualifications and Independence of Independent Directors

Name \ Qualifications	Professional Knowledge and Experience	Independence	Number of Other Public Companies Currently Acting as Independent Director
Howard Chen	1. Experience in business or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 17~21. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	0
Chen, Shyan Tser	1. Experience in business or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 17~21. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	0
Patrick Y. Yang	1. Experience in business or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 17~21. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	1
Wayne Lin	1. Experience in business or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 17~21. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	0

Way, Tzong Der	<ol style="list-style-type: none"> <li>1. Member of the Audit Committee who is at least a lecturer from a public or private college or university with a degree in business or a related discipline required for corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 17~21.</li> <li>2. None pertaining to the provisions of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. No relative within the scope of the Company or its affiliates is a director, supervisor or employee of the Company or its affiliates.</li> <li>2. None of the Company's shares are held by the individual, his/her spouse, or a relative within the second degree of consanguinity (or in the name of another person).</li> <li>3. Not a director, supervisor, or employee of the company with which the Company has a specific relationship.</li> <li>4. No remuneration for business, legal, financial, or accounting services provided by the Company or its affiliates in the last two years.</li> </ol>	0
Chao, Ying Cheng	<ol style="list-style-type: none"> <li>1. Member of the Audit Committee who is with experience in business, or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 17~21.</li> <li>2. None pertaining to the provisions of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. No relative within the scope of the Company or its affiliates is a director, supervisor or employee of the Company or its affiliates.</li> <li>2. None of the Company's shares are held by the individual, his/her spouse, or a relative within the second degree of consanguinity (or in the name of another person).</li> <li>3. Not a director, supervisor, or employee of the company with which the Company has a specific relationship.</li> <li>4. No remuneration for business, legal, financial, or accounting services provided by the Company or its affiliates in the last two years.</li> </ol>	0
Tai, Jang Huei	<ol style="list-style-type: none"> <li>1. Member of the Audit Committee who is with experience in business, finance, accounting or a related discipline required for corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 17~21.</li> <li>2. None pertaining to the provisions of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. No relative within the scope of the Company or its affiliates is a director, supervisor or employee of the Company or its affiliates.</li> <li>2. None of the Company's shares are held by the individual, his/her spouse, or a relative within the second degree of consanguinity (or in the name of another person).</li> <li>3. Not a director, supervisor, or employee of the company with which the Company has a specific relationship.</li> <li>4. No remuneration for business, legal, financial, or accounting services provided by the Company or its affiliates in the last two years.</li> </ol>	0

## (2) Board Diversity and Independence

### A. Board Diversity:

#### Policy on Diversity of Board Members

In accordance with Article 20, Item 1 of the Company's Code of Corporate Governance Practices, the composition of the Board of Directors should consider diversity and formulate appropriate diversity policies with respect to its operations, business model and development needs, including but not limited to basic qualifications and values (gender, age, nationality, culture and ethnicity, etc.) and professional knowledge and skills (such as legal, accounting, industrial, financial, marketing or technology, etc.).

#### Specific Management Objectives and Achievement

The Company's Board of Directors shall instruct the Company's strategy, supervise the management, and be responsible to the Company and its shareholders. The practices and arrangements of the Company's corporate governance system shall ensure that the Board of Directors shall exercise its authority in accordance with the law, the provisions of the Articles of Incorporation, or the resolutions of the shareholders' meeting. The Company's directors possess the knowledge, skills, education, and industrial decision-making and management abilities necessary for the execution of their business. The Company continues to arrange diversified training programs for its board members to enhance their decision-making quality and supervisory ability, and to strengthen the functions of the board of directors. In addition, the Company also emphasizes gender equality in the composition of the Board of Directors, and the Company currently does not have any female directors. In the future, depending on operational needs or in accordance with corporate governance laws and regulations, female director candidates will be included in the list of candidates.

#### Implementation of Diversity in the Board of Directors

The Company's current Board of Directors consists of seven directors, including three independent directors, three corporate directors and one natural person director as listed below:

Title	Name	Gender	Age	Nationality	Biotechnology Industry Professional Background	Business, finance and accounting experience	Coordinated planning management and leadership experience	National certification of lecturer qualification or professional technology in tertiary institutions
Chairman of the Board	Howard Chen	Male	>60	ROC		✓	✓	
Director	Chen, Shyan Tser	Male	>60	ROC		✓	✓	
Director	Patrick Y. Yang	Male	>60	ROC	✓	✓	✓	
Director	Wayne Lin	Male	>50	ROC		✓	✓	
Independent Director	Way, Tzong Der	Male	>50	ROC	✓		✓	✓
Independent Director	Chao, Ying Cheng	Male	>60	ROC		✓	✓	
Independent Director	Tai, Jang Huei	Male	>50	ROC	✓	✓	✓	

Note 1: The Company has 2 Directors with employee status, accounting for 29%.

Note 2: There are 3 Independent Directors, accounting for 43% of the total number of Independent Directors, whose tenure does not exceed 9 years.

Note 3: There are 4 Directors aged over 60, 3 aged 50~60.

Note 4. There are 3 directors with Biotechnology Industry Professional Background, accounting for 43%.

Note 5. There is 1 director with professional teaching position and professional certification, accounting for 14%.

Note 6. There are 7 directors with a background in business, finance and accounting experience, accounting for 100% of the total.

#### B. Independence of the Board

The Board of Directors is composed of seven directors with professional backgrounds and extensive experience, whose role is to enhance the long-term corporate value of the Company and to protect the interests of shareholders and stakeholders through sound corporate governance, integrity and ethical values. Of the seven Directors, the Directors are nominated by candidates and are selected by the Shareholders' Meeting from a list of candidates for Director (including Independent Director), and the Directors have delegated the authority to establish a Compensation Committee and an Audit Committee to assist the Directors in carrying out their responsibilities.

The Board of Directors is not subject to the provisions of Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act, and there is no spouse or consanguineous relationship between the Directors.

## (II) Information on CEO, Vice Presidents, Managers, Heads of Departments and Branches

April 14, 2023

Title	Nationality	Name	Gender	Election (appointment) Date	Shareholdings		Spouse, minor children shareholdings		Shareholdings via others		Experiences	Currently engaged in other company duties	Manager with spouse or second degree of consanguinity			Notes
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relationship	
Chief Executive Officer (GM)	ROC	Howard Chen	Male	2022.11	34,700	0.005%	—	—	—	—	Master of Electrical Engineering, National Tsing Hua University Taiwan Semiconductor Manufacturing Company Limited yntek Semiconductor Ltd.	Representative of Gemtek Investment Co., Ltd.	None	None	None	None
Executive Vice President	USA	John Bomalaski	Male	2007.01	200,000	0.03%	—	—	—	—	MD, USA St. Louis University Registered Physician in Internal Medicine and Rheumatology, USA Founder of USA Phoenix Pharmacologics	None	None	None	None	None
Chief Operating Officer	USA/ ROC	Wayne Lin	Male	2019.02	323,628	0.04 %	—	—	—	—	MBA, University of California, Irvine, USA Founder and CEO of Cocoweb.com	Representative of Director Lien-Mattin Investment Co.	None	None	None	None
Chief Financial Officer	ROC	Kay Huang	Female	2019.03	158,000	0.02 %	213,548	0.03 %	—	—	BA, Department of Economics, National Taiwan University MBA, USA Baruch College Passed the USA Accounting Examination Senior Manager, Ernst & Young Financial Advisory Services Associate, Deloitte Touche Tohmatsu Head of Audit of the Company	None	None	None	None	None
Audit Director	ROC	Zoey Wang	Female	2021.05	—	—	—	—	—	—	BS, Department of Accounting, National Cheng Kung University MS, Graduate School of Accounting, National Chengchi University Associate, Audit Services, PWC	None	None	None	None	None
Vice President of Production	USA	Chris Huxsoll	Male	2005.02	—	—	—	—	—	—	Ph.D. in Physiology, University of California, Davis Researcher at Hygienia Biotech, USA California, 15 years of experience in pharmaceutical quality control	None	None	None	None	None
Vice President	USA	Richard Showalter	Male	2012.05	—	—	—	—	—	—	BS in Biochemistry, University of California, San Diego	None	None	None	None	None

Title	Nationality	Name	Gender	Election (appointment)Date	Shareholdings		Spouse, minor children shareholdings		Shareholdings via others		Experiences	Currently engaged in other company duties	Manager with spouse or second degree of consanguinity			Notes
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relationship	
of Research and Development											Senior Researcher and Project Director at Agouron , Warner-Lambert, Pfizer, and Anadys , with primary expertise in molecular chemistry and drug structure design					
Vice President of Clinical Affairs	USA	Amanda Johnston	Female	2010.10	90,000	0.01 %	—	—	—	—	PhD in Pharmacy, University of London, UK Senior investigator and clinical team leader at Agouron Pharmaceuticals, Warner-Lambert and Pfizer	None	None	None	None	None
ROO in Chengdu	ROC	You, Huei-Yuan	Male	2021.09	—	—	—	—	—	—	PhD in Biotechnology, National Tsing Hua University Project Leader of Production Control Management of BeiGene, Genception Jecho, Biopharmaceuticals, Yao - Jun Technology	None	None	None	None	None

Note 1 : Considering the company's operating decision-making efficiency and the principle of shareholders' interests, the chairman and the general manager are the same person, and more than half of the directors are not concurrently employees and managers, so as to strengthen the supervisory function of the board of directors.

III. Remuneration for Directors, Supervisors, President and Vice President for the Most Recent Year

(I) Remuneration for Directors, Supervisors, CEO and Vice Presidents for the Most Recent Year

1. Remuneration for Directors and Independent Directors

Unit: NT\$1,000

Title	Name	Director remuneration ( Note 1)						A, B, C AND D AS A PERCENTAGE OF NET INCOME AFTER TAX		Part-time employees remuneration						A, B, C, D, E, F and G, as a percentage of net income after tax		Received remuneration from an invested subsidiary or parent company		
		Remuneration (A)		Retirement Pension (B)		Director Compensation (C)				Business Execution Fee (D)		Salaries, bonuses and special payments, etc. (E)( Note 2)		Retirement Pension (F)					Employee Compensation (G)	
		The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	Cash	Equity	Cash	Equity		The Company	All companies reported in the financial statements
Chairman of the Board	Gemtek Investment Co., Ltd. Represented by: Howard Chen (Note 1)	1,133	1,133	—	—	—	—	25	25	Total: 1,133 Percentage (0.10)%	Total: 1,133 Percentage (0.10)%	200	200	—	—	—	—	Total: 1,358 Percentage (0.12)%	Total: 1,358 Percentage (0.12)%	None

Title	Name	Director remuneration ( Note 1)								A, B, C AND D AS A PERCENTAGE OF NET INCOME AFTER TAX		Part-time employees remuneration						A, B, C, D, E, F and G, as a percentage of net income after tax		Received remuneration from an invested subsidiary or parent company
		Remuneration (A)		Retirement Pension (B)		Director Compensation (C)		Business Execution Fee (D)				Salaries, bonuses and special payments, etc. (E)( Note 2)		Retirement Pension (F)		Employee Compensation (G)				
		The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	Cash	Equity	Cash	Equity	The Company	All companies reported in the financial statements	
Director	Digital Capital Inc. Representative: Patrick Y. Yang	300	300	—	—	—	—	—	—	Total: 300 Percentage ( 0.03)%	Total: 300 Percentage ( 0.03)%	—	—	—	—	—	—	Total: 300 Percentage ( 0.03)%	Total: 300 Percentage ( 0.03)%	None
Director	Lien-Mai Tin Investment Co: Representative: Wayne Lin	—	—	—	—	—	—	—	—	—	—	—	1,855	—	—	—	—	—	Total: 1,855 Percentage ( 0.16)%	None
Director	Chen, Shyan Tser	400	400	—	—	—	—	30	30	Total: 430 Percentage ( 0.04)%	Total: 430 Percentage ( 0.04)%	—	—	—	—	—	—	Total: 430 Percentage ( 0.04)%	Total: 430 Percentage ( 0.04)%	None
Independent Director	Way, Tzong Der	400	400	—	—	—	—	30	30	Total: 430 Percentage ( 0.04)%	Total: 430 Percentage ( 0.04)%	—	—	—	—	—	—	Total: 430 Percentage ( 0.04)%	Total: 430 Percentage ( 0.04)%	None
Independent Director	Tai, Jang Huei	400	400	—	—	—	—	5	5	Total: 405 Percentage ( 0.04)%	Total: 405 Percentage ( 0.04)%	—	—	—	—	—	—	Total: 405 Percentage ( 0.04)%	Total: 405 Percentage ( 0.04)%	None

Title	Name	Director remuneration ( Note 1)								A, B, C AND D AS A PERCENTAGE OF NET INCOME AFTER TAX		Part-time employees remuneration						A, B, C, D, E, F and G, as a percentage of net income after tax		Received remuneration from an invested subsidiary or parent company		
		Remuneration (A)		Retirement Pension (B)		Director Compensation (C)		Business Execution Fee (D)				Salaries, bonuses and special payments, etc. (E)( Note 2)		Retirement Pension (F)		Employee Compensation (G)						
		The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements			
Independent Director	Chao, Ying Cheng (Note3)	400	400	—	—	—	—	25	25	Total:425 Percentage ( 0.04)%	Total:425 Percentage ( 0.04)%	—	—	—	—	—	—	—	—	Total:425 Percentage ( 0.04)%	Total:425 Percentage ( 0.04)%	None
<p>1. Please describe the policy, system, standards and structure of the Independent Director's compensation, and the relevance to the amount of compensation paid based on the responsibilities, risks, and time commitment: In accordance with the Company's Articles of Incorporation, the compensation of the Director shall be determined by the Compensation Committee based on his or her participation in the Company's operations and the value of his or her contributions, and shall be submitted to the Director's meeting for approval, taking into account the usual standards in the industry. The Company shall set a different salary and compensation for the Independent Director than the average Director. In accordance with the provisions of the Company Independent Director's scope of responsibilities, the Company Independent Director's remuneration shall be set forth in the Company's Articles of Incorporation or by resolution of the Shareholders' Meeting, and may be set at a reasonable rate different from that of the ordinary Directors. The Company currently pays the Independent Director a quarterly compensation of NT\$100,000 and NT\$5,000 for travel expenses for each Director meeting, taking into account domestic and international industry standards.</p> <p>2. In addition to the above table, the remuneration received by the Company's Director for services rendered to all companies reported in the financial statements (such as serving as a consultant to non-employees) in the most recent year: None</p>																						

Note1: Director Patrick Y. Yang took office on January 1, 2022, and therefore did not receive the remuneration of Director in 2021. Director Patrick Y. Yang has been concurrently the CEO of the Company since November 11, 2022 and therefore receives the CEO's remuneration since assuming office.

Note2: The remuneration of the Director's part-time employees is not the total amount of remuneration actually received, which includes the amount of fees recognized in accordance with IFRS 2 share-based payment for the stock options granted by the Company to the employees in accordance with the Criteria for Recordable Items in Public Company Annual Reports.

### Remuneration Table

Pay each Director remuneration level of The Company	First four remuneration totals (A+B+C+D)				First seven remuneration totals (A+B+C+D+E+F+G) (Note 1)			
	The Company		All companies reported in the financial statements H		The Company		All companies reported in the financial statements I	
Less than NT\$1,000,000	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang	Way, Tzong Der, Tai, Jang Huei, Chao, Ying Cheng, Chen, Shyan Tser, Patrick Y. Yang
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Howard Chen	Howard Chen, Wayne Lin						
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	—	—	—	—	—	—	
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—	—	—	—	—	—	
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—	—	—	—	—	—	
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—	—	—	—	—	
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive)	—	—	—	—	—	—	—	
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	—	—	—	—	—	—	—	
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive)	—	—	—	—	—	—	—	
NT\$ 100,000,000 or more	—	—	—	—	—	—	—	
Total	6 people	7 people						

2. The Audit Committee was established for the remuneration of supervisors, so it is not applicable.

3. Remuneration for the President and Vice President

Unit: NT\$1,000

Title	Name	Compensation (A)		Retirement Pension (B)		Bonuses and special expenses, etc. (C)		Employee Compensation Amount (D)				Total amount of A, B, C and D and percentage of net income after tax (%)		Received remuneration from an invested subsidiary or parent company
		The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	The Company		All companies reported in the financial statements		The Company	All companies reported in the financial statements	
								Cash	Equity	Cash	Equity			
CEO	Chen Shao-Chen (Note 2)	—	9,187	—	—	—	1,553	—	—	—	—	—	Total:10,740 Percentage:	—

													(0.93) %		
CEO	Howard Chen (Note 2)	200	200	—	—	—	—	—	—	—	—	—	Total: 200 Percentage: (0.02) %	Total: 200 Percentage: (0.02) %	—
Executive Vice President	John Bomalaski	—	9,249	—	—	—	488	—	—	—	—	—	Total: 9,737 Percentage: (0.85) %	—	
COO	Wayne Lin	—	751	—	—	1,104	1,104	—	—	—	—	—	Total: 1,855 Percentage: (0.16) %	—	
CFO	Kay Huang	4,146	4,146	108	108	975	975	—	—	—	—	Total: 5,229 Percentage: (0.45) %	Total: 5,229 Percentage: (0.45) %	—	
Vice President of Production	Chris Huxsoll	—	6,881	—	—	—	709	—	—	—	—	—	Total: 7,590 Percentage: (0.66) %	—	
Vice President of Research and Development	Richard Showalter	—	6,643	—	—	—	221	—	—	—	—	—	Total: 6,864 Percentage: (0.60) %	—	
Vice President of Clinical Affairs	Amanda Johnston	—	9,465	—	—	—	435	—	—	—	—	—	Total: 9,900 Percentage: (0.86) %	—	
ROO in Chengdu	You, Hwei-Yuan	—	4,629	—	104	—	4,098	—	—	—	—	—	Total: 8,831 Percentage: (0.77) %	—	

Note1: The actual total amount of bonuses and special payments received by the managers was zero. However, the amount of bonuses and special payments was calculated in accordance with the Guidelines Governing the Recordation of Financial Reports by Public Companies, plus the amount of fees recognized on the basis of IFRS 2 for employee stock options.

Note 2: Chen, Shao-Chen resigned from his position as CEO on November 11, 2022, and the new CEO was assumed by Howard Chen, Chairman of the Company.

#### 4. Remuneration of the Top 5 Executives of the Listed Company

Unit:NT\$1,000

Title	Name	Compensation (A)		Retirement Pension (B)		Bonuses and special expenses, etc. (C)		Employee Compensation Amount (D)		Total amount of A, B, C and D and percentage of net income after tax (%)		Received remuneration from an invested subsidiary or parent company
		The Company	All companies reported	The Company	All companies reported	The Company	All companies reported	The Company	All companies reported in the financial statements	The Company	All companies reported in the financial statements	

			in the financial statements		in the financial statements		in the financial statements	Cash	Equity	Cash	Equity			
CEO	Chen, Shao-Chen (Note 2)	—	9,187	—	—	—	1,553	—	—	—	—	—	Total: 10,740 Percentage : (0.93) %	—
Executive Vice President	John Bomalaski	—	9,249	—	—	—	488	—	—	—	—	—	Total: 9,737 Percentage: (0.85) %	—
Vice President of Production	Chris Huxsoll	—	6,881	—	—	—	709	—	—	—	—	—	Total: 7,590 Percentage: (0.66) %	—
Vice President of Research and Development	Amanda Johnston	—	9,465	—	—	—	435	—	—	—	—	—	Total: 9,900 Percentage: (0.86) %	—
ROO in Chengdu	You, Huei-Yuan	—	4,629	—	104	—	4,098	—	—	—	—	—	Total: 8,831 Percentage: (0.77) %	—

Note1: The actual total amount of bonuses and special payments received by the managers was zero. However, the amount of bonuses and special payments was calculated in accordance with the Guidelines Governing the Recordation of Financial Reports by Public Companies, plus the amount of fees recognized on the basis of IFRS 2 for employee stock options.

Note 2: Chen, Shao-Chen resigned from his position as CEO on November 11, 2022, and the new CEO was assumed by Howard Chen, Chairman of the Company.

5. Name of the Manager Who Distributed Employee Compensation and the

Distribution: The Company Did Not Distribute Employee Compensation.

(II) Provide a comparative analysis of the total compensation paid to The Company’s directors, supervisors, general managers and vice presidents as a percentage of net income after tax for the most recent two years for The Company and all consolidated companies, and describe the policies , criteria and mix of compensation payments, the procedures for determining compensation, and the relationship to operating results and future risks.

1. An analysis of the total compensation paid to the Company’s directors, general managers and vice presidents as a percentage of net income after income taxes for individual or separate financial statements of the Company and all consolidated reporting companies

Item	2021		2022	
	Total remuneration as a percentage of net income after tax (%)		Total remuneration as a percentage of net income after tax (%)	
	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report
Director	(0.31)	(0.31)	(0.31)	(0.31)
GM and VGM	—	(4.02)	—	(2.39)

Note: The total amount of remuneration not actually received by the Director and the Manager includes the amount of fees recognized in accordance with the IFRS 2 share-based payment to employees for stock options granted by the Company, as regulated by the Guidelines on Recordable Events in Public Company Annual Reports.

2. Policies, standards and composition of compensation payments, procedures for determining compensation, and correlation with operating performance and future risks

The Company has a Compensation Committee that sets and regularly reviews the annual and long-term performance evaluation and compensation of the Directors and the Managers. The Company has a Compensation Committee that sets and regularly reviews the policies, systems, standards and structures for the annual and long-term performance evaluation and compensation of directors and managers, and the source of director compensation is based on Article 117 of the Company’s Articles of Incorporation regarding the distribution of earnings. In addition, the Company has established a remuneration plan for Directors, which specifies the salaries of Independent Directors and the travel expenses for Directors to attend Directors' meetings. As for the remuneration of the President and Vice President, it is considered in accordance with the approved principles of the Company’s ranking, and the bonus payment is appropriately adjusted considering the operating performance and future risks.

#### IV. Corporate Governance

##### (I) Information on the Operation of the Director’s Meeting

As of the printing date of the annual report for fiscal year 2022 to 2023, the Board meeting was held 11 times (A), and the Director attended the meeting as follows:

Title	Name	Actual number of attendance B	Attendance by proxy	Actual attendance (attendance) rate (%) [B/A]	Note
Director	Gemtek Investment Co.,Ltd Representative: Howard Chen	11	0	100%	None
Director	Chen, Shyan Tser	11	0	100%	None
Director	Digital Capital Inc. Representative: Patrick Y. Yang	9	1	81.8%	None
Director	Lien-Mai Tin Investment Co. Representative: Wayne Lin	8	1	72.7%	None
Independent Director	Tai, Jang Huei	10	0	90.9%	None
Independent Director	Way, Tzong Der	11	0	100%	None
Independent Director	Chao, Ying Cheng	9	0	81.8%	None

Other items to be recorded:

1. If the operation of the Director meeting is one of the following, the date of the Director meeting, the period, the content of the motion, all Independent Director's opinions and the Company's handling of Independent Director's opinions shall be described.

(1) Matters set forth in Article 14-3 of the Securities and Exchange Act:

Date / Term	Motions	All Independent Director's comments and the Company's handling of Independent Director's comments
2022/01/28 (the first time in 2022)	<ol style="list-style-type: none"> <li>The Company intends to establish a new subsidiary "Polaris Biopharmaceuticals, Inc." and invest in the construction of a plant in Yilan Science Park.</li> <li>Proposal to Release the Prohibition on Directors from Participation in Competitive Business.</li> </ol>	All Independent Director approved
2022/02/25 (The second time in 2022)	<ol style="list-style-type: none"> <li>Amendments to the "Procedures for Acquiring or Disposing of Assets".</li> <li>Fund lent to the subsidiary DRX</li> </ol>	All Independent Director approved

	<p>Chengdu</p> <ol style="list-style-type: none"> <li>Capital increase for USA subsidiary DRX USA.</li> <li>The Company's prepayments and other overdue payments as of December 31, 2021 are not of the nature of the loan.</li> </ol>	
2022/03/29 (The third time in 2022)	<ol style="list-style-type: none"> <li>Handle the first Capital Increase by Issuing New Shares for Cash Consideration for public offering prior to listing.</li> <li>Independence evaluation and appointment of the CPAs.</li> <li>Appointment of directors and supervisors of Polaris Biopharmaceuticals, Inc. to the Company's newly established and re-invested subsidiary, Polaris Biopharmaceuticals, Inc.</li> </ol>	All Independent Director approved
2022/05/09 (The fourth time in 2022)	<ol style="list-style-type: none"> <li>The Company's prepayments as of March 31, 2022 and other overdue payments are not of the nature of the loan.</li> </ol>	All Independent Director approved
2022/08/16 (The fifth time in 2022)	<ol style="list-style-type: none"> <li>The Company's prepayments as of June 30, 2022 and other overdue payments are not of the nature of the loan.</li> <li>Proposal to set up Corporate Governance Supervisor of the Company.</li> <li>Proposal to issue employee stock option certificates</li> </ol>	All Independent Director approved
2022/11/11 (The sixth time in 2022)	<ol style="list-style-type: none"> <li>Proposal to change the CEO.</li> </ol>	All Independent Director approved
2022/11/11 (The seventh time in 2022)	<ol style="list-style-type: none"> <li>The Company's prepayments as of September 30, 2022 and other overdue payments are not of the nature of the loan.</li> <li>Amendments to the Group's (including the subsidiaries) Internal Control System</li> <li>Cash increase to the subsidiary DRX USA.</li> </ol>	All Independent Director approved
2022/12/14 (The eighth time in 2022)	<ol style="list-style-type: none"> <li>Amendment to the Regulations Governing the 2022 Employee Stock Option Certificate Issuance and Subscription</li> </ol>	All Independent Director approved
2023/03/09 (The first time in 2023)	<ol style="list-style-type: none"> <li>The Company's prepayments as of December 31, 2022 and other overdue payments are not of the nature of the loan.</li> <li>Proposal of DRX (Chengdu)'s application for bank financing limit</li> </ol>	All Independent Director approved

	<ol style="list-style-type: none"> <li>3. Planning and Handling of the Long-term Fund Raising</li> <li>4. Release the ban on directors from participating in competitive business.</li> <li>5. Independence evaluation and appointment of the Company's CPA.</li> </ol>	
2023/04/24 (the second time in 2023)	<ol style="list-style-type: none"> <li>1. Passed the list of candidates nominated by the Board of Directors (including independent directors).</li> <li>2. Capital increase to the subsidiary DRX USA.</li> <li>3. Amendments to the Group's (including the subsidiaries) Internal Control System.</li> <li>4. Loan lent to the subsidiary DRX (Chengdu)</li> </ol>	All Independent Director approved
2023/05/03 (the third time in 2023)	<ol style="list-style-type: none"> <li>1. The Company's prepayments as of December 31, 2022 and other overdue payments are not of the nature of the loan.</li> </ol>	All Independent Director approved

(II) In addition to the preceding items, other matters resolved by the Independent Director's meeting in which the Director opposes or reserves his or her opinion and has a record or written statement: None.

II. The Director shall state the name of the Director, the content of the motion, the reasons for recusal, and the circumstances of participation in the vote.

Board of Directors Date	Motion	Director recusal and reasons for interest recusal	Voting Participation
2022/1/28	Release the ban on director's participation in competitive businesses	Patrick Y. Yang as director	Except for the recusal of director Patrick Y. Yang as interested parties, the case was approved by the other Directors present.
2022/11/11	Proposal of the remuneration of the new CEO	CEO Howard Chen as director	Except for the recusal of Howard Chen, the case was approved by the other Directors present.

III. Implementation of Self (or peer) Evaluation:

Implementation of the Board's evaluation

Evaluation Period	Executed once a year
Evaluation Period	January 1, 2022 to December 31, 2022
Scope of Evaluation	Board of Directors, individual Directors and functional committees
Evaluation Method	Internal self-evaluation by Board of Directors, self-evaluation by board members

Evaluation Content	<ol style="list-style-type: none"> <li>1. Board of Directors performance evaluation: Participation in the operation of the company, improvement of the quality of Board of Directors' decisions, composition and structure of the Board of Directors, selection and continuing education of Directors, internal control</li> <li>2. Performance evaluation of individual Director members: Mastery of company goals and tasks, knowledge of Director's responsibilities, participation in company operations, internal relationship management and communication, Director's professionalism and continuing education, and internal control.</li> <li>3. Functional committee performance evaluation: Involvement in company operations, awareness of functional committee responsibilities, improvement of functional committee decision quality, composition and selection of functional committee members, internal control</li> </ol>
Evaluation Result	<ol style="list-style-type: none"> <li>1. Board of Directors performance evaluation: Excellent</li> <li>2. Performance evaluation of individual Director members: Excellent</li> <li>3. Performance evaluation of functional committees: Excellent</li> </ol> <p>The Board of Directors' self-assessment and the Director members' self-assessment overall results are excellent, and on March 9, 2023, the Board of Directors reported the internal self-assessment results for the year 2022.</p>

IV. Assessment of the current and most recent Board of Directors' objectives (eg, establishment of an audit committee, enhancement of information transparency, etc.) and their implementation

(1) Objectives of the Board of Directors

In order to implement corporate governance, improve supervisory functions and strengthen management functions, the Company has appointed three independent directors at the Shareholders' Meeting on February 25, 2020, and the Audit Committee is composed of all independent directors in accordance with Article 14-4 of the Securities and Exchange Act to strengthen the functions of the Board of Directors. The Company regularly arranges for the Directors to attend professional development courses to maintain their core values and professional strengths and abilities.

(2) Performance evaluation

On February 25, 2020, the Company's shareholders elected an independent director and established an audit committee and a salary and compensation committee to assist the Board of Directors in carrying out their duties. The Company will post important resolutions on the MOPS in real time after the Board meeting after the listing of the Company to protect shareholders' rights and interests. The Company has designated dedicated personnel to be responsible for the collection and disclosure of corporate information, and established a spokesman system to ensure that all major information is disclosed in a timely manner for shareholders and interested parties to refer to the Company's financial information.

(II) Information on the Operation of the Audit Committee

The Audit Committee met 10 times (A) from 2022 to 2023 as of the printing date of the annual report, and the Independent Directors attended the meetings as follows:

Title	Name	Attendance ( B )	Attendance by proxy	Actual Attendance rate (%) ( B / A )	Note
Independent Director	Way, Tzong Der	10	0	100 %	None
Independent Director	Tai, Jang Huei	9	0	90 %	None
Independent Director	Chao, Ying Cheng	8	0	80%	None

Other items to be recorded:

I. If the Audit Committee operates in one of the following circumstances, it should state the date, period, content of the motion, results of the Audit Committee's resolution, and the Company's handling of the Audit Committee's opinion.

(I) The matters listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee Date /Term	Motion	Results of Audit Committee Resolutions and the Company's Handling of Audit Committee Opinions
2022/01/28 (First time in 2022)	1. The Company intends to establish a new subsidiary "Polaris Biopharmaceuticals, Inc." and invest in the construction of a plant in Yilan Science Park.	Approved by the Audit Committee as written
2022/02/25 (Second time in 2022)	1. Proposal for 2022 "Statement of Internal Control System" 2. Proposal for 2021 Annual Business Report and Consolidated Financial Statement. 3. Proposal for 2021 Deficit Compensation. 4. Amendments to the Company's "Procedures for Acquiring and Disposing of Assets" 5. Fund lent to the subsidiary DRX Chengdu 6. Capital Increase of the subsidiary DRX USA 7. The Company's prepayments and other overdue payments as of December 31, 2021 are not of the nature of the loan	Approved by the Audit Committee as written
2022/03/29 (Third time in 2022)	1. Handle the first Capital Increase by Issuing New Shares for Cash	Approved by the Audit Committee

	<p>Consideration for public offering prior to listing.</p> <p>2. Proposal to the independence evaluation and appointment of the Company's CPA.</p> <p>3. Appointment of directors and supervisors of Polaris Biopharmaceuticals, Inc. to the Company's newly established and re-invested subsidiary, Polaris Biopharmaceuticals, Inc.</p>	as written
2022/05/09 (Fourth time in 2022)	<p>1. Proposal for the 2022 Q1 Consolidated Financial Statements.</p> <p>2. The Company's prepayments as of March 31, 2022 and other overdue payments are not of the nature of the loan</p>	Approved by the Audit Committee as written
2022/08/16 (Fifth time in 2022)	<p>1. Proposal for the 2022 Q2 Consolidated Financial Statements.</p> <p>2. The Company's prepayments as of June 30, 2022 and other overdue payments are not of the nature of the loan</p> <p>3. Proposal to set up Corporate Governance Supervisor of the Company.</p> <p>4. Proposal to issue employee stock option certificates</p>	Approved by the Audit Committee as written
2022/11/11 (Sixth in 2022)	<p>1. Proposal for the 2022 Q3 Consolidated Financial Statements.</p> <p>2. The Company's prepayments as of September 30, 2022 and other overdue payments are not of the nature of the loan.</p> <p>3. The Group's 2023 Audit Plan</p> <p>4. Amendments to the Group's (including the subsidiaries) Internal Control System</p> <p>5. Recognition of the proposal of "Statement on the Internal Control System" during the case review period of internal control system.</p> <p>6. Capital increase to the subsidiary DRX USA.</p>	Approved by the Audit Committee as written
2022/12/14 (Seventh time in 2022)	<p>1. Amendments to the Group's (including the subsidiaries) Internal Control System</p>	Approved by the Audit Committee as written
2023/03/09	<p>1. Recognition of the Statement on</p>	Approved by the

(First time in 2023)	<p>Internal Control System for Fiscal Year 2022</p> <ol style="list-style-type: none"> <li>2. 2022 Annual Report on Operations and Consolidated Financial Statements</li> <li>3. 2022 Deficient Compensation</li> <li>4. The Company's prepayments as of December 31, 2022 are not loans or loans</li> <li>5. Proposal of DRX (Chengdu)'s application for bank financing limit</li> <li>6. Planning and Handling of the Long-term Fund Raising</li> <li>7. Release the ban on directors from participating in competitive business.</li> <li>8. Independence evaluation and appointment of the Company's CPA.</li> </ol>	Audit Committee as written
2023/04/24 (second time in 2023)	<ol style="list-style-type: none"> <li>1. Capital increase to the subsidiary DRX USA.</li> <li>2. Amendments to the Group's (including the subsidiaries) Internal Control System.</li> <li>3. Loan lent to the subsidiary DRX (Chengdu)</li> </ol>	Approved by the Audit Committee as written
2023/05/03 (third time in 2023)	<ol style="list-style-type: none"> <li>1. Proposal for the 2023 Q1 Consolidated Financial Statements.</li> <li>2. The Company's prepayments as of March 31, 2023 and other overdue payments are not of the nature of the loan.</li> </ol>	Approved by the Audit Committee as written

(II) Except for the preceding matters, other matters not approved by the Audit Committee and approved by two-thirds or more of all Directors: None.

II. Where the Independent Director recuses from the implementation of the interest motion, the Independent Director's name, the content of the motion, the reasons for the recusal, and the participation in voting shall be stated: None.

III. Communication between the Independent Director and the internal auditor and the accountant (including the major issues, methods and results of communication regarding the Company's financial and business status).

(1) The Internal Audit Supervisor of the Company regularly communicates with the members of the Audit Committee about the results of the audit report and the status of tracking the implementation of the report. In case of any special circumstances, the Internal Audit Supervisor shall immediately inform the members of the Audit Committee. The Company's Audit Committee is in good communication with the Internal Audit Supervisor.

(2) The Company's Audit Committee may request the Company's certified public accountants to attend the Audit Committee to report the audit results as necessary.

(III) The operation of corporate governance and the differences between it and the code of practice on governance of listed and listed companies and the reasons thereof

Assessment Items	Operations			Differences from the Code of Corporate Governance Practices of listed companies and the reasons for such differences
	Y	N	Abstract	
1. Has the company formulated and disclosed the Code of Corporate Governance Practices in accordance with the “Code of Corporate Governance Practices for Listed and OTC Companies”?	✓		The Company has established the Code of Corporate Governance Practices on November 10, 2021 and all governance practices will be operated in accordance with the Code of Corporate Governance Practices.	No significant difference.
2. Shareholding structure and shareholders’ rights				
(1) Has the Company established internal procedures to deal with shareholders’ proposals, questions, disputes and litigation matters, and implemented them in accordance with the procedures?	✓		(1) In addition to the protection of shareholders’ rights and interests as stipulated in the Company’s Articles of Incorporation and internal rules, the Company has set up a dedicated unit to handle matters relating to the Company’s relations with investors, in order to properly handle shareholders’ proposals, doubts and disputes.	No significant difference
(2) Does the Company have a list of the major shareholders and the ultimate controllers of the major shareholders who actually control the Company?	✓		(2) The Company has a dedicated person and appointed a shareholder affairs organization to handle and report on the Company’s affairs, which is disclosed on the public information website. The Company also keeps track of the shareholdings of directors, managers and shareholders holding more than 10% of the shares, and requests the assistance of a stock agency to provide an updated register of major shareholders.	No significant difference
(3) Has the Company established and implemented a risk control and firewall mechanism with its affiliates?	✓		(3) The Company has established the “Regulations Governing Related Parties’ Transactions”, “Regulations Governing the Supervision of Subsidiaries”, “Regulations Governing the Lending of Funds to Others” and “Procedures for Endorsement and Guarantee” to prevent the occurrence of financial malpractice that may have a knock-on effect on related companies.	No significant difference
(4) Has the Company established internal regulations to prohibit insiders from trading	✓		(4) The Company has established the “Regulations Governing the Processing of Internal Important Information and the Prevention of Insider Trading” and has	No significant difference

Assessment Items	Operations			Differences from the Code of Corporate Governance Practices of listed companies and the reasons for such differences
	Y	N	Abstract	
marketable securities using undisclosed information?			informed its employees, managers and directors of the regulations to reduce the risk of insider trading.	
3. Composition and responsibilities of the Board of Directors				
(1) Has the Board of Directors established a diversity policy, specific management objectives and implemented them?	✓		(1) The Company's Board of Directors has formulated and implemented a diversity policy regarding membership. The Board of Directors of the Company currently has three independent directors, all of whom are highly qualified members of the industrial, academic and research sectors.	No significant difference
1. Does the Company voluntarily establish various functional committees other than the Compensation Committee and Audit Committee in accordance with the law?	✓		(2) The Company has not established any functional committees other than the Salary and Compensation and Audit Committees in accordance with the law, and will establish other functional committees in the future in accordance with the law and actual needs.	Set up as required.
(3) Has the Company established the Board of Directors' performance evaluation method and its evaluation method, and conducts performance evaluation annually and regularly, and submits the results of performance evaluation to the Board of Directors and uses them as reference for individual Director's salary and compensation and nomination for reappointment?	✓		(3) In order to implement corporate governance, improve the functions of the Board of Directors of the Company, and establish performance targets to enhance the operation efficiency of the Board of Directors, the Company has formulated the "Regulations Governing the Board Performance Evaluation" and has conducted performance evaluation regularly in accordance with the provisions. The internal performance evaluation of the Board of Directors in 2022 has been submitted to the Board of Directors on March 9, 2023.	No significant difference
(4) Does the Company regularly evaluate the independence of the certified public accountants?	✓		(4) The Audit Committee of the Company regularly evaluates the independence and suitability of the accountants annually and reports the evaluation results to the Board of Directors. On March 9, 2023, the Board of Directors and Audit Committee evaluated the independence and competence of the certified public accountant: 1. Accountant's declaration of independence.	No significant difference

Assessment Items	Operations			Differences from the Code of Corporate Governance Practices of listed companies and the reasons for such differences
	Y	N	Abstract	
			2. Audit and non-audit services provided by accountants are subject to prior approval by the Audit Committee to ensure that non-audit services do not affect the audit results.	
4. Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information necessary for Directors and supervisors to carry out their business, assisting Directors and supervisors to comply with laws and regulations, handling matters related to Board of Directors and Shareholders' Meetings in accordance with the law, preparing The Company has established the Board of Directors and Shareholders' Meeting minutes.)	✓		According to the laws and regulations, on November 11, 2022, the Board of Directors of the Company approved the appointment of a corporate governance supervisor, who is concurrently appointed by the chief financial officer with more than 3 years of financial experience of the Company to be responsible for corporate governance related affairs and matters related to the Board of Directors and the Shareholders' Meeting, including but not limited to, providing information required by directors to carry out their business, handling matters related to the meetings of the Board of Directors and shareholders in accordance with the law, preparing the minutes of the Board of Directors and Shareholders' Meetings, assisting directors in their appointment and continuing education, assisting directors in complying with laws and regulations and other matters stipulated in the Articles of Incorporation or contracts of the Company, etc.	No significant difference
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a stakeholder area on the Company's website, and appropriately respond to important CSR issues of concern to stakeholders?	✓		(1) The Company has set up a "Stakeholder Zone" on its website and has spokespersons and proxy spokespersons to serve as a mean for the Company to express opinions externally. The Company also follows internal control systems to handle relevant response matters.  (2) Through the convenient internet, the Company has set up a website to provide financial and business related information and corporate governance information for shareholders and stakeholders to refer to. The website mentioned in the preceding paragraph has a dedicated person responsible for maintaining it, and the information listed is detailed, accurate, and updated in real-time to avoid the risk of misleading.	No significant difference

Assessment Items	Operations			Differences from the Code of Corporate Governance Practices of listed companies and the reasons for such differences
	Y	N	Abstract	
6. Does the Company appoint a professional stock agent to handle the affairs of the Shareholders' Meeting?	✓		The Company has entrusted the acting department of Trust and Commercial Bank of China to handle the Shareholders' Meeting affairs.	No significant difference
7. Information Disclosure				
(1) Has the Company set up a website to disclose financial and corporate governance information?	✓		(1) The Company has established a website (www.polarspharma.com/investors/) and disclosed financial business and corporate governance information.	No significant difference
(2) Does the Company adopt other methods of information disclosure (such as setting up an English website, appointing a dedicated person to collect and disclose company information, implementing a spokesperson system, and presenting the Company's website during the legal representative briefing process)?	✓		(2) The company has set up an English website, designated a special person to collect and disclose company information, implemented the spokesperson system, and presented the Company's website at the legal person briefing.	No significant difference
(3) Does the Company publish and file its annual financial report within two months after the end of the fiscal year, and publish and file its financial report for the first, second and third quarters and its operating situation for each month before the prescribed time limit?	✓		(3) The Company shall announce and declare the annual financial report, the first, second and third quarter financial report and the operating situation of each month within the prescribed time limit.	No significant difference

Assessment Items	Operations			Differences from the Code of Corporate Governance Practices of listed companies and the reasons for such differences
	Y	N	Abstract	
8. Whether the Company has other important information that can help to understand the operation of corporate governance (including but not limited to employees' rights and interests, employee care, investor relations, supplier relations, rights of interested parties, further study of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, liability insurance purchased by the Company for directors and supervisors, etc.) ?	✓		<p>1. Employees' rights and interests: In order to motivate employees and strengthen their motivation, the Company has established an employee stock option plan.</p> <p>2. Employee care: The Company and its major operating entities have established employee welfare systems in accordance with the laws and regulations of each country to protect the rights and interests of employees.</p> <p>3. Investor relations: The Company and its major operating entities have established employee welfare systems in accordance with the laws and regulations of each country to protect the rights and interests of employees.</p> <p>4. Supplier relations: The Company has clear agreements with suppliers and clinical trial partner hospitals to regulate the rights and obligations of each other.</p> <p>5. Rights of interested parties: The Company's Articles of Incorporation clearly regulate the Director's execution and recusal of interested parties' motions.</p> <p>6. Further study of directors: All the directors of the company have professional backgrounds, and all of them have studied securities laws and regulations, corporate governance and other courses in accordance with the "Rules for Promoting Continuing Education for Directors and Supervisors of Listed and OTC Companies", and have complied with the training hours.</p> <p>7. Implementation of risk management policies and risk measurement standards, implementation of customer policies: The Company formulates various internal rules and regulations according to law, and carries out various risk management and assessment.</p> <p>8. Liability of directors and supervisors: The Company has insured the directors against liability.</p>	No significant difference
9. Please provide information on the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, as well as the priorities and measures for improvement for those companies that have not yet improved. ( Not required for companies not included in the evaluation): This Company was not included in the evaluation for 2022, so it is not applicable.				

(IV) If the Company Has a Compensation Committee, It Shall Disclose Its Composition, Duties and Operation.

1. Information on the Members of the Compensation Committee

April 14, 2023

Identity	Name	Professional Qualifications and Experience	Independence	Number of other public companies where he/she is also a member of the compensation committee
Independent Director (Convener)	Tai, Jang Huei	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of Director and Supervisor on pages 17~21. 2. None of the circumstances described in Article 30 of the Company Act 3. Years of experience: 0~3 years	Refer to pages 23~24 for Director and Supervisor information.	0
Independent Director	Way, Tzong Der	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of Director and Supervisor on pages 17~21.. 2. None of the circumstances described in Article 30 of the Company Act 3. Years of experience: 0~3 years	Refer to pages 23~24 for Director and Supervisor information	0
Independent Director	Chao, Ying Cheng	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of Director and Supervisor on pages 17~21.. 2. None of the circumstances described in Article 30 of the Company Act 3. Years of experience: 0~3 years	Refer to pages 23~24 for Director and Supervisor information	0

2. Information on the Operation of the Compensation Committee

- (1) There are three members of the Compensation Committee of The Company.
- (2) The term of office of the current members: Way, Tzong Der and Tai, Jang Huei will be from February 25, 2020 to February 24, 2023; Chao, Ying Cheng will be from September 22, 2021 to February 24, 2023 . The Committee met five times (A) from 2022 to the publication date of the Annual Report in 2023, and the attendance of the

members was as follows.:

Title	Name	Actual Attendance (B )	Attendance by proxy	Actual Attendance Rate( %) (B/A)	Note
Member	Way, Tzong Der	5	0	100%	
Convener	Tai, Jang Huei	5	0	100%	
Member	Chao, Ying Cheng	4	0	80%	(Note 1 )

Note1: The Independent Director Chao, Ying Cheng was re-elected as Independent Director on August 23, 2021 and was appointed as a member of the Compensation Committee by the Board of Directors on September 22, 2021.

Other matters to be noted:

1. If the Board of Directors does not adopt or amend the recommendation of the Compensation Committee, the Board of Directors shall state the date, period, content of the motion, the result of the Board of Directors' resolution and the Company's treatment of the recommendation of the Compensation Committee (if the Board of Directors' approved compensation is superior to the recommendation of the Compensation Committee, the Board of Directors shall state the date, period, content of the motion, the result of the Board of Directors' resolution and the Company's treatment of the recommendation of the Compensation Committee): None.
2. If the members of the Compensation Committee have any objection or reservation to the resolution and there is a record or written statement, the date, period, content of the resolution, opinions of all members and the handling of the opinions of the Compensation Committee should be stated: None.

(V) Implementation of Sustainable Development and Differences with the Code of Practice for Sustainable Development of Listed Companies and the Reasons for Such Differences

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
1. Does the Company have a governance structure to promote sustainable development and a dedicated (and part-time) unit to promote sustainable development that is handled by senior management authorized by the Board of Directors and supervised by the board of Directors?	✓		The Company has formulated the “Code of Practice for Sustainable Development” on Corporate Social Responsibility, and designated the Department of Finance and Administration Management as the part-time unit to promote sustainable development and actively promote the implementation of sustainable business responsibility in all units.	No significant difference
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and has it formulated relevant risk management policies or strategies?	✓		The Company integrates and manages all kinds of potential risks such as strategy, operation, finance and harmfulness that may affect the operation, emphasizing the comprehensive risk control of all staff and implements layers of prevention at ordinary times to effectively manage risks.	No significant difference
3. Environmental Issues (1) Has the company established an appropriate environmental management system in accordance with its industrial characteristics?  (2) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?	✓  ✓		(1) The Company has relevant regulations for quality management, safety and health, and environmental protection, and complies with the inspection standards of relevant authorities.  (2) In order to optimize the use of resources, the Company promotes and implements the electronic form system, resource waste separation, recycling and reduction activities, the Company implements the use of recycled paper, and improves the	No significant difference  No significant difference  No significant difference

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
<p>(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take relevant measures in response?</p>	✓		<p>efficiency of the use of resources.</p> <p>(3) The Company is in the new drug research and development industry and is actively facing the impact of climate change. The Company expects to set the related greenhouse gas emissions, water consumption and total weight of waste in accordance with common standards or guidelines both domestically and internationally, so as to formulate policies for energy saving, carbon reduction, water consumption reduction or other waste management and promote them accordingly to reduce the impact of the Company's operations on climate change.</p>	No significant difference
<p>(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas reduction, water use reduction or other waste management?</p>	✓		<p>(4) The Company is a new drug research and development industry, not a high energy-consuming industry, and does not install or use facilities that generate large amounts of greenhouse gases. The office area actively promotes energy-saving and carbon-reduction campaigns and encourages waste separation and recycling in order to reduce the impact on the environment.</p>	
<p>4. Social Issues</p> <p>(1) Has the company established relevant management policies and procedures in accordance with</p>	✓		<p>(1) The Company's personnel management rules and regulations are in accordance with local laws</p>	No significant difference

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
<p>relevant laws and regulations and international human rights conventions?</p> <p>(2) Has the Company established and implemented reasonable employee welfare measures (including salary, vacation and other benefits) and appropriately reflected business performance or results in employee compensation?</p> <p>(3) Does the Company provide a safe and healthy working environment for employees and implement safety and health education for employees on a regular basis?</p> <p>(4) Has the Company established an effective career development training program for employees?</p> <p>(5) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has it established relevant policies and grievance procedures to protect the rights of consumers or customers?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>and regulations, and there are clear and fair employment policies for all employees' attendance, evaluation, rewards and training, and good labor relations.</p> <p>(2) The Company regularly handles various welfare matters, such as providing annual health checkups, and is committed to improving employee welfare.</p> <p>(3) The Company regularly reviews and maintains the safety and health of the work environment, and is committed to improving the safety and health of its employees in order to reduce the risk of the work environment to their safety and health.</p> <p>(4) The Company will encourage further education and establish effective career development training according to the individual's status.</p> <p>(5) The Company's products are still in the research and development stage and have not yet generated sales revenue.</p>	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> <p>To be implemented step by step.</p> <p>To be implemented</p>

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
(6) Has the company established a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor human rights, and the status of implementation?		✓	(6) The Company will pay attention to this issue in the future when it establishes contracts with major suppliers and will promote the process gradually.	step by step.
5. Has the Company made reference to international standards or guidelines for the preparation of reports, such as perpetual reports, which disclose non-financial information about the Company? Has the Company obtained any third-party verification or assurance on the aforementioned reports?		✓	The Company has not yet prepared a CSR report. The Company has formulated various sustainable development systems and implemented the disclosure of relevant information on its website to provide the public with access at any time	The Company intends to prepare the CRS report depending on the its development needs and regulations.
6. If the company has its own code of practice for sustainable development in accordance with the “Code of Practice for Sustainable Development of Listed Companies”, please describe the differences between its operation and the code: The Company has formulated the “Code of Practice for Sustainable Development” based on the “Code of Practice for Sustainable Development of Listed Companies”.				
7. Other important information to help understand the implementation of sustainable development: None				

(VI) Fulfillment of the Code of Conduct for Integrity Management and Differences from the Code of Conduct for Integrity Management of Listed Companies and the Reasons

Evaluation Items	Operation			Differences from the Code of Conduct for Integrity Management of Listed Companies and the Reasons
	Y	N	Abstract	
<p>1. Formulation of policies and programs for integrity management</p> <p>(1) Has the Company formulated an integrity management policy approved by the Board of Directors, and has the policy and practices of integrity management been clearly stated in the Articles of Incorporation and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the management policy?</p> <p>(2) Has the Company set up a mechanism to assess the risk of dishonest conduct, regularly analyze and evaluate the business activities within the scope of business that have a higher risk of dishonest conduct, and accordingly, formulate a plan to prevent dishonest conduct, and at least cover the preventive measures for the conducts mentioned in Item 2 of Article 7 of the “Code of Conduct for Integrity Management of Listed Companies”?</p> <p>(3) Does the Company specify the operating procedures, guidelines for conduct, disciplinary and grievance systems for non-compliance in the plan to prevent dishonest conduct, and implement them, and regularly review and revise the</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has formulated the “Code of Conduct for Integrity Management”, “Operating Procedures and Guidelines for Integrity Management” and “Code of Ethical Conduct” to govern the Company’s policy on ethical practices. In order to ensure that employees, managers and directors are aware of and comply with the Code and that the Code is actually implemented.</p> <p>(2) The Company follows the principle of operating with integrity, prohibits bribery and bribery acceptance, explicitly prohibits illegal contributions, and from time to time provides employees with training on corporate ethics or corporate governance.</p> <p>(3) The Company has developed programs to prevent dishonest behavior, and has established operating procedures and behavioral guidelines in each program, and has provided ethics and compliance training to employees,</p>	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>

Evaluation Items	Operation			Differences from the Code of Conduct for Integrity Management of Listed Companies and the Reasons
	Y	N	Abstract	
aforementioned plan?			managers and directors.	
2. Implementation of integrity management				
(1) Does the Company evaluate the integrity records of its customers and specify the terms of integrity behavior in the contracts signed between the Company and its customers?	✓		(1) The Company has a high degree of self-discipline and has never engaged in business activities that are unlawful or for any other purpose; it evaluates the integrity records of its customers before dealing with them.	No significant difference
(2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management and report to the Board of Directors on a regular basis (at least once a year) on its ethical management policies and plans to prevent dishonest practices and monitor their implementation?	✓		(2) The Company has established a part-time unit (Department of Finance and Administrative Management designated) under the Board of Directors for integrity management and prevention.	No significant difference
(3) Does the Company have a conflict-of-interest prevention policy, provide appropriate channels of representation, and implement them?	✓		(3) The Company has a staffing and auditing unit that provides a channel for whistleblower statements to be made and enforces the confidentiality of the identity and content of the whistleblower.	No significant difference
(4) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, and has the internal audit unit prepared an audit plan based on the assessment of the risk of dishonest acts, and checked the compliance of the plan to prevent dishonest acts or appoint an accountant to perform the audit?	✓		(4) The Company has established an effective internal control system, related procedures and accounting system for implementation, and the internal audit unit has developed an internal audit plan and performs various auditing operations in accordance with the audit plan.	No significant difference

Evaluation Items	Operation			Differences from the Code of Conduct for Integrity Management of Listed Companies and the Reasons
	Y	N	Abstract	
(5) Does the Company regularly conduct internal and external education and training on integrity management?	✓		(5) The Company places emphasis on the implementation of the principle of integrity by all employees in its daily operations, and holds meetings from time to time to promote the principle.	No significant difference
3. Operation of the Company's whistleblower system				
(1) Has the Company established a specific whistleblower and reward system, established a convenient whistleblower channel, and assigned appropriate staff to handle whistleblowers?	✓		(1) The Company has an internal independent whistleblower letter box, and when employees find violations of laws and regulations, the Company will have someone to report them. If a Director or senior executive is involved, the matter should be reported to the Audit Committee .	No significant difference
(2) Has the Company established standard operating procedures for the investigation of whistleblowing matters, follow-up measures to be taken after the completion of the investigation and the relevant confidentiality mechanism?	✓		(2) The Company has established a specific whistleblowing system and appeal channels, clearly defining the confidentiality of the identity and content of the whistleblowers, and allowing anonymous whistleblowers.	No significant difference
(3) Does the Company take measures to protect whistleblowers from improper treatment as a result of whistleblowing?	✓		(3) The Company has set up a specific whistleblower system and appeal channels to protect whistleblowers, and its personnel handling whistleblowing shall declare in writing that the identity of the whistleblower and the content of the whistleblower matter shall	No significant difference

Evaluation Items	Operation			Differences from the Code of Conduct for Integrity Management of Listed Companies and the Reasons
	Y	N	Abstract	
			be kept confidential to ensure that the whistleblower will not be improperly dealt with as a result of the whistleblowing.	
4. Enhance information disclosure Does the Company disclose the content and effectiveness of its Code of Conduct for Integrity Management on its website and MOPS?	✓		The Company has formulated various integrity management systems and implemented the disclosure of relevant information on its website to provide the public with access at any time	No significant difference
5. If the Company has its own Code of Conduct for Integrity Management in accordance with the “Code of Conduct for Integrity Management of Listed Companies”, please describe the difference between its operation and the code: The Company has formulated a Code of Conduct for Integrity Management. At present, the internal operations of the Company continue to be handled in accordance with the provisions of the Code, and there is no material difference from the content of the Code.				
6. Other important information that is helpful to understand the Company’s integrity management: In addition to the Company’s Code of Conduct for Integrity Management, the Company has other internal regulations (e.g., prevention of insider trading). In addition, the Company arranges directors to participate in corporate governance courses and periodically promotes integrity management policies to employees.				

(VII) If the Company has established the Code of Corporate Governance and related regulations, it should disclose its inquiry modes

The Code of Corporate Governance and related rules are available on the Corporate Governance section of the Market Observation Post System and on The Company’s website.

(VIII) Other important information that may enhance the understanding of the operation of corporate governance may also be disclosed.

Please refer to The Company’s website at <http://www.polarispharma.com/investors/>

(IX) Implementation Status of Internal Control System

1. Statement of Internal Control

**Polaris Group**  
**Statement of Internal Control**

Date : March 9, 2023

The Company's internal control system for fiscal year 2022 is based on the results of its self-assessment. We hereby state as follows:

1. The Company acknowledges that it is the responsibility of the Board of Directors and the Manager to establish, implement and maintain a system of internal control, and that the Company has established such a system. The Company has established such a system to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and compliance with relevant laws and regulations.
2. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; moreover, the effectiveness of the internal control system may change due to changes in circumstances and conditions. The Company's internal control system has a self-monitoring mechanism and the Company will take corrective action once deficiencies are identified.
3. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the criteria for determining the effectiveness of the internal control system set forth in the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (the "Guidelines"). The judgment items of the internal control system adopted in the "Guidelines" are divided into five components based on the management control process: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. monitoring operations. Each component includes a number of items. Please refer to the "Guidelines" for the aforementioned items.
4. The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the aforementioned evaluation, the Company concluded that the Company's internal control system (including supervision and management of subsidiaries) as of December 31, 2022, including the understanding of the effectiveness of operations and the extent to which efficiency objectives are achieved, the reporting of internal control systems that are reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, etc., is effective. The design and implementation of the internal control system are effective and can reasonably ensure the achievement of the above objectives.
6. In accordance with Article 4 of the "Taiwan Stock Exchange Corporation Rules for Regulating TWSE Primary Listed Companies and Taiwan Innovation Board Primary Listed Companies After Listing" and Article 28 of the "Guidelines", the Company has

entrusted CPAs to review the reliability of external financial reports and the internal control system related to safeguarding asset security (preventing assets from being acquired, used or disposed of without authorization) during the above period. It has been designed and executed effectively, as described in the preceding paragraph, and has no material deficiencies affecting the reliability of the recording, processing, aggregation and reporting of financial information, or ensuring the safety and security of the assets, and enabling the unauthorized acquisition, use or disposal of the assets.

7. This statement will be the main content of The Company's annual report and public statement, and will be made public. If any of the above-mentioned contents are disclosed in a false or concealed manner, the Company will be subject to legal liability under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
8. This statement has been approved by the Board of Directors of The Company on March 9, 2023 and among the seven directors present, none of them held any opposing views, and the rest of them agreed to the contents of this statement.

Polaris Group



Chairman of the Board:

Howard Chen



CEO: Howard Chen



2. If an accountant project is appointed to review the internal control system, the accountant's review report should be disclosed: Please refer to Annual Report in Chinese page 39-40.

(X) In the most recent year and as of the date of the annual report, the Company and its internal personnel have been punished by law, or the Company has punished other internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' equity or securities prices, the content of the punishment, major deficiencies and improvements should be listed:

Item	Reason	Improvement
Declaration of some items do not meet the requirements	<ul style="list-style-type: none"> <li>On September 16, 2022, the Company submitted an application to FDA to change the clinical trial proposal. However, the Company began to release significant information on October 13 after being notified by the FDA. This delay took into account (1) the fact that it has been nearly a month since the date of the incident and (2) the Company has not yet released significant information in accordance with regulations, but still provided relevant information to the media on October 12, resulting in a liquidated damages of NT\$50,000.</li> </ul>	<ul style="list-style-type: none"> <li>Arrange personnel to conduct relevant education and training and familiarize with relevant laws and regulations.</li> <li>Communicate fully with the underwriter or the competent authority before the release of significant information, and allow time for relevant operations.</li> </ul>

(XI) Significant Resolutions of the Shareholders' Meeting and the Board of Directors for the Most Recent Year and up to the Date of Printing of the Annual Report

1. The dates of the Shareholders' Meetings and the important resolutions of the shareholders present are as follows:

Date	Meeting	Resolutions	Implementation
June 2, 2022	General Shareholders' Meeting	1. The recognition of the 2021 Annual Report of Operations and Financial Statements	Passed
		2. The recognition of the loss for 2021	Passed
		3. Shareholders' Meeting's ordinary resolution to the amendments to the Company's Articles of Incorporation	Passed
		4. Amendments to the "Procedures for Acquiring or Disposing of Assets"	Passed
		5. Amendments to the Procedures for Lending Loans to Others	Passed
		6. Amendments to "Procedures for Endorsement"	Passed
		7. Amendments to Rules and Procedures for Shareholders' Meeting	Passed

2. Board of Directors Dates and Resolutions:

Board of Directors	Important Resolutions
January 28, 2022	<ol style="list-style-type: none"> <li>1. The Company intends to establish a new subsidiary “Polaris Biopharmaceuticals, Inc.” and invest in the construction of a plant in Yilan Science Park.</li> <li>2. Lift the ban on the directors from participating in competitive businesses.</li> </ol>
February 25, 2022	<ol style="list-style-type: none"> <li>1. 2021 Statement on Recognition of Internal Control System</li> <li>2. 2021 Business Report and Consolidated Financial Statements</li> <li>3. Proposal for 2021 Deficient Compensation</li> <li>4. Amendments to the Company’s Articles of Incorporation based on the Shareholders’ Meeting’s special resolution</li> <li>5. Amendments to the Company’s “Procedures for Acquiring or Disposing of Assets”</li> <li>6. Fund loan to the subsidiary DRX Chengdu</li> <li>7. Capital increase to the subsidiary DRX USA</li> <li>8. The Company’s prepayments as of September 30, 2021 are not loans or loans</li> <li>9. Proposed to handle matters related to the convening of the 2022 General Shareholders’ Meeting</li> </ol>
March 29, 2022	<ol style="list-style-type: none"> <li>1. Handle the first Capital Increase by Issuing New Shares for Cash Consideration for public offering prior to listing.</li> <li>2. Amendments to the Rules and Procedures for Shareholders’ Meeting</li> <li>3. Proposal to the independence evaluation and appointment of the Company’s CPA for 2022.</li> <li>4. Appointment of directors and supervisors of Polaris Biopharmaceuticals, Inc. to the Company’s newly established and re-invested subsidiary, Polaris Biopharmaceuticals, Inc.</li> <li>5. Amendments to the Company’s Articles of Incorporation based on the special resolution of the Shareholders’ Meeting.</li> <li>6. Adoption of the Recommendation and Appointment Contract entered into by and between the Company and Cathay Securities Corporation.</li> <li>7. Update the matters related to the convening of 2022 Shareholders’ Meeting</li> </ol>
May 9, 2022	<ol style="list-style-type: none"> <li>1. Proposal for the 2022 Q1 Consolidated Financial Statements.</li> <li>2. The Company’s prepayments as of March 31, 2022 and other overdue payments are not of the nature of the loan.</li> <li>3. Proposal to set up Corporate Governance Supervisor of the Company.</li> <li>4. Proposal to formulate the SOP required by the directors.</li> <li>5. Proposal to formulate the Company’s Discussion on Schedule of Greenhouse Gas Inventory and Verification</li> <li>6. Amendments to the Code of Practice for Sustainable Development</li> <li>7. Proposal to issue employee stock option certificates</li> <li>8. Update of the Sound Operation Planning</li> </ol>

Board of Directors	Important Resolutions
November 11, 2022	1. Proposal to Change the CEO
November 11, 2022	<ol style="list-style-type: none"> <li>1. Proposed to formulate 2023 Financial Budget</li> <li>2. 2022 Q3 Consolidated Financial Statements</li> <li>3. The Company’s prepayments as of September 30, 2022 are not loans or loans</li> <li>4. Proposed to formulate the Group’s 2023 Audit Plan</li> <li>5. Proposed to amend the Group’s (including subsidiaries) internal control system</li> <li>6. Proposed to amend the Company’s Rules and Procedures for the Board of Directors.</li> <li>7. Recognition of the “Statement on Internal Control System” during the review period of internal control</li> <li>8. Amendments to 2022 Regulations Governing the Issuance and Recognition of Employee Stock Option Certificates</li> <li>9. Remuneration for new CEO</li> <li>10. Clinical trial cooperation contract signed between the Company and Global Coalition for Adaptive Research</li> <li>11. Proposed to increase capital for the subsidiary DRX USA</li> </ol>
December 14, 2022	1. Amendments to 8. Amendments to 2022 Regulations Governing the Issuance and Recognition of Employee Stock Option Certificates
March 9, 2023	<ol style="list-style-type: none"> <li>1. The recognition of 2022 “Statement on Internal Control System”</li> <li>2. 2022 Business Report and Consolidated Financial Statements</li> <li>3. Proposal for 2022 Deficit Compensation</li> <li>4. Amendments to the Company’s Articles of Incorporation based on the Shareholders’ Meeting’s special resolution</li> <li>5. The Company’s prepayments as of December 31, 2022 and other overdue payments are not of the nature of the loan</li> <li>6. Proposal of DRX (Chengdu)’s application for bank financing limit</li> <li>7. Planning and Handling of the Long-term Fund Raising</li> <li>8. Proposal for general re-election of directors (including independent directors)</li> <li>8. Release the ban on directors from participating in competitive business.</li> <li>9. Proposal to release the ban on directors from participating in competitive businesses</li> <li>10. Amendments to the Code of Practice for Sustainable Development</li> <li>11. Proposed to handle matters related to the convening of the 2023 General Shareholders’ Meeting</li> <li>12. Independence evaluation and appointment of the Company’s CPA.</li> <li>13. Advanced approval of CPAs, their firms, affiliates of firms and the non-certified services provided by the alliance firms to the Company and its subsidiaries.</li> <li>14. To prepare the budget for phase III clinical treatment of soft tissue sarcoma</li> </ol>

Board of Directors	Important Resolutions
April 24, 2023	1. The adoption of the candidate list of directors (including independent directors) nominated by the Board of Directors 2. Capital increase to the subsidiary DRX USA 3. Amendments to the Group's (including its subsidiaries) internal control system 4. Fund loan to the subsidiary DRX (Chengdu)
May 3, 2023	1. Proposal for the 2023 Q1 Consolidated Financial Statements. 2. The Company's prepayments as of March 31, 2023 and other overdue payments are not of the nature of the loan. 3. Proposal to Amend the Payment of Directors' Remuneration

(XII) The main contents of the most recent year and as of the date of publication of the annual report, if the Director or supervisor has different opinions on important resolutions passed by the Board of Directors and there are records or written statements: None

(XIII) Summary of the resignations and dismissals of the Chairman of the Board, the President, the Head of Accounting, the Head of Finance, the Head of Internal Audit and the Head of Research and Development in the most recent year and as of the date of publication of the annual report:

Title	Name	Date of Appointment	Date of resignation / termination	Reason of resignation / termination
CEO	Chen, Shao-Chen	February 22, 2019	November 11, 2022	Resigned after the fulfillment of staged task and reappointed as the Company's science consultant.

#### V. Information on Accountants' Fees

A amount Unit: NT\$1,000

Name of Accounting Firm	Accountant Name	A audit period	Audit fee	Non audit fee	Total	Note
PwC	Liang, Chan-Nu	2022. 01.01~	5,100	7,275	12,375	CPA for the financial statements
	Jian, Fan- Ya	2022.12.31				

(I) If the non-audit fees paid to the certified public accountant, the certified public accountant's firm and its affiliates amount to more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non -audit services should be disclosed:

The non-audit fees include NT\$3,900,000 for internal control system review services, NT\$225,000 incurred by the motion agreement and procedures, re-check of annual

report by the Shareholders' Meeting for issuing new shares for capital increase for listing applications in Taiwan, issuance of employee stock options. NT\$3,150,000 for sustainability report consulting services.

(II) If the audit fee paid in the year of change of accounting firm is less than the audit fee in the year before the change, the amount of audit fee before and after the change and the reasons for the change should be disclosed: None .

(III) If the audit fee is reduced by 10% or more from the previous year, the amount, percentage and reasons for the reduction shall be disclosed:

The reduction of public audit expenses by NT \$1,311,000 or 20%, is due to the fact that the Company applied for listing in Taiwan in 2021 and entrusted accountants to perform the audit according to the requirements of the listing application. There was no such situation in 2022, thus the reduction of the audit expenses.

#### VI. Information on Change of Accountant

The Company has changed its accountants in the last two years and the subsequent years:

None

VII. The Chairman of the Board of Directors, the General Manager, and the Manager in Charge of Financial or Accounting Matters of the Company, Who Have Worked in the Firm of the Certified Public Accountant or Its Affiliates within the Last Year: None.

VIII. Changes in the Shareholding of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of the Shares and Pledges of Shares in the Most Recent Year and up to the Date of Publication of the Annual Report

(I) Changes In Shareholdings of Directors, Supervisors, Managers and Major Shareholders

Unit: share

Title	Name	2022		2023 As of April 14	
		Holding Number of shares increase (decrease) number	Pledge Number of shares increase (decrease) number	Holding Number of shares increase (decrease) number	Pledge Number of shares increase (decrease) number
Chairman of the Board	Gemtek Investment Co., Ltd. Representative: Howard Chen	—	—	—	—
Director	Chen, Shyan Tser	(50,000)	—	—	—
Director, Major shareholder	Digital Capital Inc. Representative: Patrick Y. Yang	—	—	—	—
Director	Lien-Mattin Investment Co. Representative: Wayne Lin	—	—	—	—
Director	Way, Tzong Der	—	—	—	—
Director	Chao, Ying-Cheng	—	—	—	—

Title	Name	2022		2023 As of April 14	
		Holding Number of shares increase (decrease) number	Pledge Number of shares increase (decrease) number	Holding Number of shares increase (decrease) number	Pledge Number of shares increase (decrease) number
General Manager	Chen, Shao-Chen	—	—	—	—
General Manager	Wayne Lin	668,628 (345,000)	—	—	—
General Manager	John Bomalaski	—	—	—	—
General Manager	Huang, Lan-Ying	292,000 (137,000)	—	0 (68,000)	—

(II) Information on the transfer of shares to related parties: None.

(III) Information on pledges of shares to related parties: None.

**IX. Information on the Top Ten Shareholders Who Are Related to Each Other or Are Related to Each Other as Spouses or Relatives within Second Generation:**

Shareholding information as of April 14, 2023; Unit: Stock; %

NAME	SHAREHOLDINGS		SPOUSE, MINOR CHILDREN SHAREHOLDINGS		NOMINAL TOTAL OF SHAREHOLDINGS USING OTHERS' NAMES		THE NAMES OR NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED TO EACH OTHER OR WHO ARE RELATED TO EACH OTHER AS SPOUSES OR SECOND DEGREE RELATIVES, ETC.		NOTE
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Name	Relationship	
Digital Capital Inc.	290,000,000	39.03	—	—	—	—	Mai Investment Co., Ltd., Digital Mobile Venture Ltd.	Same ultimate beneficiary	—
Representative: Chen, Shyan Tser	4,950,000	0.67	3,802,000	0.51	—	—	—	-	—
Digital Mobile Venture Ltd.	61,729,295	8.31	—	—	—	—	Mai Investment Co., Ltd., Digital Capital Inc.	Same ultimate beneficiary	—
Representative: Chen, Shyan Tser	4,950,000	0.67	3,802,000	0.51	—	—	—	Same ultimate beneficiary	—
Mai Investment Co., Ltd.	40,527,138	5.45	—	—	—	—	Digital Capital Inc., Digital Mobile Venture Ltd	Same ultimate beneficiary	—
Representative: Digital Mobile Venture Ltd.	61,729,295	8.31	—	—	—	—	Mai Investment Co., Ltd., Digital Capital Inc.	Same ultimate beneficiary	—
G-Technology Investment Co., Ltd.	26,467,465	3.56	—	—	—	—	Gemtek Investment Co., Ltd.	Same shareholder and representative	—
Representative: Howard Chen	34,700	0.005	—	—	—	—	—	—	—
Generations Technology Corporation	16,114,669	2.17	—	—	—	—	—	—	—
Representative: Lien Hua-Rong	590,714	0.08	—	—	—	—	—	—	—
Masterpiece Enterprise Co., Ltd.	10,000,000	1.35	—	—	—	—	—	—	—
Representative: King Regent Management Limited	—	—	—	—	—	—	Gemtek Investment Co., Ltd., G-Technology Investment Co., Ltd.	Shareholder is the same as the Representative	—
Capital World Investment Corporation	9,340,456	1.26	—	—	—	—	G-Technology Investment Co., Ltd.,	The shareholder is the spouse of the Representative of the two companies	—
Representative : L U, HSIAO-JU	—	—	—	—	—	—	—	-	—

NAME	SHAREHOLDINGS		SPOUSE, MINOR CHILDREN SHAREHOLDINGS		NOMINAL TOTAL OF SHAREHOLDINGS USING OTHERS' NAMES		THE NAMES OR NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED TO EACH OTHER OR WHO ARE RELATED TO EACH OTHER AS SPOUSES OR SECOND DEGREE RELATIVES, ETC.		NOTE
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Name	Relationship	
G-Technology Investment Co., Ltd.	8,674,542	1.17	—	—	—	—	G-Technology Investment Co., Ltd.	Representative is the same	—
Representative: Howard Chen	34,700	0.005	—	—	—	—	—	—	—
Sun Research Groups Ltd.	7,003,788	0.94	—	—	—	—	—	—	—
Representative : W U, CHI-NAN	—	—	—	—	—	—	—	—	—
Chen, Shyan Tser	4,950,000	0.67	3,802,000	0.51	—	—	—	—	—

X. Number of Shares Held by the Company, Its Directors, Supervisors, Managers and Businesses Directly or Indirectly Controlled by the Company in the Same Business to Which the Company Invests, and Combined to Calculate the Consolidated Shareholding Percentage

Unit: Stock; %

Reinvestments	The Company investments		Director, manager and investment in directly or indirectly controlled business		Consolidated Investment	
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Polaris Pharmaceuticals, Inc.	23,000	100	—	—	23,000	100
Polaris Group Korea Limited	3,184	100	—	—	3,184	100
DesignRx Europe Limited	1	100	—	—	1	100
Polaris Pharmaceuticals Australia Pty Ltd.	100	100	—	—	100	100
Polaris Pharmaceuticals Ireland Limited	100	100	—	—	100	100
TDW Pharmaceuticals Inc.	43,800,000	100	—	—	43,800,000	100
DesignRx Pharmaceuticals, Inc.	88,179,257	100	—	—	88,179,257	100
TDW HK Limited	45,300,001	100	—	—	45,300,001	100

Reinvestments	The Company investments		Director, manager and investment in directly or indirectly controlled business		Consolidated Investment	
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Designerx Pharmaceuticals (Shanghai) Co., Ltd.	(Note)	100	—	—	(Note)	100
Designerx Pharmaceuticals (Chengdu) Co., Ltd.	(Note)	100	—	—	(Note)	100
Nanotein Technologies, Inc.	3,696,357	41	—	—	3,696,357	41
Polaris Biopharmaceuticals, Inc.	100,000,000	100	—	—	100,000,000	100

Note: There is no number of shares given that it's a limited company.

## IV. Capital Raising

### I. Capital and Shares

#### (I) Source of Capital

April 14, 2023, Unit: NT\$1,000; Foreign Currency US\$; Shares

Year and Month	Issue Price (USD)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares (Stock)	Amount (USD)	Number of shares (Stock)	Amount (USD)	Source of equity (USD)	Offset by property other than cash	Others
March 2011	0.35	500,000,000	5,000	252,185,594	2,521,856	Cash capital increase of \$2,000,000	None	—
May 2011	0.315	500,000,000	5,000	265,542,770	2,655,428	Debt to stock conversion of \$4,207,510	None	—
May 2011	0.35	500,000,000	5,000	277,377,134	2,773,771	Debt-to-share transfer of \$4,142,027	None	—
May 2011	0.45	500,000,000	5,000	279,599,357	2,795,994	Cash capital increase of NT\$1,000,000	None	—
February 2012	0.35	500,000,000	5,000	285,313,641	2,853,136	Cash capital increase of NT\$2,000,000	None	—
September 2012	0.50	600,000,000	6,000	306,533,641	3,065,336	Cash capital increase of NT\$10,610,000	None	—
January 2013	0.60	600,000,000	6,000	356,457,529	3,564,575	Cash capital increase of NT\$29,954,333	None	—
February 2014	0.75	600,000,000	6,000	356,817,529	3,568,175	Warrant conversion of \$270,000	None	—
May 2014	0.50	600,000,000	6,000	356,852,529	3,568,525	Conversion of stock options \$17,500	None	—
May 2014	0.60	600,000,000	6,000	356,877,662	3,568,777	Conversion of stock options \$15,080	None	—
June 2015	0.47	600,000,000	6,000	421,076,250	4,210,763	Conversion of preferred shares to common shares (Note1)	None	—
September 2015	1.50	600,000,000	6,000	428,212,261	4,282,123	Cash capital increase of NT\$10,704,000	None	—

Year and Month	Issue Price (USD)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares (Stock)	Amount (USD)	Number of shares (Stock)	Amount (USD)	Source of equity (USD)	Offset by property other than cash	Others
October 2015	—	600,000,000	6,000	517,873,234	5,178,732	Exchange 1 share of TDWG stock for 1.13 shares of Polaris Pharmaceuticals stock, issuing 89,660,973 new shares	None	—
Change of denomination from US\$0.01 to NT\$10 per share and exchange of new shares								
Year and Month	Issue Price (NT\$)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares (Stock)	Amount (thousand dollars)	Number of shares (Stock)	Amount (thousand dollars)	Source of equity capital (thousand dollars)	Offset by property other than cash	Other
October 2015	—	240,000,000	2,400,000	207,149,255	2,071,493	Change of capitalization currency and 2.5 share consolidation	none	—
November 2015	—	240,000,000	2,400,000	206,630,589	2,066,306	Share buyback 5,187,000	none	—
July 2017	18.00	320,000,000	3,200,000	246,630,589	2,466,306	Cash capital increase \$400,000,000	none	(Note 2)
August 2017	33.60	320,000,000	3,200,000	255,630,589	2,556,306	<b>Private placement of common stock for cash capital increase 90,000,000</b>	none	—
September 2017	USD 0.875~1.25	320,000,000	3,200,000	255,924,589	2,559,246	Exercise of employee stock options \$2,940,000	none	—
October 2017	USD 0.875~1.25	320,000,000	3,200,000	256,305,089	2,563,051	Exercise of employee stock options 3,805,000	none	—
October 2017	63.00	320,000,000	3,200,000	265,555,089	2,655,551	<b>Private placement of common stock for cash capital increase of 92,500,000</b>	none	—

Year and Month	Issue Price(NT\$)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares (Stock)	Amount (thousand dollars)	Number of shares (Stock)	Amount (thousand dollars)	Source of equity capital (thousand dollars)	Offset by property other than cash	Other
November 2017	USD 0.875	320,000,000	3,200,000	265,612,589	2,656,126	Exercise of employee stock options 575,000	None	—
January 2018	USD 1.25~1.925	320,000,000	3,200,000	265,659,255	2,656,593	Exercise of employee stock options 467,000	None	—
March 2018	USD 0.875	320,000,000	3,200,000	265,689,255	2,656,893	Exercise of employee stock options 300,000	None	—
April 2018	USD 0.875~1.25	320,000,000	3,200,000	265,727,825	2,657,278	Exercise of employee stock options \$385,000	None	—
September 2018	30.00	420,000,000	4,200,000	285,727,825	2,857,278	Cash capital increase of 200,000,000	None	(Note 3)
September 2018	USD 0.875	420,000,000	4,200,000	285,756,396	2,857,564	Exercise of employee stock options 286,000	None	—
October 2018	USD 0.875	420,000,000	4,200,000	285,796,396	2,857,964	Exercise of employee stock options 400,000	None	—
November 2018	USD 0.875	420,000,000	4,200,000	285,836,396	2,858,364	Exercise of employee stock options 400,000	None	—
<b>March 2019</b>	<b>21.83</b>	<b>420,000,000</b>	<b>4,200,000</b>	<b>292,901,396</b>	<b>2,929,014</b>	<b>Private placement of common stock for cash capital increase of 70,650,000</b>	<b>None</b>	—
July 2019	12.00	720,000,000	7,200,000	352,901,396	3,529,014	Cash capital increase of 600,000,000	None	(Note 4)
<b>December 2019</b>	<b>10.00</b>	<b>720,000,000</b>	<b>7,200,000</b>	<b>652,901,396</b>	<b>6,529,014</b>	<b>Private placement of common stock for cash capital increase of 3,000,000,000</b>	<b>None</b>	—
March 2021	USD 1.25	720,000,000	7,200,000	652,915,396	6,529,154	Exercise of employee stock options 140,000	None	
April 2021	USD 0.875~1.68	720,000,000	7,200,000	653,374,110	6,533,741	Exercise of employee stock options 4,587,000	None	
June 2021	USD 0.875~1.25	720,000,000	7,200,000	654,612,109	6,546,121	Exercise of employee stock options 12,380,000	None	

Year and Month	Issue Price (NT\$)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares (Stock)	Amount (thousand dollars)	Number of shares (Stock)	Amount (thousand dollars)	Source of equity capital (thousand dollars)	Offset by property other than cash	Other
July 2021	USD 0.875~1.25	720,000,000	7,200,000	654,751,109	6,547,511	Exercise of employee stock options 1,390,000	None	
August 2021	USD 1.25	720,000,000	7,200,000	654,761,109	6,547,611	Exercise of employee stock options 100,000	None	
August 2021	80	1,000,000,000	10,000,000	718,761,109	7,187,611	Cash capital increase \$640,000	None	(Note 5)
October 2021	USD 0.875	1,000,000,000	10,000,000	718,825,109	7,188,251	Exercise of employee stock options 640,000	None	
November 2021	USD 1.25~1.68	1,000,000,000	10,000,000	718,835,109	7,188,351	Exercise of employee stock options \$100,000	None	
December 2021	USD 0.33	1,000,000,000	10,000,000	718,845,109	7,188,451	Exercise of employee stock options \$1,390,000	None	
January 2022	USD 0.33~1.25	1,000,000,000	10,000,000	719,368,681	7,193,687	Exercise of employee stock options 5,236,000	None	
February 2022	USD 0.33~2.0575	1,000,000,000	10,000,000	719,641,681	7,196,417	Exercise of employee stock options 2,730,000	None	
March 2022	USD 0.33~3.30	1,000,000,000	10,000,000	720,047,945	7,200,480	Exercise of employee stock options \$4,063,000	None	
April 2022	USD 0.47~2.0575	1,000,000,000	10,000,000	720,944,893	7,209,449	Exercise of employee stock options of 8,969,000	None	
June 2022	USD 0.33~2.0575	1,000,000,000	10,000,000	721,037,823	7,210,378	Exercise of employee stock options of 929,000	None	
June 2022	84.57	1,000,000,000	10,000,000	741,037,823	7,410,378	Cash capital increase of 200,000,000	None	(Note 6)
July 2022	USD 0.33~1.5	1,000,000,000	10,000,000	741,451,866	7,414,519	Exercise of employee stock options of 4,141,000	None	
August 2022	USD 0.33~1.68	1,000,000,000	10,000,000	741,604,297	7,416,043	Exercise of employee stock options of 1,524,000	None	

Year and Month	Issue Price(NT\$)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares (Stock)	Amount ( thousand dollars)	Number of shares (Stock)	Amount ( thousand dollars)	Source of equity capital ( thousand dollars)	Offset by property other than cash	Other
September 2022	USD 0.47~3.3	1,000,000,000	10,000,000	741,746,313	7,417,463	Exercise of employee stock options of 1,420,000	None	
October 2022	USD 1.68~2.0575	1,000,000,000	10,000,000	741,804,313	7,418,043	Exercise of employee stock options of 580,000	None	
November 2022	USD 0.33~0.47	1,000,000,000	10,000,000	741,967,691	7,419,677	Exercise of employee stock of 1,634,000	None	
December 2022	USD 0.33~1.68	1,000,000,000	10,000,000	742,048,378	7,420,484	Exercise of employee stock of 807,000	None	
January 2023	USD0.47	1,000,000,000	10,000,000	742,050,378	7,420,504	Exercise of employee stock of 200,000	None	
February 2023	USD 0.33~2.0575	1,000,000,000	10,000,000	742,206,378	7,422,064	Exercise of employee stock of 1,560,000	None	
March 2023	USD 0.33~2.0575	1,000,000,000	10,000,000	742,897,253	7,428,973	Exercise of employee stock of 6,909,000	None	
April 2023	USD 0.33~2.0575	1,000,000,000	10,000,000	743,000,460	7,430,005	Exercise of employee stock of 1,032,000	None	

Note1: Convertible preferred shares were issued in February 2012 at a total price of USD 30,000,000 and fully converted to common shares in June 2015.

Note2: Cash capital increase approval date: June 6, 2017; Approval No. 1060021095.

Note3: Approval date of cash capital increase: August 3, 2018; Approval No. 1070327709.

Note4: Approval date of cash capital increase: May 7, 2019; Approval No.: Jin Guan Cai Fa Zi No. 1080313697.

Note5: Cash capital increase approval date: June 15, 2021; Approval No.: Jin -Guan-Zheng-Fa-Zi No. 1100346636.

Note 6: Cash capital increase approval date: April 18, 2022; Approval No.: Jin-Guan-Zheng-Fa-Zi No. 1111701116.

Shareholding information as of April 14, 2023

Type of Shares	Authorized Share Capital (Stock)			Note
	Outstanding	Unissued	Total	
Registered Common Shares	743,000,460 ( with private equity 307,065,000 )	256,999,540	1,000,000,000	

## (II) Shareholder Structure

Shareholding information as of April 14, 2023

Structure Amount	Government	Financial Institute	Other Legal Entities	Foreign Institute and Foreigner	Individual	Total
Number of people	0	0	61	161	31,016	31,238
Number of shares held	0	0	15,493,596	508,905,544	218,601,320	743,000,460
Shareholding ratio	0.00%	0.00%	2.09%	68.49%	29.42 %	100.00%

Note: Mainland-invested refers to people, legal entities, organizations, and other institutions in Mainland China or their companies invested in third regions as stipulated in Article 3 of the Regulations on the Permission for People to Invest in Taiwan, and Total's shareholding ratio is 0.17%.

## (III) Equity diversification

### 1. Common stock:

Shareholding information as of April 14, 2023

Class	Persons	Number of shares	Percentage %
1 to 999	5,447	1,113,518	0.15
1,000 to 5,000	19,854	38,873,519	5.23
5,001 to 10,000	2,711	21,050,422	2.83
10,001 to 15,000	928	11,859,881	1.60
15,001 to 20,000	563	10,237,732	1.38
20,001 to 30,000	549	13,858,309	1.87
30,001 to 40,000	310	11,005,034	1.48
40,001 to 50,000	182	8,329,948	1.12
50,001 to 100,000	391	28,027,787	3.77
100,001 to 200,000	153	21,832,492	2.94
200,001 to 400,000	76	20,282,058	2.73
400,001 to 600,000	25	11,974,855	1.61
600,001 to 800,000	8	5,553,424	0.75
800,001 to 1,000,000	5	4,468,674	0.60
1,000,001 or above	36	534,532,807	71.94
Total	31,238	743,000,460	100.00

### 2. Preferred shares: Not applicable

## (IV) List of Major Shareholders

The names, amounts and percentages of the top ten shareholders with at least 5% or more of the shares are listed below.

## Shareholding information as of April 14, 2023

Major Shareholder Name	Shares	Number of shares( Stock)	Percentage %
Digital Capital Inc.		290,000,000	39.03
Digital Mobile Venture Ltd.		61,729,295	8.31
Mai Investment Co., Ltd.		40,527,138	5.45
G-Technology Investment Co., Ltd.		26,467,465	3.56
Generations Technology Corporation		16,114,669	2.17
Masterpiece Enterprise Co., Ltd.		10,000,000	1.35
Capital World Investment Corporation		9,340,456	1.26
Gemtek Investment Co., Ltd.		8,674,542	1.17
Sun Research Groups L td		7,003,788	0.94
Chen, Shyan Tser		4,950,000	0.67

## (V) Stock Price, Net Worth, Earnings, Dividends and Related Information Per Share for the Last Two Years

Unit: NT\$1,000

Item	Year	2021	2022
Stock price per share	Highest	Not listed	232.00
	Lowest	Not listed	78.50
	Average	Not listed	121.32
Net value per share	Before	10.04	11.69
	After Distribution	10.04	11.69
Earnings per share(Note1)	Weighted average number of shares (in thousands)	680,096	732,611
	Basic earnings (loss) per share	(1.09)	(1.57)
	Diluted earnings (loss) per share	(1.09)	(1.57)
Dividend per share	Cash dividends		—
	A signed	Earnings Allotment	—
		Capital reserve allotment	—
	Accumulated unpaid dividends		—
Investment return analysis	Principal-to-profit ratio	Not listed	Note 2
	Principal-to-profit ratio	Not listed	Note 2
	Cash Dividend Yield	Not listed	Note 2

Note1: The calculation of earnings per share is based on the audited financial statements for fiscal year 2021 and 2022.

Note 2: It's still in the red, since it's still in the stage of R&D.

## (VI) Dividend Policy and Implementation Status

### 1. Dividend policy as stated in the Company's Articles of Incorporation

The Company shall set aside at least 1% of its annual profit as employee bonus and not more than 3% of its annual profit as Director Compensation, but shall reserve the amount to compensate for any accumulated losses.

Employee bonuses may be paid in cash or in stock to employees of the Company's subsidiaries who meet certain criteria established by the Board of Directors.

The Company may distribute earnings in accordance with a plan of distribution prepared by the Board of Directors and approved by the shareholders by ordinary resolution. The Board of Directors shall distribute or appropriate in the following order: (i) final tax contributions; (ii) to cover losses; (iii) a further 10% of the statutory surplus reserve; Except when the legal surplus reserve has reached the total capital of the Company; (iv) The Company may set aside special surplus reserves as required by the listing Act or the competent authority.

After the above distributions or appropriations are made, the remaining balance of the Company's accumulated undistributed earnings from previous years shall be added to the accumulated distributable earnings ("distributable earnings"), which shall be distributed by the Board of Directors with the approval of the Shareholders' Meeting in accordance with the following principles: The Company operates in a capital-intensive industry, and the Company is currently in a growth phase and will have capital expenditure plans and capital requirements in the coming years. The Board of Directors may, after considering the Company's financial, business and operational factors, prepare dividend and bonus distributions in accordance with the Cayman Law and the Listing Rules. The total amount of dividends to be paid to shareholders shall not be less than 10% of the current year's distributable earnings, and the percentage of cash dividends to be distributed shall not be less than 10% of the current year's total dividends to shareholders.

### 2. Proposed Dividend Distribution at the Shareholders' Meeting

The Company will not distribute dividends this year because the retained earnings in the accounts are negative.

(VII) Impact of the proposed stock dividend on the Company's operating results and earnings per share: There was no stock dividend distribution for the year.

## (VIII) Compensation for Employee, Director and Supervisor

### 1. The percentage or scope of compensation for employees, directors and supervisors as stated in the Company's Articles of Incorporation

The Company shall set aside at least 1% of the Company's annual profit as employee bonus and not more than 3% of the Company's annual profit as director compensation, provided

that the Company shall reserve the amount of compensation in advance if there is an accumulated deficit. Employee bonuses may be paid in cash or in stock to employees of the Company's subsidiaries who meet certain criteria established by the Board of Directors.

The Company may distribute earnings in accordance with a plan of distribution prepared by the Board of Directors and approved by the shareholders by ordinary resolution. The Board of Directors shall distribute or appropriate in the following order: (i) final tax contributions; (ii) to cover losses; (iii) a further 10% of the statutory surplus reserve; Except when the legal surplus reserve has reached the total capital of the Company; (iv) The Company may set aside special surplus reserves as required by the listing Act or the competent authority.

After the above distributions or appropriations are made, the remaining balance of the Company's accumulated undistributed earnings from previous years shall be added to the accumulated distributable earnings ("distributable earnings"), which shall be distributed by the Board of Directors with the approval of the Shareholders' Meeting in accordance with the following principles: The Company operates in a capital-intensive industry, and the Company is currently in a growth phase and will have capital expenditure plans and capital requirements in the coming years. The Board of Directors may, after considering the Company's financial, business and operational factors, prepare dividend and bonus distributions in accordance with the Cayman Law and the Listing Rules. The total amount of dividends to be paid to shareholders shall not be less than 10% of the current year's distributable earnings, and the percentage of cash dividends to be distributed shall not be less than 10% of the current year's total dividends to shareholders.

2. The basis for estimating the amount of compensation for employees, directors and supervisors, the basis for calculating the number of shares for employee compensation distributed by stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount.

The Company did not estimate or distribute the compensation to employees, directors and supervisors because it had accumulated losses in its accounts in fiscal 2022.

3. The Board of Directors approved the distribution of compensation:

- (1) The amount of compensation to employees, directors and supervisors is distributed in cash or stock. If the amount of compensation is different from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reason for the difference and the treatment of the difference should be disclosed: Not applicable.
- (2) The proportion of employee compensation distributed in stock to the total amount of net profit after tax and employee compensation for the period: not applicable.

4. The Shareholders' Meeting reported the distribution of compensation and the results:

The Company still has losses accumulated in its books for fiscal year 2022, so it is not

applicable.

5. The actual distribution of compensation to employees, directors and supervisors in the previous year (including the number of shares distributed, the amount and share price), the difference between the distribution and the recognition of compensation to employees, directors and supervisors, and the number of differences, the reasons for the differences and the treatment of the differences: Not applicable.

(IX) The Company's repurchase of The Company's shares: The Company has not repurchased the Company's shares in the most recent year and as of the date of the annual report, therefore, not applicable.

II. The Company has not bought back the Company's shares as of the date of the annual report.

(1) Outstanding bonds in process: None.

(2) Convertible bonds: None.

III. Preferred Share: None.

IV. Overseas Depositary Receipts: None.

## V. Employee Stock Options

### (I) Stock options that have not yet expired

April 14, 2023

Type of Employee Stock Option Certificate	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan ( Previous TDW Group 2013 stock option plan) ( Note)
Declaration Effective Date	Not applicable	Not applicable	Not applicable
Issue Date	May 20, 2013	September 13, 2013	August 15, 2014
Period of Existence	10 years		
Number of units issued( 1 share / 1 unit)	2,204,000 (of which 1,429,947 shares have lapsed)	276,000 (of which 192,000 shares have lapsed)	3,706,400 (of which 2,394,093 shares have lapsed)
Number of shares issued as a percentage of the total number of shares issued	0.30%	0.04%	0.50%
Subscription period	9 years		
Performance method	Issuance of new shares		
Restricted period and ratio (%)	25% for 1 year and the remaining 75% for the next 36 months, 1/36th per month		
Number of shares exercised	575,719	224,000	222,827
Executed subscription amount	US\$ 863,579	US\$30,000	US\$ 458,467
Number of shares not executed	575,719	32,000	1,089,480
Subscription price per share for unexecuted stock options	US\$ 1.50	US\$1.50	US\$ 2.0575
Number of shares outstanding as a percentage of the total number of shares issued (%)	0.03%	0.00%	0.15%
Effect on shareholders' equity	No significant effect	No significant effect	No significant effect

April 14, 2023

Type of Employee Stock Option Certificate	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan
Declaration Effective Date	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Issue Date	November 24, 2014	December 30, 2014	April 15, 2015	July 7, 2015	October 30, 2015	November 17, 2015
Period of Existence	10 years					
Number of units issued ( 1 share / 1 unit)	524,000 ( of which 284,000 shares have lapsed)	400,000 ( of which 395,000 shares have lapsed)	519,999 ( of which 367,999 shares have lapsed)	128,000 ( of which 128,000 shares have lapsed)	312,000 ( of which 312,000 shares have lapsed)	3,128,000 ( of which 1,834,000 shares have lapsed)
Number of shares issued as a percentage of the total number of shares issued	0.07%	0.05%	0.07%	0.02%	0.04%	0.42%
Number of shares issued as a percentage of the total number of shares issued	9 years					
Subscription period	Issuance of new shares					
Performance Method	25% for 1 year and the remaining 75% for the next 36 months, 1/36th per month					
Restricted period and ratio (%)	—	5,000	—	—	—	64,829
Number of shares exercised	—	USD9,625	—	—	—	USD 213,936
Executed subscription amount	240,000	—	152,000	—	—	1, 228,421
Number of shares not executed	USD1.925	USD1.925	USD2.5	USD2.5	USD2.5	USD 3.3
Subscription price per share for unexecuted stock options	0.03%	0.00%	0.02%	0.00%	0.00%	0.17%
Number of shares outstanding as a percentage of the total number of shares issued (%)	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect

April 14, 2023

Type of Employee Stock Option Certificate	First Employee Stock Option Certificate in 2017	First Employee Stock Option Certificate in 2017	First Employee Stock Option Certificate in 2019	Second Employee Stock Option Certificate in 2019	First Employee Stock Option Certificate in 2021	Second Employee Stock Option Certificate in 2021
Declaration Effective Date	December 4, 2017	December 4, 2017	November 19, 2019	November 19, 2019	May 14, 2021	May 14, 2021
Issue Date	January 3, 2018	May 31, 2018	November 20, 2019	April 1, 2020	June 24, 2021	December 13, 2021
Period of Existence	10 years					
Number of units issued (1 share / 1 unit)	6,111,000 ( of which 3,632,000 shares have lapsed)	210,000 ( of which 60,000 shares have lapsed)	1,788,000	4,697,000 ( of which 670,000 shares have lapsed)	818,000 ( of which 55,000 shares have lapsed)	640,000
Number of shares issued as a percentage of the total number of shares issued	0.82%	0.03%	0.24%	0.63%	0.11%	0.09%
Subscription period	8 years					
Performance Method	Issuance of new shares					
Restricted period and ratio (%)	50% for 2 years and the remaining 50% for the next 48 months, 1/48 <sup>th</sup> per month					
Number of shares exercised	851,574	10,000	908,210	1,227,911	—	—
Executed subscription amount	US\$1,430,644	US\$16,800	US\$299,709	US\$577,118	—	—
Number of shares not executed	1,627,426	140,000	879,790	2,799,089	818,000	640,000
Subscription price per share for unexecuted stock options	NT\$50.87	NT\$51.02	NT\$10.05	NT\$14.26	NT\$67.27	NT\$71.26
Number of shares outstanding as a percentage of the total number of shares issued (%)	0.22%	0.02%	0.12%	0.38%	0.10%	0.09%
Effect on shareholders' equity	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect

April 14, 2023

Type of Employee Stock Option Certificate	Third Employee Stock Option Certificate of 2021	First Employee Stock Option Certificate of 2022
Declaration Effective Date	May 14, 2021	December 6, 2022
Issue Date	May 10, 2022	December 14, 2022
Duration of stock options	10 years	
Number of units issued( 1 share / 1 unit)	570,000	7,262,500
Number of shares issued as a percentage of the total number of shares issued	0.08%	0.98%
Subscription period	8 years	
Performance Method	Issuance of new shares	
Restricted period and ratio (%)	50% after 2 years and the remaining 50% in the next 48 months, 1/48th per month	
Number of shares exercised	—	—
Executed subscription amount	—	—
Executed subscription amount	570,000	7,262,500
Subscription price per share for unexecuted stock options	NT\$123.71	NT\$101.50
Number of shares outstanding as a percentage of the total number of shares issued (%)	0.08%	0.98%
Effect on shareholders' equity	No significant effect	No significant effect

Note: TDW Group, a subsidiary of The Company, originally had the 2013 Annual Stock Option Plan, which was originally subject to the common shares issued by TDW Group. In September 2015, the company acquired the outstanding shares other than TDW Group shares held by the Board of Directors through equity exchange. As a result, TDW Group, through a Director's resolution, adjusted the performance of its 2013 Annual Stock Option Plan by converting one share of TDW Group common stock into 1.13 shares of The Company common stock at the same proportional exercise price. The exercise price will be adjusted in the same proportion.

(II) Name, Acquisition and Subscription of the Top Ten Employees Who Have Acquired Employee Stock Options and the Number of Shares Authorized by the Stock Options as of the Publication Date of the Annual Report

1. Managers who obtained employee stock options

April 14, 2023

	Title	Name	Obtained Number of shares ( thousands of shares )	The ratio of the number of shares obtained to the total number of issued shares	It has been executed			Not performed				
					Identify Number of shares (thousand shares)	subscription price	Subscription Amount (thousand dollars)	The ratio of the number of shares recognized to the total number of issued shares	Identify Number of shares ( thousand shares )	subscription price	Subscription Amount (thousand dollars)	The ratio of the number of shares recognized to the total number of issued shares
Manager	Chief Executive Officer	Howard Chen	3,739	0.50%	1,880	USD0.353~1.68	US\$1,354	0.25%	1,859	USD 0.33 ~ 3.32	US\$3,512	0.25 %
	Executive Vice President	John Bomalaski										
	Chief Operating Officer	Wayne Lin										
	Chief Financial Officer	Kay Huang										

2. Obtaining Stock Warrant Certificates Can Be Recognized as the Top Ten Employees of Number Of Shares

April 14, 2023

	Title	Name	Number of share subscribed (1,000 shares)	Ratio of the number of subscribed shares to the total number of issued shares	It has been executed			Not performed			The ratio of the number of shares recognized to the total number of issued shares	
					Number of share subscribed (1,000 shares)	Subscription price	Subscription Amount (NT\$1,000)	Number of share subscribed (1,000 shares)	Subscription price	Subscription Amount (NT\$1,000)		
Employee	Science Consultant (PPI)	Chen, Shao-Chen	6,641	0.89 %	1,883	USD 0.33 ~ 3.3	USD 1,794	0.25 %	4,758	USD 0.33 ~ 3.32	USD 8,526	0.364 %
	Vice President of Clinical Department (PPI)	Amanda Johnston										
	Vice President of Production Department (DRX Chengdu)	Chris Huxsoll										
	COO of DRX Chengdu	You, Huei- Yuan										
	Production Director	Tsai, Cheng-Min										
	Manager of Production Department (DRX Chengdu)	Christopher Starr										
	Director of Clinical Department (TDW TW)	Liu Huifen										
	Clinical Department Senior Statistical Manager (TDW TW)	Kuo, Chi- Ling										
	Vice President of Finance (DRX USA)	Bishoram Guragai										

## VI. New Shares with Restricted Employee Rights

(I) For new shares with restricted employee rights that have not fully met the acquired conditions , the transaction status as of the date of publication of the annual report and the impact on shareholders' rights and interests shall be disclosed : None.

(II) The managers who have obtained new shares with restricted employee rights and the names of the top ten employees who have obtained Number of shares until the date of publication of the annual report : None.

## VII. Issuance of New Shares through Merger, Acquisition or Transfer of Shares of Other Companies: None.

## VIII. Implementation of the Fund Utilization Plan:

As of the quarter before the publication date of the annual report, the plan content and execution status of the previous issuance or private placement of securities that have not been completed or have been completed within the last three years and the plan benefits have not yet materialized: None

## V. Operation Overview

### I. Business Contents

#### (I) Scope of Business :

##### 1. The Main Content of the Business

Polaris Pharmaceutical Group is a fully vertically integrated biological new drug development company, and provides contract development and manufacturing organization (CDMO) services for biological drugs. Through the upstream and downstream division of labor, the group integrates the design and improvement of ADI-PEG20 new drug development, the planning and execution of clinical trials in many countries around the world, the production/OEM of ADI-PEG20 clinical drug and CDMO business, quality control, sales and other all-round service projects.

##### 2. Proportion of Sales of Major Products

The Group's operating income in 2022 was NT\$6,439,000, which was derived from the CDMO business of biopharmaceuticals. ADI-PEG20 products are still in the research and development stage and have no operating income yet.

##### 3. The Company's current goods ( services ) projects

<b>Product</b>	<b>Introduction</b>	<b>Application</b>
ADI-PEG20 new medical research and development	ADI-PEG 20 is an innovative biological drug produced by coupling arginine deiminase and polyethylene glycol with a molecular weight of 20,000 . After intramuscular injection into the human body, it can completely decompose arginine in the blood circulation. Ultimately, any cancer cells that are unable to synthesize arginine on their own due to a metabolic defect die. It has now entered clinical trials for a variety of cancers around the world.	hepatic cell carcinoma, mesothelioma, soft tissue sarcoma, acute myeloid leukemia, non-small cell lung cancer, pancreatic cancer, malignant melanoma and brain cancer, etc.
CDMO Drug development and production services	Utilizing the Group's sophisticated technology in the production of Escherichia coli and an experienced R&D team, we can provide customers with biological drug development, manufacturing, clinical trials or marketing applications, covering all stages. If there are problems with specific technologies, international standards or regulations, Provide overall project solutions.	Various biological drugs, cell therapy, etc.

##### 4. Plan to develop new products (services)

#### ADI-PEG 20

ADI-PEG 20 is a broad-spectrum innovative biological drug. Due to its different

mechanism of action, good efficacy and mild side effects, it is also suitable for use in combination with other cancer drugs. Since 2013, the Group has initiated a series of clinical trials of combination drugs in top cancer hospitals in Europe and the United States. The clinical trials of ADI-PEG 20 combination drugs in progress are as follows :

Cancer Type	Stage	Lead Cancer Center	Intervention/Treatment
Soft Tissue sarcoma	Phase III	University of Washington	ADI-PEG 20 + Gemcitabine + Docetaxel
Glioblastoma	Phase II/III	Linkou Chang Gung Memorial Hospital Taiwan / Global Coalition for adaptive Research	ADI-PEG 20 +Temozolomide + Radiotherapy
Hepatic Cell Carcinoma	Phase II/III (note)	Linkou Chang Gung Memorial Hospital Taoyuan, Taiwan	Monotherapy (patients with GG Type genotype)
Acute Myeloid Leukemia	Phase I	MD Anderson Cancer Center Houston, Texas, United States	ADI-PEG 20 + Venetoclax + Azacitidine

Note: Proof of Concept (POC)

a. Soft Tissue Sarcoma

The Phase III trial was approved by the US FDA in January 2023 for the treatment of leiomyosarcoma with ADI-PEG 20 combined with Gemcitabine and Docetaxel. The trial was randomized, double-blind, multi-country and multi-center involved, and 300 patients were expected to be enrolled. The primary indicator is Progression Free Survival, and the secondary indicator is Overall Survival.

b. Glioblastoma

This clinical trial was conducted with ADI-PEG20 combined with radiotherapy and Temozolomide in the treatment of Glioblastoma, GBM. This case was originally a Phase I clinical trial, and after completing this stage, the evaluable subjects were enrolled. The Phase II clinical trial has been continued, with a change to a control placebo group, randomized allocation, and double-blind trial. It is expected that the scale of the trial will be expanded, and the number of cases collected globally will be 100. The main evaluation indicator was the Overall Survival, and the trial physician would observe the Progression-free survival,PFS. This experiment was led by Taiwan Linkou Chang Gung Memorial Hospital.

At the same time, the Company joined GBM AGILE, a new clinical trial platform approved by the US FDA, which allows simultaneous evaluation of multiple new drugs for cerebral cancer and sharing of patients in control group. And the platform has signed contracts with major international hospitals in order to quickly recruit patients. The Company aims to recruit 300 patients.

c. Hepatic Cell Carcinoma

Collaborating with Dr. Yeh, Chauting from Taiwan Linkou Chang Gung Memorial Hospital, the Company will launch the world's first Phase II/III hepatic cell carcinoma clinical trial designed from a genetic perspective, screening for specific gene markers, and using double-blind methods. This is a randomized trial and is expected to enroll 150 subjects. The trial advances medication strategies from the general population to personalization for better treatment outcomes, also known as "personalized medicine" and "precision medicine". Meanwhile, the Company will start patient enrollment in Vietnam in the second half of 2022.

d. Acute Myeloid Leukemia

This is a Phase 1 clinical trial of ADI-PEG 20 in combination with Venetoclax and Azacitidine in patients with acute myeloid leukemia, led by MD Anderson Cancer Center. In addition to evaluating the safety and tolerability of ADI-PEG 20 in combination with Venetoclax and Azacitidine, the efficacy of this combination in the RP2D (recommended phase 2 dose) arm will also be explored. It has been submitted for regulatory review and it is expected to enroll 60 patients.

Contract Development and Manufacturing Organization (CDMO)

In addition to the business of new drug research and development, Polaris has also made good use of the cGMP production equipment and advanced technical capabilities owned by DRX USA, a subsidiary of Northern California, and has been engaged in the CDMO business since 2019. The CDMO services provided by the Group include cell line development, process development and process scale-up, analytical method development and validation, GMP production for clinical trials and stability testing and other protein drug-related development and manufacturing services.

In addition to the production of ADI-PEG 20, DRX USA, the Group's subsidiary in Northern California, also has a very mature technology that uses E. coli as a production platform. In November 2019, it officially began to provide contract drug R&D and production services, and received good feedback. This will develop into one of the major businesses of the Group. Subsidiary DRX Chengdu is currently the clinical and production base of the Group's freeze-dried biologicals, responsible for the Group's China ADI-PEG 20 new drug R&D and manufacturing and CDMO business. Negotiations with interested potential clients have begun. The Company's strategy is to develop CDMO business in the United States and Europe with DRX USA as the leading factory. DRX Chengdu, on the other hand, is not only responsible for domestic orders in China, but will also leverage Taiwan's upstream and downstream industries to be a technology development and manufacturing base to provide contract development and manufacturing services.

(II) Industry Overview

1. Current Status and Development of the Industry

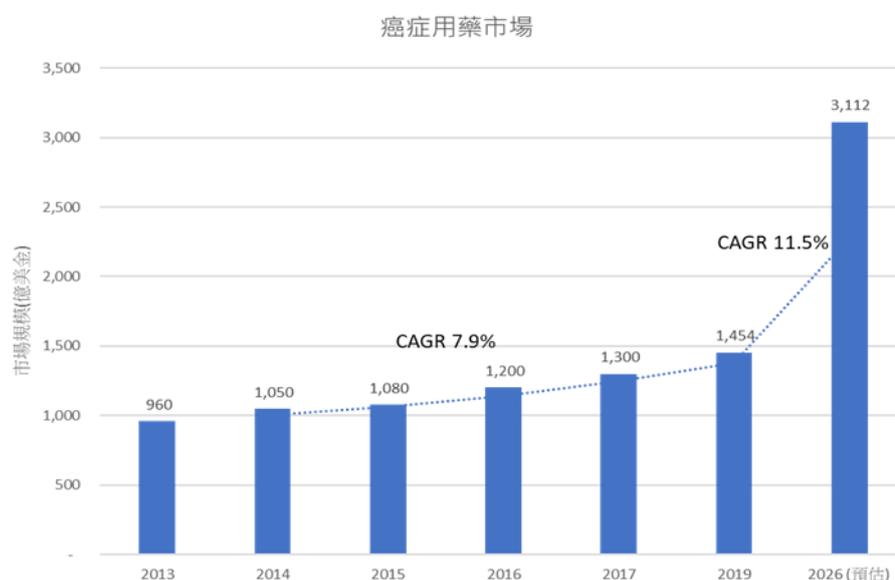
(1) Cancer Medication

According to the data collected by IQVIA of drug wholesalers and terminal

medical institutions in hundreds of countries around the world, the global drug market size in 2020 is about US\$1.27 trillion. The advanced countries represented by the USA, the five European countries (Germany, France, the United Kingdom, Italy and Spain), Japan, Canada, Australia and South Korea have a pharmaceutical market size of approximately US \$ 959.5 billion in 2020, approximately It accounts for 76% of the global pharmaceutical market; the emerging pharmaceutical markets dominated by mainland China, Brazil, India and Russia will have a pharmaceutical market size of US\$290.8 billion in 2020, accounting for about 23% of the global pharmaceutical market.

Distinguished by treatment type, according to a survey by EvaluatePharm , cancer drugs ranked first in sales from 2017 to 2019. The increasing incidence and mortality of cancer have made the cancer drug market larger and larger . Besides unhealthy diet, long-term irregular work and rest, high work pressure, overwork, and exposure to highly polluted environments, which have been clinically proven to be important carcinogens, the aging of the global population is also causing cancer. The reason for the continued increase . According to WHO statistics, the cumulative number of deaths due to cancer in 2018 reached 9.55 million, accounting for 52.9% of the total 18.1 million cancer-stricken population, increasing year by year compared with the past.

Since chemotherapy was found to be able to locally or even effectively inhibit the deterioration of the disease in the early 1940s, a way to eradicate cancer has not yet been found. Countries have invested a lot of resources, resulting in the development of new cancer therapies, including targeted drugs in 1997, and new ones in 2014. Immunotherapy and Chimeric Antigen Receptor T (CAR-T) in 2017, etc., continue to improve the treatment of cancer and improve the quality of medical care, while emerging therapies such as immunotherapy and cell therapy are mostly priced at the same Expensive, thus driving the growth of the cancer drug market. The following table shows the statistics of EvaluatePharm . The global cancer drug market has expanded from USD 96 billion in 2013 to USD 130 billion in 2017, with a CAGR of 7.9 % from 2013 to 2017. It is estimated that the market size of cancer drugs in 2026 will reach USD 311.2 billion, with a CAGR of 11.5% from 2019 to 2026 .



Source: EvaluatePharm

(2) Biopharmaceuticals / Commissioned Development and Manufacturing Services of Biopharmaceuticals (CDMO )

The global biopharmaceuticals market grew from US\$164.2 billion in 2012 to US \$220.5 billion in 2016, a compound growth rate of about 7.7%, and is expected to grow to US\$350.1 billion in 2021 , a growth rate far exceeding that of non-biologics market.



Source: Frost Sullivan

Biological drugs are new types of drugs that have emerged in the past decade. These drugs can be used to treat common chronic diseases such as cancer, rheumatoid arthritis, and leukemia. These drugs are expensive to produce and require long-term use, so they can easily sell for hundreds of millions of dollars. Amounts make biological preparations the target of research and development, and the market trend of these drugs is also the focus of attention of major pharmaceutical companies. According to the annual reports published by international pharmaceutical companies, the top ten global brand drugs in 2020 are counted , of which five are biological drugs , as shown in the following table .

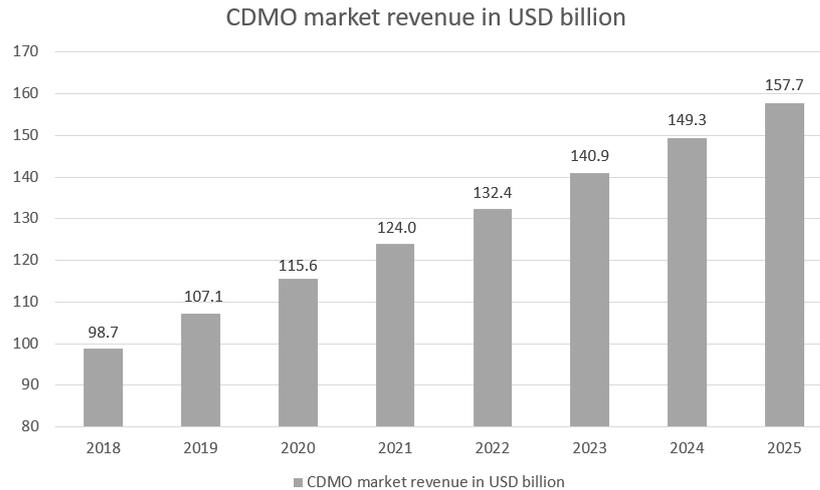
Unit: US\$ billion, %

Brand Drug/Manufacturer Name	main indications	2019 Sales Volume	2020 Sales Volume	Growth rate from 2019 to 2020	Product Type
Humira ( AbbVie)	Rheumatoid Arthritis	191.69	19 8.32	3.46	Biological drugs
Keytruda ( Merck & Co )	multiple cancers	110.84	1 43.80	29.74	Biological drugs
Eliquis (Bristol-Myers Squibb/Pfizer)	anticoagulant	121.49	1 47.17	16.2	small molecule drug
Revlimid (Bristol-Myers Squibb/Celgene)	multiple myeloma	93.78	121.06	29.09	small molecule drug

<b>Brand Drug/Manufacturer Name</b>	<b>main indications</b>	<b>2019 Sales Volume</b>	<b>2020 Sales Volume</b>	<b>Growth rate from 2019 to 2020</b>	<b>Product Type</b>
Imbruvica (AbbVie / Johnson & Johnson)	lymphoma	80.85	84.30	4.27	small molecule drug
Eylea (Regeneron Bayer/Santen)	Wet Macular Degeneration, Retinal Vein Occlusion (RVO)	75.42	83.60	10.85	Biological drugs
Stelara (Johnson & Johnson / Mitsubishi Tanabe Pharma)	Psoriasis	65.91	79.40	20.47	Biological drugs
Opdivo (Bristol-Myers Squibb/Ono)	multiple cancers	80.04	78.87	-1.46	Biological drugs
Biktarvy (Gilead Sciences)	HIV	47.40	72.60	53.16	small molecule drug
Xarelto (Bayer / Johnson & Johnson)	anticoagulant	69.30	69.30	0	small molecule drug

Source: Annual reports of companies

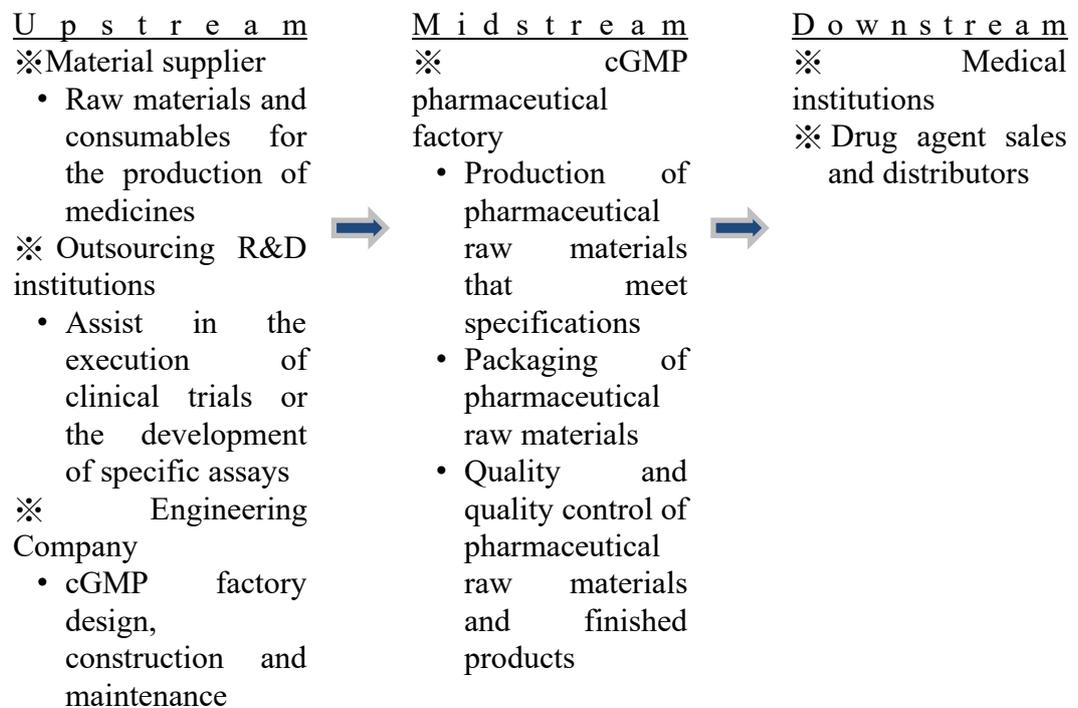
Research shows that the global biopharmaceutical CDMO market size will continue to grow from about US\$98.7 billion in 2018 to US\$157.7 billion in 2025, with a compound growth rate of 6.9% from 2018 to 2025. The supply and demand market assessment shows that the demand market is expected to be larger than the supply market in the future. In response to the continuous growth trend of outsourcing of biopharmaceuticals, the Group's subsidiary, DRX USA, has begun to actively develop CDMO business in 2019, and has signed 3 customers, including Nanotein. In addition, the Group also plans to invest in the construction of a biopharmaceutical plant in the Yilan Science Park in Taiwan to prepare for the future market demand, which is expected to ride on the train of substantial growth in the global demand for biopharmaceuticals.



Source: Grand View Research ( 2017)

In addition, in 2019, the Group began to cooperate with Nanotein to develop nanoprotein medium ( medium) products, which can be used for cell culture activation and expansion. At present, this main product is mainly used for CAR-T cell therapy, CAR-T cell therapy The market size of CAR-T was US\$467 million in 2018, and it is estimated that the market size of CAR-T will reach US\$8.68 billion in 2026, with a compound growth rate of 44.1%, and the market potential is amazing.

## 2. The relationship between the upper, middle and lower reaches of the industry



## 3. Various development trends of products

In recent years , new cancer drugs are mostly targeted drugs, aiming at various possible differences between tumor cells and normal cells, and designing new drugs

that can effectively kill tumor cells without affecting normal cells.

The ADI-PEG 20 being developed by the Company is a biological drug developed by taking advantage of the significant difference in metabolism between tumor cells and normal cells. Since the first human clinical trial was carried out at USA MD Anderson Cancer Center in 2001, The Company has completed 24 Phase I, II and III clinical trials, and more than 1,600 terminal cancer patients worldwide are in clinical trials Treated with ADI-PEG 20. In many patients, ADI-PEG 20 effectively inhibited cancer cell growth with minimal side effects. The results of completed clinical trials have been compiled into reports and submitted to the USA FDA and relevant competent authorities, and most of them have also been published in internationally renowned scientific journals.

Development trend of ADI-PEG 20 in the next few years will focus on three directions:

#### A. WWOX Biomarkers

of single nucleotide polymorphism (SNP) in the gene sequence between people, there are different responses to the occurrence of diseases and the efficacy of drugs. It is a future trend to use this gene detection. In addition to the traditional methods of performing routine tests and genetic testing, modernized precision medicine can select the most suitable treatment methods or drugs for patients, so that the efficacy can be maximized.

WWOX is an oxidoreductase with a WW domain. It is a tumor suppressor. In cells, it can regulate cell growth or death, inhibit cell cancerization, and even inhibit cancer cell invasion. According to the research data of The Company and Linkou Chang Gung, WWOX GG-type hepatic cell carcinoma patients had better tumor shrinkage response and longer survival to ADI - PEG 20 treatment.

The Company's future clinical trials will actively explore the relationship between ADI-PEG 20 and genes, hoping that based on Taiwan's genetic data, suitable patients can be found, and treatment methods suitable for them can be developed, creating a product with fewer side effects and a longer disease control period. Medical care with high survival rate, economic value, and high mobility will drive the development of Taiwan's biotechnology industry and contribute to global patients.

#### B. Expand the market

Since tumor cells of various cancers have metabolic mutations that cannot produce arginine, the indications of ADI-PEG 20 should include a variety of cancers, and the company will continue to conduct clinical trials on various cancers to expand the market for ADI-PEG 20.

#### C. Combined medication to enhance the efficacy

In the future, the treatment of cancer will tend to be a combination of multiple drugs with different mechanisms of action, curative effects and relatively mild side effects. The mechanism of action of ADI-PEG 20 is completely different from that of all drugs currently approved or entering Phase II and III human clinical trials, with clear efficacy and mild side effects, making it suitable

for use in combination with any other treatment methods. Currently, the Company has multiple ongoing clinical trials targeting different cancers, combining different drugs with ADI-PEG 20. In the future, The Company will continue to test various combinations to find the most effective and safest combination in order to fully expand the market share of ADI-PEG 20 in each different cancer market .

#### 4. Competitive Situation

##### A. Other Arginine Deprivation Therapy

Outside of Polaris, two companies are also working on reducing arginine to treat cancer, Bio-Cancer Treatment International (BCT) and Aeglea Biotherapeutics ( Aeglea ) , the drug they used was PEGylated recombinant arginase . Arginase is an enzyme in the human body that catalyzes the final step of the urea cycle , decomposing arginine into urea and ornithine. The urea cycle is the body's way of removing excess nitrogen to avoid ammonia poisoning.

Polaris' ADI-PEG 20 ( Pegargiminase ) has a different mechanism of action. ADI catalyzes the hydrolysis of arginine to produce citrulline and ammonia. Microorganisms use ADI to utilize arginine as an energy source. The human body itself does not manufacture ADI .

Arginase is an inherent enzyme in the human body and does not produce antibodies, it has two major differences as a cancer drug and ADI-PEG 20 (Dillon 2002, Keshet 2018) : First, Arginase has a low affinity (Km, activity) for arginine and requires a higher dose. Second, the ornithine produced by its action leads to an increase in polyamines and thus cancer progression. The Arginase properties of Polaris' ADI-PEG 20 and the other two companies are compared as follows:

##### BCT-100

BCT has been testing BCT-100 as a single drug since 2000 , and recently published a 27 -person Phase 2 hepatic cell carcinoma clinical trial (Chan 2021) , because it is a small single-group trial, its survival results cannot be interpreted. There is only one ongoing trial (NCT03455140) on the ClinicalTrials.gov website , last updated March 25 , 2020 .

##### Aeglea

In order to solve the problem of low Km of Arginase , Aeglea replaced the original manganese ion with cobalt and renamed it peglizarginase (Stone 2010) . In a 2019 report to the U.S. Securities and Exchange Commission (SEC), Aeglea described its trials in small cell lung cancer, which included a phase I/II small (35 participants) monotrial with pembrolizumab, and a phase I multi-tumor trial. But cancer was not mentioned in the 2020 report. The 2021 report only covered studies conducted in collaboration with Immedica Pharma AB for Arginase deficiency, a disease related to arginine metabolism 1. There was no progress in cancer, and no information regarding the development of cancer indications in cooperation with other manufacturers.

In addition to the two aforementioned companies, Athenex , a company in Buffalo , USA , claims that its new pegylated arginase (Yu 2021) has anticancer effects in preclinical cell and animal studies. A recent literature (Zhang 2021) summarizes possible competitors to current arginine -lowering therapies, including new drugs in preclinical and clinical trials.

To sum up, there are currently no clinical trials from companies other than Polaris actively testing arginine -lowering cancer therapies.

#### B. Therapies of other mechanisms

The Company's core drug, ADI-PEG 20, has a unique mechanism of action, which is different from traditional chemotherapy or radiotherapy. It has high specificity for cancer cells, which can improve the effect of cancer treatment and its impact on normal cells. Smaller, but also more able to slow down the occurrence of side effects. This drug is also suitable for use in combination with a variety of other treatment modalities, and will have strong competitiveness in the cancer market in the future, and there is currently no homogenous drug (see the aforementioned arginase ) and ADI-PEG 20 . competition in the future market.

### ( 3) Overview of Technology and Research and Development

#### 1. R&D expenses in the most recent year and up to the date of printing the annual report

Unit: NT\$ 1,000

project	2022	End of March 2023
R&D expenses (A)	923,971	282,476
The amount of paid-in capital at the end of the period (B)	7,420,484	7,428,973
(A) / (B ) ( %)	12.45	3.80

#### 2. Successfully developed technology or product

The Company's main research and development drug, ADI -PEG 20, is still in the clinical trial stage and has not yet obtained a drug license for marketing, due to its innovative and unique mechanism of action, it may have a certain degree of curative effect on a variety of different cancers, and 24 Phase I, II, and III clinical trials have been completed around the world .

In addition, the Company has nearly 20 years of experience in R&D and manufacturing of ADI-PEG 20 clinical trial drugs, and has mastered the key technologies of the whole process of biopharmaceuticals (*E.coli*) , which can manufacture high-end protein drugs, including, recombinant proteins, Recombinant protein vaccines, nano-antibodies, hormones and interferons, etc., also plan to produce mRNA vaccines in the future. Since the Company's process development platform has excellent R&D capabilities and rich experience in microbial systems (*E. coli* systems), it has been At the end of the year, it has begun to use the excess production capacity of the USA Northern California plant to provide external biopharmaceuticals commissioned development and production services (CDMO) .

#### (IV) Long-term and Short-term Business Development Plans

##### 1. Short-term Development Strategies and Plans

- (1) Actively apply to FDA for drug license of mesothelioma.
- (2) In order to meet the upcoming global launch of ADI-PEG 20 new drugs and the mass production of CDMO business, the construction of a cGMP mass production plant in Taiwan that complies with U.S. FDA regulations will be launched.
- (3) Strategically plan clinical trials to obtain global drug licenses as soon as possible to benefit cancer patients worldwide.
- (4) Continue to explore the relationship between ADI-PEG 20 and genes, maximize the therapeutic benefit of patients through genetic testing, so as to achieve the ultimate goal of precision medicine, increase the penetration rate of ADI-PEG 20 in various cancer markets, and ultimately expand the market size.
- (5) Find and co-development or regional licensing with strategic alliance partners to secure working capital and spread risks.
- (6) Practically carry out relevant clinical trials on metabolic disease indications, such as severe fatty liver and diabetes, to make ADI-PEG20 the first choice for combination of metabolic therapy and various cancer drugs, so that more patients can benefit.

##### 2. Medium and Long-term Development Strategies and Plans

- (1) ADI-PEG 20 has obtained drug certificates for at least two indications and has been listed, and is actively negotiating drug authorization .
- (2) Completed the hardware facilities and certification of the cGMP factory in Yilan Science Park, Taiwan , conducted production and quality control training, and started production .

## II. Market and Production Overview

### (I) Market Analysis

#### 1. Sales (supply) Areas of Major Commodities (Services)

The core technology of the Group's research is the new cancer target drug ADI-PEG 20. Clinical trials have been carried out on humans with various cancers around the world. Due to its unique mechanism of action, efficacy and safety have been observed in trials of various cancers. After The Company obtains the drug license, the sales strategy will cover the whole world. In addition, The Company's CDMO business is currently mainly serving the USA .

#### 2. Market Share

The Company's ADI -PEG 20 have not yet been sold in the market, so there is no complete market share analysis yet. In addition, the CDMO business provided by the Company is still in the early stage of commercialization. Currently, the service is mainly provided in the USA and the Company is still developing new customers. In the future, in addition to the USA, it will also strive to increase the market share in areas other than the USA.

### 3. The Supply and Demand and Growth Potential of the Market in the Future

According to a survey by EvaluatePharm , cancer drugs ranked first in sales from 2017 to 2019. The increasing morbidity and mortality of cancer make the cancer drug market larger and larger. Long-term irregular work and rest, high work pressure, overwork, and exposure to highly polluted environments have been clinically proven to be important carcinogens, and the aging of the global population is also the reason for the continued increase in cancer patients. According to WHO statistics, the cumulative number of deaths due to cancer in 2018 reached 9.55 million, accounting for 52.9% of the total 18.1 million cancer-stricken population, increasing year by year compared with the past.

According to Grand View Research, the CDMO market is expected to reach US\$157.7 billion by 2025, growing at a CAGR of 6.9 % from 2018 to 2025. Among them, chemical drugs still account for the bulk of CDMO business opportunities, but the proportion of biological drugs has been increasing year by year .

### 4. Competitive Niche

- (1) As an innovative cancer target therapy, ADI-PEG 20 has a completely different mechanism of action than other therapies, and there are currently no similar drugs entering the market or in late-stage clinical trials globally.
- (2) It has entered advanced clinical research and development. In clinical trials, more than 1,600 cancer patients of various advanced stages have received ADI-PEG 20 treatment, with clear efficacy and mild side effects.
- (3) Many different cancers are potentially treatable with ADI-PEG 20 and the market is huge.
- (4) Due to its completely different mechanism of action from other therapies and high safety, ADI-PEG 20 can be used in combination with any other therapy, resulting in better efficacy and further expanding the market.
- (5) Equipped with vertically integrated manufacturing capabilities, ADI-PEG 20 will have future production lines in the United States and China that meet international specifications, so that drug supply, quality control, storage, transportation and marketing can be planned in a unified manner.
- (6) Supported by strong teams, the Company cooperates with the world's top cancer centers and authorities to stay number 1 in the world.
- (7) AD I - PEG20 has obtained 49 international patents, covering USA, Canada,

Europe, Australia, Singapore and South Korea, etc., and another 20 patents are pending .

5. Advantages, Disadvantages and Countermeasures of the Development Prospect

(1) Favorable factors for the development prospect:

- (i) With the increase of human lifespan, the number of cancer patients worldwide is increasing rapidly every year .
- (ii) ADI-PEG 20 could potentially be used to treat a number of different cancers with a very different mechanism of action and a high safety profile, and it could also be used in combination with other therapies to improve efficacy and expand the market.
- (iii) The government has actively promoted the biotechnology industry and included biotechnology medicine into one of the five innovation industry research and development plans to promote the biotechnology industry, making it the country's next economic growth momentum.

(2) Unfavorable factors and countermeasures of development prospects:

- (i) The development of new cancer drugs is the focus of most pharmaceutical companies. In the future, more new drugs will obtain drug certificates and be marketed.

Countermeasures :

ADI-PEG 20 has a unique mechanism of action and is developed into a market different from other drugs . And any new drug may be used in combination with ADI-PEG 20 to enhance the efficacy.

- (ii) The development of new drugs is lengthy and risky

The biotechnology and medical profession is an industry that requires the combination of talents, technology and capital, and must be invested in long-term research and development and high-level research and development experience.

Countermeasures :

ADI-PEG 20 is an innovative cancer target therapy with a completely different mechanism of action from other therapies. There are currently no drugs with a similar mechanism of action entering the market or in late-stage clinical trials globally. The Company does not rule out that it will consider a strategic alliance with international manufacturers at an appropriate time in the future. Through the acquisition of technology licensing funds, it will reduce research and development costs and speed up product development.

(II) Important Uses and Production Processes of Main Products

- 1. Important uses of the main products: ADI- PEG 20 developed by The Company is a

cancer drug for non-single indications .

2. Production process of main products: Escherichia coli fermentation , protein purification , raw material modification , preparation bottling , refrigeration.

(III) Supply status of main raw materials: It is mainly consumables required for production . Each consumable has more than two suppliers , whose supply is stable and there is no centralized transaction.

(IV) The names of customers who have accounted for more than 10% of the total purchases ( sale) in any one of the last two years, and their purchases ( sale) amounts and proportions, and explain the reasons for their increase or decrease:

The Company's AD I - PEG 20 is still in the clinical trial stage, so there is no operating income and operating gross profit yet. The Company's 2021 and 2022 biopharmaceutical CDMO revenue was NT\$15,041,000 and NT\$6,439,000, respectively .

The Company is mainly engaged in the development of new biologics cancer drug ADI-PEG 20 and drug commissioned development and manufacturing services (CDMO). Since the Company's new cancer drug ADI-PEG 20 is still in the clinical trial stage, and the operating income in 2021 and 2022 was from the signing of the CDMO business of biopharmaceuticals with the American business Helix BioMedix , Inc. and the joint development agreement with Nanotein Technologies. In the pre-development stage of biological drugs, only the expenses for experimental consumables such as buffers, experimental bottles, and reagents required for the execution of the plan are incurred, and there is no purchase of raw materials, so it is not applicable.

#### Information on Major Sales Customers in the Last Two Years

Unit: NT\$1,000

Item	2021				2022			
	Name	Amount	Proportion of annual net sales (%)	Relationship with the issuer	Name	Amount	Proportion of annual net sales (%)	Relationship with the issuer
1	Helix BioMedix, Inc.	13,992	93	None	Helix BioMedix, Inc.	6,439	100	None
	Others	1,049	7	-	Others	-	-	-
	Net sales volume	15,041	100	-	Net sales volume	6,439	100	-

(V) Production value table for the last two years: The Company's CDMO business, the

output value is determined according to the commissioned work project, and there is no fixed mass production product. The Company's self-developed ADI-PEG is still in the research and development stage, and has not been officially mass-produced for sale, so, it's not applicable.

(VI) Sales Value Table for the Last Two Years:

Unit: NT\$1,000

Major Products Major Products Sales of goods Years	2021				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	quantity	value	quantity	value	quantity	value	quantity	value
CDMO revenue	-	-	-	15,041	-	-	-	6,439

The Company's current main source of revenue is CDMO services, and the output value is determined according to the entrusted work project, and there is no fixed mass-produced product.

III. Information on Employees

Profile of Employees in the Last Two Years and as of the Date of Publication of the Annual Report

Year		2021	2022	End of March 2023
number of workers	R & D personnel	91	124	133
	Other personnel	21	27	27
	total	112	151	160
average age		40.15	40.09	40.01
average years of service		5.54	4.30	4.30
Education distributed Ratio (%)	P h D	9.82	9.27	9.38
	M a s t e r	25.89	21.19	21.88
	c o l l e g e	58.93	62.91	62.51
	high school	5.36	6.62	6.25
Below high school		0.00	0.00	0.00

IV. Information on Environmental Protection Expenditure

In the most recent year and up to the date of publication of the annual report, the total amount of losses (including compensation) and punishments suffered as a result of environmental pollution, as well as the future countermeasures (including improvement measures) and possible expenses (including the estimated amount of losses, punishments and compensation that may occur without taking countermeasures, and the fact that it is impossible to reasonably estimate if it is impossible to reasonably estimate) : None.

V. Labor Relations

(I) List the Company's various employee welfare measures, further education, training, and retirement systems and their implementation, as well as labor-management agreements and various employee rights and interests protection measures:

1. Taiwanese employees

(1) Employee welfare measures

The Company's employee welfare measures are regulated by the Labor Standards Act, Labor Insurance Act and related laws and regulations. The main items of the current welfare system include: Dragon Boat Festival, Mid-Autumn Festival, Spring Festival, wedding and other gifts, funeral subsidies, hospitalization subsidies for injuries and illnesses, maternity condolences, group insurance, etc.

(2) Employees' further education and training

The Company's well-planned education and training system is mainly divided into pre-employment training and on-the-job training. It provides employees with various learning channels and professional course training to achieve the Company's goal of creating a work environment for further study and development and cultivating professional talents.

(3) Retirement system

New system: in accordance with the Labor Pension Act.

(4) The agreement between labor and management and various measures to protect the rights and interests of employees

Through various communication, incentive, education, fellowship campaign and other activities, the company timely understands the needs of employees, and actively explores and solves employee problems, so that employees can establish a harmonious relationship with the company, improve their centripetal force and satisfaction, thus creating a better future with the Company. The Company has formulated relevant protection norms in the work rules for the work rights and interests of female colleagues to protect the relatively disadvantaged female colleagues. The Company also stipulates the way to complain about sex in the workplace, in order to ensure respect for the fundamental human rights of both sexes.

2. Employees from USA

In addition to complying with the relevant provisions of the USA federal government social security law and the USA labor law, it also provides employee health insurance and work injury compensation to protect employee benefits.

3. Employees from Mainland China

The Company's subsidiaries in mainland China, in addition to implementing the labor contract law and its relevant sub-laws as the labor policy of the Company's subsidiaries in mainland China, also adopt the practice of avoiding labor discrimination, not employing child labor, and providing normal and good working conditions for laborers and other measures.

- (II) Set out the losses suffered as a result of the Labour dispute in the most recent year and up to the date of publication of the annual report, and disclose the estimated amounts and measures currently and possibly in the future and, if not reasonably estimated, the fact that they are not reasonably estimated: None.

## VI. Infocomm Security Management

- (I) State the Infocomm Security Risk Management Framework, the Infocomm Security Policy, the Specific Management Plan and the Resources Invested in the Infocomm Security Management, Etc.

### 1. Infocomm security risk management framework

The information engineer under the Management Department is responsible for coordinating and implementing information security policies, publicizing information security information, enhancing employees' information security awareness, collecting and improving the Company's information security management system, and ensuring the confidentiality, integrity and availability of information. The Audit Office conducts information security audits on the internal control system - computer information system cycle every year to evaluate the effectiveness of the internal control of the Company's information operations .

### 2. Infocomm Security Policy

- Ensure that data access is regulated according to departmental functions.
- Avoid unauthorized access and modification of data and systems to ensure their correctness and integrity.
- Ensure the continuous operation of the information system .
- Regularly perform information security audits to ensure that information security is actually implemented.
- Regularly publicize information security policies, promote employees' awareness of information security and strengthen their awareness of related responsibilities.

### 3. The specific management plan and the resources invested in the security management of information communication

The information security business is coordinated, managed and supervised by the information engineer, who is responsible for handling the information security work, including regular Internet information security control, data access control, fulfillment of backup and emergency recovery mechanisms, and provision of relevant information security publicity and education&training courses. Through the

implementation of relevant information security policies, the Company's information security can be protected and a safe and secure information security environment can be available. The Company also actively improves and strengthens the data security mechanism and improves data security to ensure the Company's continued security.

- (II) Set out the losses suffered in the last two years and up to the date of publication of the annual report as a result of major security incidents, the possible impact and the response measures, and if it is not reasonably possible to estimate the fact that it is not reasonably possible to estimate: None.

#### VII. Important Contracts

Nature of Contract	Party	Duration of Contract	Main Content	Restrictive Clause
Cooperative Research Contract	Polaris/ Ludwig Institute for Cancer Research Ltd.	January 3, 2011 to the completion of the contract	USA Human Clinical Trial Study	Privacy Policy
Clinical Research Contract	Polaris/ TDW PHARMACEUTICALS INC.	July 1, 2020 to the completion of the contract	Human clinical trials in Asia	Privacy Policy
Mutual Authorization Contract	Polaris/ TDW PHARMACEUTICALS INC. / DRX USA	December 17, 2014	Patent Mutual License	Privacy Policy
CDMO	Polaris/ DRX USA	October 1, 2012	Manufacture of outsourced clinical medicines	Privacy Policy
Delegated Service	Polaris/ PPI	January 1, 2021 to December 31, 2024	Outsourced R&D, clinical trials and administrative services	Privacy Policy

Nature of Contract	Party	Duration of Contract	Main Content	Restrictive Clause
Land Transfer Contract	DRXChengdu/ Chengdu Municipal Bureau of Land and Resources	August 6, 2013 (the term of land release shall be 50 years from the date of delivery. Prior to the expiration of the useful life, the land user may apply for the contract, which shall be approved by the issuer unless recovered in accordance with the needs of the public interest. However, the term of the use right of the residential construction land shall be automatically renewed.)	State-owned construction land for sale	none
Lease Contract	PPI / SAN Diego SYCAMORE, LLC	February 1, 2020 to May 31, 2024	USA San Diego Office Rental	none
Lease Contract	PPI / Allison Commercial , LLC	August 1, 2013-July 31, 2028	USA Vacaville plant lease	none
Foundry Contract	PPI/ Helix BioMedix , Inc.	November 14, 2019-	Development of E. coli expression system for UVDE-TAT production	Privacy Policy
Joint Development Agreement	Polaris/ Nanotein Technologies., Inc.	September 30, 2020	Cooperative Development Agreement	Privacy Policy
Loan Contract	DRXChengdu / Chengdu Yingkai Investment ( client ) China Minsheng Bank Co., Ltd. Chengdu Branch ( lender )	August 23, 2016- August 11, 2024	Long-term loan of RMB 78,000,000	Special funds for the construction of workshops and the purchase of equipment

Nature of Contract	Party	Duration of Contract	Main Content	Restrictive Clause
Purchase of land	DRX USA / Agenus West , L LC	May 14, 2021	Purchase of real estate	None
Letter of Intent	Polaris/ Consortium National Institutes of Health	January 1, 2023- December 31, 2023	Collaborate on related technologies such as DNA vaccines , mRNA vaccines, cancer vaccines and cell therapy	Privacy Policy
Cooperation Agreement	PPI / The Regents of the University of California	January 24, 2023- January 23, 2024	Cooperative development of a broad-spectrum mRNA vaccine integrating influenza and coronavirus	Privacy Policy
Land Lease Contract	Hsinchu Science Park, Ministry of Science and Technology	March 1, 2022- December 31, 2041	Land lease of Yilan Science Park	None
Clinical Research Contract	PPI/ Global Coalition for Adaptive Research	November 19, 2022 to the completion of research	Clinical and trial study of cerebral cancer	Privacy Policy
Cooperation Agreement	Polaris Group/Acepodia	October 19, 2022- October 19, 2023	Collaborative research on related technologies for next-generation ADI and antibody linked cells	Privacy Policy
Lease Contract	TDW PHARMACEUTICALS INC./WORLD CHINA INDUSTRIES LIMITED	October 1, 2022- December 31,2027	Lease of Taipei Office	None
Loan Contract	DRX Chengdu/Shanghai Commercial & Savings Bank	March 27, 2023-April 26, 2024	Short-term loan of RMB 136,000,000	None

## VI. Financial Overview

### I. Condensed Balance Sheet and Consolidated Profit and Loss Statement for the Last Five Years, and the Accountant's Name and Audit Opinion Should Be Noted

#### (I) Condensed Balance Sheet and Comprehensive Income Statement

##### 1. Condensed Balance Sheet - IFRS

Unit: NT\$1,000

Year		Financial Information for the Last Five Years				
		2018	2019	2020	2021	2022
Item						
Current assets		428,034	2,639,001	1,878,834	6,349,990	7,540,216
Investments using the equity method		-	-	39,552	62,352	60,122
Property, plant and equipment		1,476,175	1,373,837	1,322,198	1,297,205	1,300,049
Intangible assets		-	-	596	381	174
Other assets		71,511	93,379	121,200	112,176	318,681
Total assets		1,975,720	4,106,217	3,362,380	7,822,104	9,219,242
Current liabilities	Before assignment	1,086,564	236,074	278,003	436,770	250,830
	After assignment	1,086,564	236,074	278,003	436,770	250,830
Non-current liabilities		248,607	260,535	202,848	171,457	294,355
Total liabilities	Before assignment	1,335,171	496,609	480,851	608,227	545,185
	After assignment	1,335,171	496,609	480,851	608,227	545,185
Equity attributable to owners of parent company		640,549	3,609,608	2,881,529	7,213,877	8,674,057
Share capital		2,858,364	6,529,014	6,529,014	7,188,451	7,420,484
Capital reserve		5,049,091	5,266,256	5,290,730	9,824,000	11,476,142
Reserve surplus	Before assignment	(7,191,893)	(8,021,651)	(8,681,875)	(9,422,362)	(10,572,795)
	After assignment	(7,191,893)	(8,021,651)	(8,681,875)	(9,422,362)	(10,572,795)
Other rights		(75,013)	(164,011)	(256,340)	(376,212)	350,226
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
rights and interests lump sum	Before assignment	640,549	3,609,608	2,881,529	7,213,877	8,674,057
	After assignment	640,549	3,609,608	2,881,529	7,213,877	8,674,057

Source: Financial report audited and certified by an accountant.

## 2. Condensed Consolidated Income Statement - IFRS

Unit: NT\$1,000

Item \ Year	Financial information for the last five years				
	2018	2019	2020	2021	2022
Operating income	—	—	9,410	15,041	6,439
Operating profit	—	—	2,431	2,097	1,415
Operating profit and loss	(1,013,715)	(795,220)	(678,058)	(731,917)	(1,157,547)
Non-operating income and expenses	(18,509)	(33,718)	17,882	(7,793)	12,648
Net profit before tax	(1,032,224)	(828,938)	(660,176)	(739,710)	(1,144,899)
Net profit of continuing business units for the current period	(1,032,271)	(829,758)	(660,224)	(740,487)	(1,150,433)
Loss of closed units	—	—	—	—	—
Net profit (loss) for the current period	(1,032,271)	(829,758)	(660,224)	(740,487)	(1,150,433)
Other comprehensive gains and losses for the current period (net after tax)	(33,078)	(88,998)	(92,329)	(119,872)	726,438
Total comprehensive profit and loss for the current period	(1,065,349)	(918,756)	(752,553)	(860,359)	(423,995)
Net profit attributable to owners of parent company	(1,032,271)	(829,758)	(660,224)	(740,487)	(1,150,433)
Net profit attributable to non-controlling interests	—	—	—	—	—
Total comprehensive profit or loss attributable to parent company owner	(1,065,349)	(918,756)	(752,553)	(860,359)	(423,995)
Total comprehensive profit or loss attributable to non-controlling interests	—	—	—	—	—
EPS	(3.81)	(2.46)	(1.01)	(1.09)	(1.57)

Source: Financial report audited and certified by an accountant.

## (II) Name and Audit Opinion of the Certified Public Accountant for the Last Five Years

Year	CPAs	Affiliated Unit	Audit Opinion	Note
2018	CPA Liang, Chan-Nu Deng, Sheng-Wei	PwC Taiwan	unqualified opinion	—
2019	CPA Liang, Chan-Nu Deng, Sheng-Wei	PwC Taiwan	unqualified opinion	—
2020	CPA Liang, Chan-Nu, Chien, Fan-Ya	PwC Taiwan	unqualified opinion	—
2021	CPA Liang, Chan-Nu, Chien, Fan-Ya	PwC Taiwan	unqualified opinion	—
2022	CPA Liang, Chan-Nu, Chien, Fan-Ya	PwC Taiwan	unqualified opinion	—

## II. Financial Analysis for the Last Five Years

Analysis Subjects (Note4)		Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt to assets ratio	67.58	12.09	14.30	7.78	5.91
	Long-term funding as a ratio of property, plant and equipment	60.23	281.70	233.27	569.33	689.85
Solvency (%)	Current ratio	39.39	1117.87	675.83	1453.85	3,006.11
	Quick ratio	36.10	1105.45	669.62	1373.00	2,944.78
	Interest coverage ratio	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Operation capacity	Accounts receivable turnover rate (times)	—	—	4.06	4.15	2.39
	Average days of receipt	—	—	89.90	87.95	152.72
	Inventory turnover rate (times)	—	—	—	—	—
	Payables turnover rate (times)	—	—	—	—	—
	Average days on sale	—	—	—	—	—
	Real estate, plant and equipment turnover (times)	—	—	0.01	0.01	0.01
	Total asset turnover rate (times)	—	—	0.003	0.003	0.001
Profitability	Return on assets (%)	(47.52)	(26.12)	(17.54)	(12.98)	(13.40)
	Return on equity (%)	(125.22)	(39.05)	(20.34)	(14.67)	(14.48)
	Net profit before tax to paid-in capital (%)	(36.11)	(12.70)	(10.11)	(10.29)	(15.43)
	Net profit ratio (%)	—	—	(7,016.20)	(4,923.12)	(17,866.64)
	Earnings per share (NTD)	(3.81)	(2.46)	(1.01)	(1.09)	(1.57)
Cash flow	Cash flow ratio (%)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
	Cash flow adequacy ratio (%)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
	Cash reinvestment ratio (%)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Leverage	Operating leverage	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Financial leverage	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)

Please explain the reasons for the changes in financial ratios in the last two years. (If the increase or decrease change is less than 20%, the analysis can be exempted)

(1) Debt to assets ratio, ratio of long-term funds to real estate, real estate, plant and equipment, current ratio and quick ratio: the cash capital increase prior to the listing in 2022 caused the rise of current assets and rights and interests, such as cash and cash equivalents and caused the decrease of debt ratio; the increase of ratio of long-term funds to real estate, real estate, plant and equipment as well as the ratio of current ratio and quick ratio.

(2) Accounts receivable turnover rate, average days of receipt: the decreased accounts receivable turnover rate and rising average days of receipt are due to the decreased operating income in 2022.

(3) Net profit before tax to paid-in capital, net profit ratio and earnings per share: the decreased net profit ratio is mainly due to the increased losses after tax.

Source: Consolidated financial statements audited and certified by an accountant.

Note 1 : The Company's cash flow from operating activities is negative and has no analytical significance , so it is not intended to be calculated.

Note2: The Company is a net operating loss, and the ratio is negative, so it is not calculated.

Note3: Financial analysis calculation formula:

1. Financial structure

(1) The ratio of liabilities to assets = total liabilities/total assets.

Ratio of long-term funds to real estate , real estate, plant and equipment= ( total equity + non-current liabilities)/ net real estate, plant and equipment .

2. Solvency

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

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

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense for the current period.

3. Operation capacity

(1) Accounts receivable turnover ratio (including accounts receivable and bills receivable arising from business operations) = net sales / average receivables in each period (including accounts receivable and bills receivable arising from business operations) Receivables) balance.

(2) Average days of receipt = 365/receivables turnover rate.

(3) Inventory turnover ratio = cost of goods sold/average inventory.

(4) Accounts payable (including accounts payable and bills payable arising from business operations) turnover rate = cost of goods sold / balance of average payables (including accounts payable and bills payable arising from business operations) in each period.

(5) Average days on sale = 365/inventory turnover rate.

(6) Fixed asset turnover rate = net sales/average net fixed assets.

(7) Turnover rate of total assets = net sales/total average assets.

4. Profitability

(1) Return on assets = [after-tax profit and loss + interest expense × (1-tax rate)]/average total assets.

(2) Return on equity = after-tax profit and loss/average total equity.

(3) Net profit ratio = profit and loss after tax / net sales.

(4) Earnings per share = ( equity attributable to owners of the parent company - dividends on special shares)/weighted average number of shares issued.

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = the net cash flow of operating activities in the last five years / the last five years (capital expenditure + inventory increase + cash dividend).

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / ( gross real estate , plant and equipment + long-term investment + other non- current assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit - interest expense).

### III. Audit Committee' s Report on the Financial Report for the Year 2022

#### Polaris Group

#### Audit Committee Review Report

The Board of Directors has produced the Company 's 2022 annual business report, consolidated financial statements, loss appropriation statement, etc. The consolidated financial statements have been audited and completed by the Board of Directors appointed by the Board of Directors and appointed by the Board of Directors, Liang, Chan-Nu and CPA Chien, Fan-Ya and issue an inspection report.

The above-mentioned business report, consolidated financial statements, and deficit compensation statement have been reviewed by the Audit Committee and found that there is no inconsistency. In accordance with the provisions of Article 14-4 of the Securities and Exchange Law, the report is hereby issued. Please review.

Sincerely,

Polaris Group 2023 General Shareholders' Meeting

Polaris Group

Audit Committee Convenor: Way, Tzong Der



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IV. The Most Recent Annual Financial Report: Please refer to page 140 of this annual report .

V. The Company's Most Recent Annual Financial Report, Audited and Certified by an Independent Accountant.: Not applicable.

VI. If The Company and Its Affiliates Have Experienced Financial Difficulties In the Recent Year and as of the Date of the Annual Report, the Impact on the Company's Financial Position Should Be Stated: None.

## VII. Review and Analysis of Financial Condition and Financial Performance and Risks

### I. Financial Status

Unit: NT\$1,000

Item	Year	2021	2022	Difference	
				Amount	%
Current assets		6,349,990	7,540,216	1,190,226	18.74
Investments using the equity method		62,352	60,122	(2,230)	(3.58)
Property, plant and equipment		1,297,205	1,300,049	2,844	0.22
Right-of-use asset		66,982	287,456	220,474	329.15
Intangible assets		381	174	(207)	(54.33)
Other assets		45,194	31,225	(13,969)	(30.91)
total assets		7,822,104	9,219,242	1,397,138	17.86
Current liabilities		436,770	250,830	(185,940)	(42.57)
Non-current liabilities		171,457	294,355	122,898	71.68
Total liabilities		608,227	545,185	(63,042)	(10.36)
Equity attributable to owners of parent company		7,213,877	8,674,057	1,460,180	20.24
Share capital		7,188,451	7,420,484	232,033	3.23
Capital reserve		9,824,000	11,476,142	1,652,142	16.82
Retained surplus		(9,422,362)	(10,572,795)	(1,150,433)	12.21
Other equities		(376,212)	350,226	726,438	(193.09)
Non-controlling interests		—	—	—	—
Total Equity		7,213,877	8,674,057	1,460,180	20.24

1. The main reasons for the major changes in assets, liabilities and equity in the last two years and their impact, ( analyzing and explaining the changes of more than 20 % in the previous and later periods , and the amount of the changes has reached NT\$10 million )

(1) Right-of-use assets: The decreased right-of-use assets is mainly due to the lease of new office.

(2) Other assets: Mainly due to the increased refundable deposit and refund of tax retained.

(3) Current liabilities: Mainly caused by the repayment of bank loans.

(4) Non-current liabilities: The increased lease liabilities and bank loans due within one year classified as current liabilities are mainly due to the lease of new office.

(5) Other equities: The Company's main functional currency is the US dollar. The exchange rate of the US dollar in the current year is stronger than that of the same period last year, resulting in the exchange profit difference.

2. Future countermeasures: The above changes have no material adverse impact on the Company and its subsidiaries.

Source: Financial report audited and certified by an accountant.

## II. Financial Performance

### (I) Business Result Analysis Form

Unit: NT\$1,000

Year \ Item	2021	2022	Increase (decrease) amount	Change (%)
Operating incomes	15,041	6,439	(8,602)	(57.19)
Operating costs	(12,944)	(5,024)	7,920	(61.19)
Operating margins	2,097	1,415	(682)	(32.52)
Operating expenses	(734,014)	(1,158,962)	(424,948)	57.89
Operating losses	(731,917)	(1,157,547)	(425,630)	58.15
Non-operating incomes and expenses	(7,793)	12,648	20,441	(262.30)
Net loss before tax	(739,710)	(1,144,899)	(405,189)	54.78
Income tax expense	(777)	(5,534)	(4,757)	612.22
Net loss for the current period	(740,487)	(1,150,433)	(409,946)	55.36
Other comprehensive profit or loss ( net )	(119,872)	726,438	846,310	(706.01)
Total comprehensive loss for the current period	(860,359)	(423,995)	436,364	(50.72)
Change of the increase/decrease ratio of more than 20% and the amount of NT\$ 10 million or more and its impact analysis are explained as follows :				
(1) Operating expenses: Mainly caused by the decrease of employee welfare expenses, labor expenses, commissioned research and consumables.				
(2) Other comprehensive profit or loss: The difference in exchange benefits is caused by exchange rate fluctuations.				

Source: Financial report audited and certified by an accountant.

### ( II ) Expected Sales Volume and Its Basis:

The Company is currently in the stage of new drug research and development, with its revenue mainly from the CDMO business. The Company will actively develop customized CDMO services, with it and its subsidiaries continuing to develop ADI-PEG 20 and provide biopharmaceutical development technology services and OEM production services. Currently, the Company and its subsidiaries have sound finances and have no significant adverse impact on our ongoing research and development plans and financial operations.

(III) Possible impact on the Company's future financial business and corresponding plans: Please refer to V, I, (IV) "Long-term and Short-term Business Development Plans" in this annual report.

### III. Cash Flow

#### (I) Analysis and Explanation of Cash Flow Changes in Recent Years

Unit: NT\$1,000

Subjects\Annual	2021	2022	Increase ( Decrease ) in Amount	Increase ( Decrease ) in Ratio (%)
Net cash inflow (outflow) from operating activities	(539,258)	(1,029,077)	(489,819)	90.83
Net cash inflows (outflows) from investing activities	1,019,067	199,683	(819,384)	(80.41)
Net cash inflows (outflows) from financing activities	5,351,344	1,484,775	(3,866,569)	(72.25)
Analysis of cash flow changes :				
(1) Operating activities: This is mainly due to the rise of net loss before tax for current period.				
(2) Investing activities: This is mainly due to the reclassification of US dollars deposited with financial assets of more than 3 months into cash and cash equivalents in 2021.				
(3) Financing activities: This is mainly due to the the cash capital increase handled and the acquisition of short-term loans in 2021.				

#### (II) Improvement Plan for Insufficient Liquidity:

The Company is in the clinical trial stage of developing new drugs, and the cash remains without insufficient liquidity. However, in order to strengthen the financial structure of the Company, improve the ratio of self owned funds, and pursue the long-term stable development of the Company, the cash capital increase plan will be carried out as appropriate.

#### ( III) Analysis of Cash Flow in the Next Year

Unit: NT\$1,000

Initial cash balance (1)	Expected net cash flow from operating activities throughout the year (2)	Expected net cash flow from other activities throughout the year3)	Cash surplus (insufficient) ( 1)+( 2)+(3)	Remedies for insufficient cash	
				investment plan	financial plan
7,224,724	(1,895,541)	(1,448,535)	3,880,648	—	—
Cash liquidity in the coming year :					
(1) Operating activities: In 2023, new drugs are still in the research and development stage. Although there is already income from CDMO. As for the overall net operating activities, there is still in the stage of cash outflow.					
(2) Investing and financing activities: In 2023, it's going to repay the bank loans and the construction of Yilan Plant in Taiwan.					

#### IV. The Impact of Major Capital Expenditures on Financial Business in the Most Recent Year :

The amount of capital expenditure of the Group in the most recent year was approximately NT\$ 69,633,000 , which was mainly due to the addition of real estate, plant and equipment, etc. for future product development and manufacturing. Therefore, there is no adverse financial and business condition of the Company due to the increase in capital expenditure.

## V. Reinvestment Policy in the Most Recent Year, the Main Reasons for Its Profit or Loss, Improvement Plan and Investment Plan for the Next Year

### (I) Reinvestment Policy

The Company's current re-investment policy is mainly based on investment targets related to the development of its own industry, and does not engage in investment in other industries. The relevant executive departments implement in accordance with the "Investment Cycle" and "Procedures for Acquiring or Disposing of Assets" under the internal control system. The foresaid regulations or procedures have been discussed and approved at the Board Meeting or the Shareholders' Meeting.

### (II) The Main Reasons for the Profit or Loss of Reinvestment in the Most Recent Year and the Improvement Plan :

The reinvestment businesses of the Company are all still in the research and development stage and have not yet generated operating income, so up to now, the reinvestment businesses are still in a state of loss. With the completion of the clinical trial and successful launch of products, the reinvestment businesses will generate revenues and profits.

### (III) Investment Plan for the Next Year:

The Company will build a "Biopharmaceutical R&D and Production Base" in Yilan Science Park. On April 29, 2021, the 70th meeting of the Science Park Review Conference of the Ministry of Science and Technology decided that this case is in line with the "scientific undertaking" as stipulated in Article 4 of the "Act for Establishment and Administration of Science Parks", allowing the Science Park to establish "Polaris Biopharmaceuticals, Inc. (established)". On May 5, 2021, the Company received a letter from the Hsinchu Science Park of the Ministry of Science and Technology approving the establishment of the subsidiary, and on January 22, 2022, the Company received a letter from the Hsinchu Science Park agreeing to lease the land for the Company to build the plant.

The new factory in Yilan covers an area of about 4.36 hectares. The production base is planned to be constructed in two phases, with a total investment of NT\$ 5 billion.

## VI. Analysis and Evaluation of Risks

### (I) The Impact of Interest Rate, Exchange Rate Changes and Inflation on the Company's Profit and Loss and Future Countermeasures

#### 1. The impact of interest rate changes on the profit and loss of the Group and future countermeasures

The Company pays attention to the trend of interest rates at any time to avoid the impact of interest rate fluctuations on the cost of capital of the Company, and maintains

a good relationship with the correspondent banks, so as to obtain more favorable interest rates and avoid the risk of interest rate rises. The Company is still growing, characterized with the high demand of funds and long R&D duration in terms of new drug development. In the future, it will comprehensively consider the amount and cost of various funding sources, in order to take flexible measures at any time to raise the required funds. Therefore, changes in interest rates will affect the the Company's profit or loss is not yet materially affected .

2. The impact of exchange rate changes on the profit and loss of the Group and future countermeasures

The Company's functional currencies are mainly US dollars, RMB, and New Taiwan Dollars when engaging in daily operations. For foreign currency hedging, the Company adopts the natural write-off principle, but its impact is small and aims to reduce the impact of exchange rate fluctuations on profit and loss. The Company maintains close relations with correspondent banks to grasp the changes in the foreign exchange market, thus being able to minimize the impact of exchange rate fluctuations.

3. Influence of inflation on the profit and loss of the Group and future countermeasures

The Company's profit and loss has so far not been significantly affected by inflation. The Company is a new R & D and manufacturing company and at present, we are mainly engaged in the research and development of new activities and CDMO services. Due to industry characteristics, inflation has little impact on the Company's operations, and mainly on the personnel costs and equipment procurement costs. However, up to now, the Company's profit and loss has not been affected by inflation, and we will pay close attention to changes in the overall economic environment and take appropriate measures in the future.

(II) Policies, Main Reasons for Profit or Loss and Future Countermeasures for Engaging in High-Risk, High-Leverage Investments, Lending Funds to Others, Endorsement Guarantees and Derivatives Trading

The Company focuses on the development of its own business. In the most recent year and up to the date of publication of the annual report, it has not engaged in high-risk, high-leverage investments and transactions, and nor engaged in fund loans to others or endorsed guarantees to others. In addition, measures such as "Procedures for Acquiring or Disposing of Assets", "Regulations Governing Lending Loans to Others" and "Regulations Governing Endorsement" have been formulated. All relevant operating procedures have carefully taken into account the risk status. Any endorsement guarantee or loan between the Company and its subsidiaries shall be handled in accordance with relevant operating procedures.

(III) Future R&D Plans and Estimated R&D Expenses

Compared with generic drugs or contract manufacturing, the development of new drugs

requires more money and longer time, with the relatively high risk of failure. ADI-PEG 20, the Company's new drug in development, has been under development for more than 30 years since 1990 at the laboratories of the Ludwig Institute For Cancer Research, a private, non-profit global cancer research organization in New York. Since the first human clinical trial was conducted at MD Anderson Cancer Center in 2001, the Company has completed more than 20 phase I, II and III clinical trials. As the current data shows that ADI-PEG 20 may be effective in a variety of cancers, the entire development process has entered the final stage. According to the current development progress, the indications closest to commercialization are mesothelioma, soft tissue sarcoma and hepatic cell carcinoma, and the risk of uncertainty has been reduced considerably. The Company will continue to communicate closely with the competent authorities of various countries (FDA, EMA, TFDA, CFDA) in the final stage, in order to obtain the new drug certificate in the shortest time. In addition, The Company will begin to explore the feasibility of a strategic alliance, looking for highly complementary partners to maximize the market potential of ADI -PEG 20.

In addition, The Company estimates that the total amount of research and development expenses in 2022 will be approximately NT\$600 million. If there are major changes in new drug development, appropriate planning and adjustments will be made depending on the Company's operating conditions and the progress of new drug development clinical trials to ensure the Group's competitive advantage .

#### (IV) The Impact of Important Domestic and Foreign Policies and Legal Changes on the Company's Financial Business and Countermeasures

The Company is registered in the British Cayman Islands (hereinafter referred to as "Cayman Islands"), with its operations mainly carried out in the United States, Taiwan and Mainland China. The Cayman Islands is the place of incorporation of the Company only and the Company has no substantial economic activities there. Cayman Islands takes financial services as its main economic activity, while the United States is the world's main economic system. Therefore, the economic development and political environment of both islands are relatively stable. The Company executes all its businesses in accordance with important local policies and laws and regulations, and always pays attention to the development trend of important domestic and foreign policies and changes in regulations. If there are changes, it will consult lawyers, accountants and other relevant units, or commission them to evaluate and plan countermeasures. In the most recent year and up to the date of publication of the annual report, the Company has not had any material events that have affected the Company's financial business due to important policy and legal changes in the above regions. In addition, The Company will always pay attention to changes in important policies and laws at home and abroad, and take appropriate countermeasures in a timely manner. Therefore, in the most recent year and up to the date of publication of the annual report, the changes in important policies and laws in various investment regions have not caused

significant changes in the Company's financial business.

(V) The Impact of Technological Changes (including Information Security Risks) and Industrial Changes on The Company's Financial Business and Countermeasures

The Company has a high degree of professional research and development capabilities and keeps eye on the update and improvement of related technologies in its industry at any time as well as grasps the latest market information. It closely grasps technological changes and industrial changes and takes appropriate measures as needed. Information engineers under the Management Department are responsible for coordinating and implementing information security policies to reinforce the importance of information security. In the most recent year and as of the publication date of the annual report , the Company has not had any significant impact on the Company's financial business due to technological changes and industrial changes .

(VI) The Impact of Corporate Image Change on Corporate Crisis Management and Countermeasures

The Company has always upheld the entrepreneurial spirit of integrity and sustainable operation. In the most recent year and up to the date of publication of the annual report , the company has not changed its corporate image, which has had a negative impact on it. The Company has a spokesperson system to establish a transparent and timely communication channel to protect the corporate image of the Group .

(VII) Expected Benefits, Possible Risks and Countermeasures of Merger and Acquisition

As of the publication date of the annual report , the Company currently has no acquisition plans.

(VIII) Expected Benefits, Possible Risks and Countermeasures of Plant Expansion

The Group's factories in Northern California and Chengdu are constructed in accordance with cGMP regulated by the USA and the European Union. The production plant in Northern California has sufficient production capacity to supply the initial global market demand after obtaining the drug license. The Chengdu plant is currently focusing on the research and development of the lyophilization process for biological preparations, for the purpose of optimizing the storage and delivery methods of ADI-PEG 20 products, and will also enter the field of biopharmaceutical CDMO foundry. In addition, The Company plans to build a factory in Yilan, Taiwan, but its plant area is still in the planning and design stage. In the future, it will serve as the Group's R&D and production headquarters to gradually realize the goal of becoming a multinational professional CDMO and a new drug R&D company.

(IX) Risks Involving Centralized Purchase or Sale of Goods and Countermeasures

1. Risks involving centralized purchase and countermeasures

The Company's main product is ADI-PEG 20. The Company has at least two qualified suppliers for every key consumable and equipment required for the production of ADI-PEG 20, and there is no risk of centralized purchases.

2. Risks involving centralized sale and countermeasures

The Company's main product, A DI-PEG 20, is still in the clinical trial stage, so there is no sales nor transaction. However, The Company has generated a small amount of CDMO foundry revenue from a single customer in 2020. In terms of technical services of biological drugs, due to the high technical threshold and different project attributes of customers, the Company mainly focuses on establishing long-term relationships with customers, aiming at strategic joint development projects, and will actively and continuously engage in CDMO business, thus deepening the relationship with customers to reduce the risk of centralized sale.

(X) Directors, Supervisors or Major Shareholders Holding More Than 10% of the Shares, the Impact, Risks and Countermeasures of the Large-Scale Transfer or Replacement of Shares on the Company

In the recent year and up to the date of publication of the annual report, there has been no large-scale transfer or replacement of equity interests.

(XI) The Impact, Risks and Countermeasures of the Change of Management Rights on the Company

In the recent year and up to the date of publication of the annual report, there is no change in the management rights on the Company.

(XII) Litigation or Non-litigation Event : None .

(XIII) Other Important Risks and Countermeasures:

The Company is a fully vertically integrated new drug development company. The main research project is ADI-PEG20. In the development phase, a large amount of money is needed to develop a new drug, which takes a long time to develop and has to go through a series of fairly rigorous review procedures before it can be marketed and profitable. Therefore, the Company needs to bear the risk of huge investment and development failure. The Company may encounter different levels of challenges in the new drug development process and subsequent clinical trials. Therefore, the risk analysis and countermeasures for various new drug development plans are as follows :

1. There is a risk that a new drug will not be marketed due to the risk of failure in the development of it, as well as delays in conducting human clinical trials or if the results are not as expected.

The development of a new project has become a long-term investment, and all stages are

likely to fail, from pre-clinical trial, Phase I, II, III clinical trials to new drug inspections and registration, etc. This is a common problem faced by companies carrying out new research and development for new drugs around the world.

#### Countermeasures

Our main research and development focus is the development of innovative cancer drugs. We are committed to the design and production of macromolecular biologic drug, i.e. ADI-PEG 20, precise analysis of patient samples in clinical trials, as well as the design, certification and execution of more than 20 QC testing projects established by cGMP factory to ensure the quality of new drugs, all of which require the use of the most advanced instruments and technologies. In addition to an experienced and strong team, the Company also employs external consultants and outsourced R&D facilities to help complete the task and reduce the risk of drug development failure.

The Company has signed contracts with more than 20 first-class universities and research centers around the world for more than ten years to jointly explore and expand the potential market of ADI-PEG 20, find the best combination of drugs for different cancers, and provide more than 100 cancer hospitals on a globe. Moreover, clinical trials have been conducted, and one hundred research reports on ADI-PEG 20 have been published in international scientific journals. These partners have further greatly improved the Company's technical level and R&D capabilities, increased its clinical trial success rate, as well as accelerated the time for drug products to access to the market. In addition, the Company is engaged in a number of cancer clinical trials, so when the results of one clinical trial do not meet expectations, the Company has other clinical trials that are not yet affected by the results of a single clinical trial.

## 2. Risks of product quality control

Since medicine is related to human health and safety, product quality requirements are relatively strict, and relevant clinical medicines need to be confirmed to be consistent in terms of quality and safety.

#### Countermeasures

The Company is a fully vertically integrated new drug development company. We have a complete team responsible for the development of new drugs, the planning and execution of clinical trials in many countries around the world, the design, establishment and certification of cGMP plants, and even the production and manufacturing of drugs, and professional QA/QC personnel for drug quality control to ensure the quality and safety of relevant drugs.

## 3. Long-term investment and capital requirements for new drug development

New drug research and development involves a long marketing process, high investment cost, and high risk of research and development, and it takes a long time to generate net cash inflow from operating activities. If revenue cannot be generated

successfully, working capital may be insufficient and there is a risk that the new drug development plan will not be completed.

#### Countermeasures

The Company has approximately NT \$7.22 billion in cash on its books as of December 31, 2022, which is sufficient to fund the working capital of the Company for more than three years. The Company will continue to conduct clinical trials to obtain drug certificates as soon as possible, and will increase cash flow through different financing channels as appropriate. In order to reduce research and development costs, we also consider the cooperation with the international big factory strategic alliance and the acquisition of technology licensing fees or sharing of research and development costs to accelerate the product development.

#### 4. The impact of information security risks on the Company's financial business and countermeasures:

The Company evaluates the risks of security and network, among which the leakage of confidential information of research and development plan and the Company's network virus and illegal intrusion may lead to significant financial losses of it.

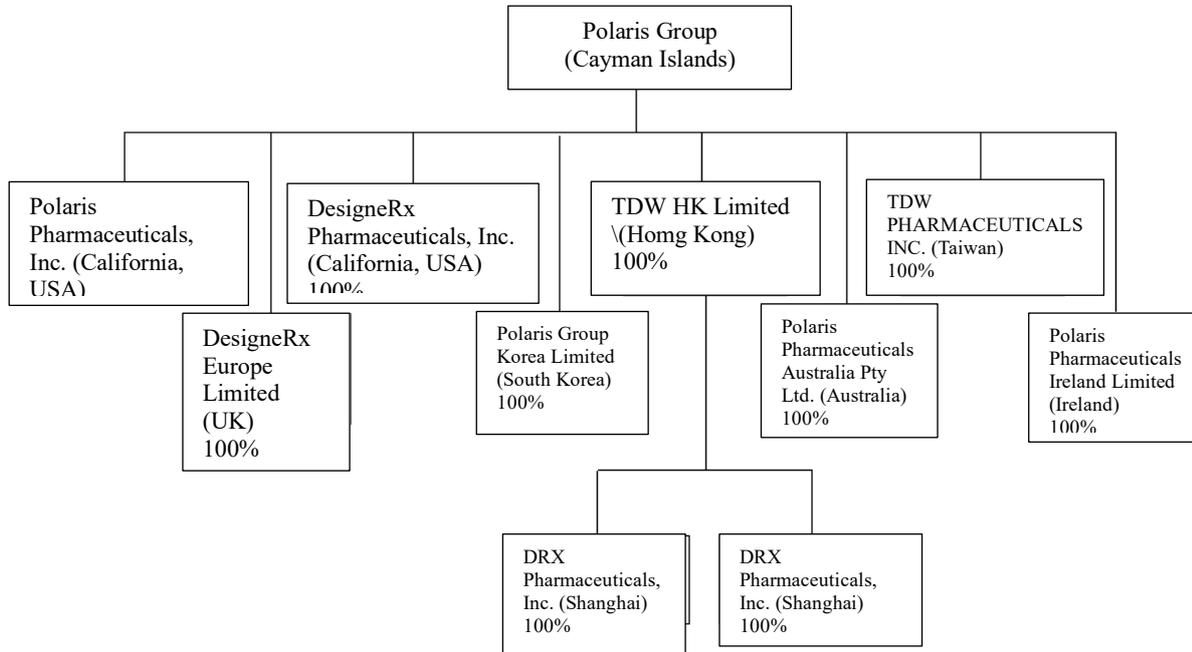
The Company has set up various network security facilities to control or maintain the functions of the its daily operations, and installed firewalls and security software in the computer system. The Company's information department sets up account identification, passwords, firewalls, and other security technologies to detect and prevent intrusion, deletion, and unauthorized access to information and systems. Its firewall settings are also regularly tested and updated. In order to avoid abuse and plagiarism, important software and files are encrypted, passwords are regularly updated, appropriate measures such as improving related processes and upgrading computer software and hardware are made in order to reduce the risk of leakage of confidential information.

VII. Other Important Matters : None

## VIII. Special Records

### I. Information about Affiliate Enterprises

#### (I) Organization Chart of Affiliated Enterprises



#### (II) Basic Information of Affiliated Enterprises

December 31, 2022 Unit : NT\$1,000

Company Name	Date of Establishment	Address	Paid-up Capital	Main Business or Production
Polaris Group	2006.02.09	PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	7,420,484	Holding company
Polaris Pharmaceuticals, Inc.	2006.03.29	10675 Sorrento Valley Rd. San Diego, CA92121, USA	1 50,995	Biotechnology R&D
Polaris Group Korea Limited	2012.05.16	3 <sup>rd</sup> Floor, Saimdang-ro 39 ( Seocho - dong), Seocho-gu , Seoul	1,159	Biotechnology Services
DesignRx Europe Limited	2011.04.27	90 High Holborn, London, WC1V 6XX	-	Biotechnology Services
Polaris Pharmaceuticals Australia Pty Ltd	2 017.01.05	58 Gipps Street ,Collingwood VIC3066, Australia	2	Biotechnology Services
Polaris Pharmaceuticals Ireland Limited	2 018.12.21	88 Harcourt Street, Dublin 2, Ireland	4	Biotechnology Services
DesignRx	2002.04.17	4941 Allison Parkway,	2,134,610	R&D and

Company Name	Date of Establishment	Address	Paid-up Capital	Main Business or Production
Pharmaceuticals, Inc.		Suite B, Vacaville, CA95688, USA		manufacturing of new drugs
TDW HK Limited	2012.12.28	6/F ALEXANDRA HSE 18 CHATER RD CENTRAL HONG KONG	1,416,405	Holding company
Nanotein Technologies, Inc. (Note 1)	2019.03.13	2950 SAN PABLO AVE BERKELEY, CA 94702, USA	70,884	Biotechnology services, drug testing
TDW PHARMACEUTICALS INC.	2022.06.02	Hsinchu Science Park, 6-418, 4F, No. 15, Yike S. Rd., Yilan City, Yilan County, Taiwan (R.O.C.)	1,000,000	R&D, manufacturing and CDMO services of new drugs
Designerx Pharmaceuticals (Shanghai) Co., Ltd.	2007.07.03	Room 201B, 5th Floor, No. 60, Naxian Road, Zhangjiang, Pudong New Area, Shanghai	1 08,950	New drug development
Designerx Pharmaceuticals (Chengdu) Co., Ltd.	2013.02.25	No. 198, Tiansheng Road, High-tech West District, Chengdu	1,413,200	Development and manufacture of new drugs

Note 1: The affiliated enterprise reinvested by the Company.

(III) Information on the Same Shareholders of Those Who Are Presumed to Have Control and Affiliation: None.

(IV) Industries Covered by the Business of the Overall Affiliated Enterprise:

The Group is engaged in manufacturing and sales of new drug research and development, biotechnology services, drug testing, etc. The core research of the Group is the novel cancer target drug ADI-PEG 20, which is currently conducting human clinical trials for various cancers all over the world.

(V) Information on Directors, Supervisors and General Managers of Affiliated Enterprises

Please refer to III. X “Number of Shares Held by the Company, Its Directors, Supervisors, Managers and Businesses Directly or Indirectly Controlled by the Company in the Same Business to Which the Company Invests, and Combined to Calculate the Consolidated Shareholding Percentage”.

## (VI) Operational Overview of Affiliated Enterprises

December 31, 2022 Unit : US\$

Name	Capital	Total assets	Total liabilities	Equity net worth	Operating income	Operating profit (loss)	Profit and loss for the current period
Polaris Pharmaceuticals, Inc.	4,600,000	8,397,220	1,312,787	7,084,433	3,518,417	(1,266,509)	(1,169,249)
Polaris Group Korea Limited	36,226	(10.65)	0	(10.65)	0	(2,434)	(2,433)
DesignRx Europe Limited	—	—	—	—	—	—	—
Polaris Pharmaceuticals Australia Pty Ltd	75	35,333	1,031,382	(996,049)	0	(167,724)	(129,172)
Polaris Pharmaceuticals Ireland Limited	—	—	—	—	—	—	—
TDW Pharmaceuticals Inc.	14,601,381	1,770,564	150,659	1,619,905	147,839	(410,052)	(377,965)
DesignRx Pharmaceuticals, Inc.	78,279,043	11,258,670	1,885,618	9,373,052	222,904	(15,771,293)	(15,955,720)
Polaris Biopharmaceuticals, Inc.	34,107,600	39,407,550	7,227,737	32,179,813	184,215	(534,936)	(480,980)
TDW HK Limited	45,300,000	34,488,450	1,787	34,486,663	0	(4,610)	(4,340)
DesignRx Pharmaceuticals (Shanghai) Co., Ltd.	3,650,000	107,281	2,392	104,889	0	8,185	11,652
DesignRx Pharmaceuticals (Chengdu) Co., Ltd.	43,550,000	43,136,001	25,406,700	17,729,301	0	(5,534,343)	(6,846,237)

Note1: Since The Company uses consolidated financial statements as its main financial statements, there is no EPS information.

(VII) Consolidated Financial Statements of Affiliated Enterprises : Please refer to the consolidated financial statements attached hereto.

(VIII) Relationship Report: The Company is not a subsidiary company of other companies, so there is no need to prepare a relationship report.

II. The Handling Status of Private Equity Securities in the Most Recent Fiscal Year and as of the Date of Publication of the Annual Report: None.

Item	The First Private Placement in 2019 Issue Date: April 3, 2019					The Second Private Placement in 2019 Issue Date: January 17, 2020				
Types of Private Securities	Common Stock					Common Stock				
Date and amount approved by shareholders meeting	June 26, 2018 The total number of common stocks to be issued shall not exceed 80,000,000					June 11, 2019 The total number of common stocks to be issued shall not exceed 300,000,000				
The basis and reasonableness of pricing	The price of common shares in this private placement shall be determined by dividing the sum of the transaction amount of common shares in each business day within the 30 business days prior to the pricing date by the sum of the number of shares in each business day, deducting the the value of bonus shares issued as stock dividends or ex-dividend, and the share price after the reversal of the capital reduction or determined based on the net value per share as shown in the latest financial report audited or reviewed by accountants before the date of pricing. The higher of the two prices set out above shall be the reference price, and the price shall be determined at a rate not less than 80% of the reference price.					The price of common shares in this private placement shall be determined by dividing the sum of the transaction amount of common shares in each business day within the 30 business days prior to the pricing date by the sum of the number of shares in each business day, deducting the the value of bonus shares issued as stock dividends or ex-dividend, and the share price after the reversal of the capital reduction or determined based on the net value per share as shown in the latest financial report audited or reviewed by accountants before the date of pricing. The higher of the two prices set out above shall be the reference price, and the price shall be determined at a rate not less than 80% of the reference price.				
The way a certain person chooses	The private placement of ordinary shares shall be subject to certain persons in accordance with the provisions of Section 43 (6) of the Securities Exchange Act and (91) Tai-Tsai-Cheng-Yi Zi No. 0910003455 issued by the Financial Supervisory Commission on June 13, 2002. The subscribers are selected for the purpose of directly or indirectly benefiting the Company and providing support for the operation or development of the Company.					The private placement of ordinary shares shall be subject to certain persons in accordance with the provisions of Section 43 (6) of the Securities Exchange Act and (91) Tai-Tsai-Cheng-Yi Zi No. 0910003455 issued by the Financial Supervisory Commission on June 13, 2002. The subscribers are selected for the purpose of directly or indirectly benefiting the Company and providing support for the operation or development of the Company.				
Necessary reasons for handling private placement	To meet the operational needs of the company and the needs of clinical trials of new drugs and working capital, the Company considers that it may not be easy to obtain the required funds smoothly in a short period of time if the funds are raised through the issuance of marketable securities, in addition, private placement is relatively timely, convenient and equity stable in raising capital, so it is necessary to raise funds from specific persons through private placement.					To meet the operational needs of the company and the needs of clinical trials of new drugs and working capital, the Company considers that it may not be easy to obtain the required funds smoothly in a short period of time if the funds are raised through the issuance of marketable securities, in addition, private placement is relatively timely, convenient and equity stable in raising capital, so it is necessary to raise funds from specific persons through private placement.				
Number of shares (or bonds)	7,065,000 shares					300,000,000 shares				
Payment completion date	March 7, 2019					December 12, 2019				
Delivery date	April 3, 2019					January 17, 2020				
Information of subscriber	Object of Private Placement	Qualification	Subscription Number (shares)	Relationship with the Company	Participation in the Operation of the Company	Object of Private Placement	Qualification	Subscription Number (shares)	Relationship with the Company	Participation in the Operation of the Company
	Iconluck Limited	Second type	2,817,224	None	None	Digital Capital Inc.	Second type	290,000,000	None	None
	G-Technology Investment Co., Ltd.	Third type	2,267,522	Director of the Company	None	Masterpiece Enterprise Co., Ltd.	Second type	10,000,000	None	None
	Chang, Yueh-Chi	Second type	1,130,254	None	None					
	Henry Shaw	Second type	500,000	None	None					
	Ultimate Beyond Limited	Second type	350,000	None	None					
Actual subscription price	NT \$21.83 per share					NT \$10 per share				
Difference between actual subscription price	The actual subscription price is 80.02% of the reference price, not less than 80% of the reference price.					The actual subscription price is 94.61% of the reference price, not less than 80% of the reference price.				

Item	The First Private Placement in 2019 Issue Date: April 3, 2019	The Second Private Placement in 2019 Issue Date: January 17, 2020
and reference price		
Impact of private placement on shareholders' equity (e.g., increase in cumulative losses...)	The value per share has been increased and the liability structure has been improved, which has a positive impact on the liability and equity rights of the company.	The value per share has been increased and the liability structure has been improved, which has a positive impact on the liability and equity rights of the company.
The use of private funds and plan implementation progress	It was raised on March 07, 2019 to increase working capital for the Company's future long-term development and to improve its financial ratio.	It was raised on December 12, 2019 to strengthen the working capital needed for the Company's future long-term development and improve the financial ratio.
Presentation of private equity benefits	Enrich the working capital to support the operating requirements and various capital needs of the Company and its subsidiaries, support the clinical trials for various indications of new drugs, facilitate the acquisition of drug licenses, improve the financial structure, provide the future long-term business development needs and improve the financial ratio, enhance the overall shareholders' equity, and have a positive impact on the Company's finance and shareholders' equity.	Enrich the working capital to support the operating requirements and various capital needs of the Company and its subsidiaries, support the clinical trials for various indications of new drugs, facilitate the acquisition of drug licenses, improve the financial structure, provide the future long-term business development needs and improve the financial ratio, enhance the overall shareholders' equity, and have a positive impact on the Company's finance and shareholders' equity.
Subscribed (converted) share payment certificate (certificates of bond-to-stock conversion), shares and stock grants	None	None

III. Information on the Company's Shares Held or Disposed of by Subsidiaries in the Most Recent Year and as of the Date of the Annual Report: None.

IV. Other Supplementary Information Required: None.

V. Explanation of the Major Differences with My Country's Provisions on the Protection of Shareholders' Rights and Interests:

Due to the slight inconsistency between the British Cayman Islands Act and the R.O.C. Act, the Taiwan Stock Exchange's recently revised "Checklist for the Protection of Shareholders' Rights and Interests in the Country of Registration of Foreign Issuers" ( hereinafter referred to as the "Checklist for the Protection of Shareholders' Rights and Interests" ) can not be applicable to the Company. The following list describes the differences between the current and effective articles of association of the Company (hereinafter referred to as the "Articles of Incorporation") and the protection of shareholders' rights and interests due to the provisions of the British Cayman Islands Act, as well as the provisions of the Articles of Incorporation of the Company .

Important Matters for the Protection of Shareholders' Rights and Interests	Acts Related to the Corporations Act or the Securities Exchange Act	Articles of Incorporation and Reasons for Differences
II. Convening Procedures and Resolution Methods of Shareholders' Meetings		
1. The Regular Shareholders' Meeting	1. Article 170 of the Company Act	In response to the amendments to the Tai-Cheng-Shang-Er-Zi No.

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>must be convened at least once a year; It should be held within six months after the end of each fiscal year. The Shareholders' Meeting is convened by the Board of Directors.</p> <p>2. The Articles of Incorporation may provide that the Shareholders' Meeting shall be held by video conference or other means announced by the competent authority of the Company Act of the Republic of China. However, due to acts of God, accidents or other force majeure, the competent authority of the Company Act of the Republic of China may announce that the Company may, within a certain period of time, hold meetings by video conference or public announcement without the provisions of the Articles of Incorporation.</p> <p>3. If the Shareholders' Meeting is held by video conference, the shareholders who participate in the meeting by video conference shall</p>	<p>2. Article 172-2 of the Company Act</p> <p>3. Article 172-1 of the Company Act</p> <p>4. Item 1, 2 of Article 173 and Article 173-1 of the Company Act</p> <p>5. Article 172 of the Company Act, Article 26-1 and Article 43-6 of the Securities Exchange Act</p>	<p>1111700674, "Checklist for the Protection of Shareholders' Rights and Interests in the Country of Registration of Foreign Issuers" (hereinafter referred to as the "Checklist for the Protection of Shareholders' Rights and Interests") issued by TSEC on March 11, 2022, and in accordance with the provisions of Taiwan's Company Act, the Regular Shareholders' Meeting of Polaris Pharmaceuticals Inc. (hereinafter referred to as Polaris Company) updated the relevant provisions on the holding of a Shareholders' Meeting by video call and added the word "physical" to the front of the original Shareholders' Meeting to make a distinction on June 2, 2022. This has no adverse impact on the shareholders' equity.</p>

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>be deemed to have attended the meeting in person.</p> <p>4. The conditions, operating procedures and other matters to be complied with by the Company shall be in accordance with the Securities Act of the Republic of China for the Shareholders' Meeting to be held by video conference.</p> <p>5. The Physical Shareholders' Meeting of the Company shall be held within the territory of the Republic of China. If a Physical Shareholders' Meeting is held outside the Republic of China, the approval of the stock exchange shall be reported to the stock exchange within two days after the resolution of the Board of Directors or the shareholders' permission for convening by the competent authority.</p> <p>6. A shareholder holding more than one percent of the total number of issued shares may submit a proposal to the Company in writing or electronically. The Board</p>		

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>of Directors shall list the motion as a motion unless it is a resolution on the income of the Shareholders' Meeting, if the proposal is not held by shareholders by 1%, if the proposal is proposed outside the period of acceptance of the public announcement, if the proposal is more than 300 words, or if there is more than one proposal. The Board still has to include shareholder proposals that urge companies to advance the public interest or fulfill their social responsibilities.</p> <p>7. If a shareholder continues to hold more than 3% of the total number of shares issued for more than one year, he may request the Board of Directors to call an extraordinary meeting of shareholders by stating in writing the proposed matters and reasons. If the Board of Directors fails to notify the meeting within 15 days after the request is made, the shareholders may report to the competent authority for permission</p>		

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>to convene the meeting on their own.</p> <p>8. Shareholders who continue to hold more than half of the total number of shares issued for more than three months may call an Interim Shareholders Meeting on their own. The period and number of shares held by shareholders shall be calculated on the basis of the shares held at the time of the termination of the transfer of ownership.</p> <p>9. The following matters shall be enumerated and stated in the cause of convening the Shareholders' Meeting, and shall not be raised by temporary motion; the main contents may be posted on the website designated by the securities authority or the Company, and its web address shall be stated in the notice:</p> <p>(1) Election or dismissal of directors or supervisors;</p> <p>(2) Change of Articles of Incorporation;</p> <p>(3) Capital reduction;</p> <p>(4) Apply to suspend the public offerings;</p>		

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>(5) Dissolution, merger, share conversion and division of the Company;</p> <p>(6) Conclude, modify or terminate a contract for leasing all business, entrusting operation, or often cooperating with or with others;</p> <p>(7) To transfer all or a substantial part of its business or property;</p> <p>(8) The transferee of all the business or property of others has a significant impact on the operation of the Company;</p> <p>(9) Private placement of marketable securities with the nature of equity;</p> <p>(10) Permission of directors' participation in competitive activities;</p> <p>(11) To distribute dividends and bonuses in whole or in part by issuing new shares;</p> <p>(12) Where the legal surplus reserve and the capital reserve from issuing premium shares or receiving gifts are distributed to the original shareholders by issuing new shares or cash.</p>		
<p>1. When holding Shareholders' Meetings, the Company shall list written</p>	<p>1. Article 177-1 of the Company Act 2. Article 177-2 of the Company Act</p>	<p>and Interests, Polaris Company amended Article 66 "To the extent permitted by the Cayman Law, the</p>

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>and electronic forms as one of the channels for exercising voting rights.</p> <p>2. If the Company exercises its voting right in writing or electronically, the method of exercise shall be specified in the notice of convening the Shareholders' Meeting. Shareholders who exercise their voting rights in writing or electronically shall be deemed to have attended the shareholders' meeting in person. However, any provisional motion or amendment to the original motion at the meeting shall be deemed as a waiver.</p> <p>3. If a shareholder exercises the right to vote in writing or electronically, the expression of intention shall be delivered to the Company two days before the meeting of the shareholders. In case of any repetition of the expression of intention, the first one delivered shall prevail. Except those who have expressed their intention before the declaration is revoked.</p> <p>4. A shareholder who wishes to attend the Shareholders' Meeting in person after exercising his voting right in writing or electronically</p>		<p>Company shall include electronic means as one of the channels for the exercise of voting rights.” of the Articles of Incorporation and deleted the latter paragraph “if the Company holds a Shareholders' Meeting outside Taiwan, the Company shall provide and allow shareholders to exercise their voting rights in writing or electronically, to comply with the provisions of the list of items for the protection of shareholders' rights and interests.</p>

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>shall, two days before the Shareholders' Meeting, revoke the aforesaid expression of intention to exercise the voting right in the same manner as the exercise of the voting right; If the cancellation is delayed, the voting right exercised in writing or electronically shall prevail.</p> <p>5. If a shareholder exercises his voting right in writing or electronically and entrusts an agent to attend the Shareholders' Meeting by proxy, the voting right to be exercised by the entrusted agent shall prevail.</p>		
<p>1. The Company shall, 30 days before the meeting of the Regular Shareholders' Meeting or 15 days before the meeting of the ExtraRegular Shareholders' Meeting, publish the cause of action and explanatory materials of the notice of Shareholders' Meeting, the power of attorney, the motions relating to recognition and discussion, the matters concerning the election or removal of directors and supervisors.</p> <p>2. The Shareholders' Meeting of the Company shall send the aforesaid information and the paper for the written</p>	<p>1. The Handbook of Shareholders' Meeting of the public company shall record and comply with Article 5 of the Measures</p> <p>2. The Handbook of Shareholders' Meeting of the public company shall record and comply with Article 6 of the Measures</p>	<p>Polaris Company intends to update the latter paragraph of clause 45 at the 2023 Shareholders' Meeting in accordance with the Checklist for the Protection of Shareholders' Rights and Interests "However, if the paid-in capital of the company reaches NT \$10 billion or more on the end of the most recent fiscal year, or if the total shareholding ratio of foreign and domestic shareholders recorded in the shareholders' register of the most recent fiscal year reaches 30% or more, the files delivered electronically shall be completed 30 days before the Regular Shareholders' Meeting."</p>

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>exercise of the voting right to the shareholders.</p> <p>3. In convening a Shareholders' Meeting, the Company shall prepare a handbook for the proceedings of the Shareholders' Meeting, and shall publish the handbook and other relevant materials of the meeting before the 21st day of the Regular Shareholders' Meeting of shareholders or the 15th day of the Interim Shareholders' Meeting. However, if the Company has a paid-in capital of NT\$10 billion or more as of the end of the most recent fiscal year, or if the total shareholding ratio of foreign and domestic shareholders recorded in the shareholders' register during the most recent fiscal year reaches 30% or more, the file delivered electronically shall be completed 30 days before the Regular Shareholders' Meeting.</p>		
<p>1. When the Shareholders' Meeting decides on one of the following matters, the opposing shareholders shall have the right to claim for the purchase of shares of the Company:</p> <p>(1) Division of the Company (13)</p>	<p>1. Article 317, Article 186 of the Company Act. 2. Article 12 of Enterprises Mergers and Acquisitions Act</p>	<p>There is no difference between the Articles of Incorporation and the Checklist for Protection of Shareholders' Rights and Interests.</p>

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>(14) (15) (16) Merger, acquisition or share conversion</p> <p>(2) The operation of the Company is materially affected by the conclusion, alteration or termination of a contract by the Company to lease the whole of its business, to entrust the business or to operate with or from time to time with another person, to assign all or a substantial part of its business or property, or to accept the whole of its business or property from another person.</p> <p>2. Any request made by a shareholder in the preceding paragraph shall be made in writing within 20 days from the date of the resolution of the Shareholders' Meeting, and the purchase price shall be specified. If an agreement is reached between the shareholders and the Company on the purchase price, the Company shall pay the price within 90 days from the date of resolution of the Shareholders' Meeting. If no agreement has been reached, the Company shall, within 90 days from the date of the</p>		

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
<p>resolution, pay the price to the shareholder who has not reached an agreement at the price it deems fair; If the company fails to pay, it shall be deemed to agree to the purchase price requested by the shareholder.</p> <p>3. A shareholder who votes against or waives his right to vote at a meeting of shareholders may, in accordance with the matter set out in Item 1 (1), request the Company to purchase all his shares. If the shareholders and the Company fail to reach an agreement on the purchase price within 60 days from the date of resolution of the Shareholders' Meeting, the Company shall, within 30 days after the expiration of such period, apply to the court for the ruling of the price with all the shareholders who have not reached an agreement as their counterparts, and the Taipei District Court of Taiwan shall be the court of first instance.</p> <p>(17) 4. The number of shares whose voting rights have been waived in the preceding paragraph shall not be counted as the voting rights of shareholders already present.</p>		

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts Related to the Corporations Act or the Securities Exchange Act</b>	<b>Articles of Incorporation and Reasons for Differences</b>
(18)		
<b>3. Powers and Responsibilities of Directors</b>		
<p>1. If a director of the Company has a stake in matters at the Board Meeting, he shall explain to the next Board of Directors the important content of his interest; at the time of the merger and acquisition of the Company, the directors of the Company shall explain to the Board of Directors and the Board of Shareholders the important content of their own interests in the merger and acquisition transaction and the reasons for or against the merger resolution. The Company shall also state the important contents of the directors' interests and the reasons for or against the merger resolution in the convening of the Shareholders' Meeting. The contents may be posted on the website designated by the securities authority of the Republic of China or the Company, and the website shall be indicated in the notice.</p> <p>2. The spouses, relatives within the second generation of the directors, or the companies with which the directors have controlling affiliations and have an interest in the matters mentioned in the preceding meeting shall be deemed to have their own interest in the matters.</p>	<p>Items 2, 3 and 4, Article 206 of the Company Act, Items 3 and 4, Article 5 of the Enterprises Mergers and Acquisitions Act</p>	<p>There is no difference between the Articles of Incorporation and the Checklist for Protection of Shareholders' Rights and Interests.</p>

VI. In the Most Recent Year and as of the Date of Publication of the Annual Report, Any Event That Has a Material Impact on the Equity of Shareholders or the Price of Securities as Specified in Paragraph 2, Item 3, Article 36 of the Securities Exchange Act Has Occurred: None

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Polaris Group

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Polaris Group and subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

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

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

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

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

### **Key audit matter - impairment assessment of property, plant and equipment**

#### Description

The Group is primarily engaged in the research and development of new drugs. The property, plant and equipment currently purchased are mainly used for the purposes of research and development or future production and their utilisation is closely related to the results of the Company's research and development of new drug. The property, plant and equipment amounted to NT\$1,300,049 thousand, constituting 14% of the consolidated total assets as at December 31, 2022. Refer to Notes 4(12) and 4(15) for the accounting policies on the acquisition and subsequent measurement of the property, plant and equipment, Note 5 for the accounting estimation uncertainty of property, plant and equipment and Notes 6(6) and 6(8) for the details and related impairment amount of property, plant and equipment. The management of the Group assesses the recoverable amounts of the property, plant and equipment where there is an indication that they are impaired as the basis of impairment assessment under IAS 36 'Impairment of Assets'. Given that the calculation of recoverable amount is considered to be a critical accounting estimate, involves the management's subjective judgement and contains uncertainty, we consider the impairment assessment of property, plant and equipment a key audit matter of the consolidated financial statements for the year ended December 31, 2022 based on the overall assessment.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on and assessed the related policies and procedures of the Group's impairment assessment of property, plant and equipment and obtained an understanding on the Group's procedures of assessing whether there is any indication that each cash-generating unit may be impaired and assessed the reasonableness of the procedures.
2. Obtained an assets appraisal report issued by an external expert appointed by the Group for the cash-generating units with indications of impairment.
3. Conducted the following audit procedures of impairment test in accordance with the assets appraisal report issued by an external expert appointed by the Group:

- (1) Obtained an understanding on and assessed the independence, objectivity and competence of the external expert.
- (2) Obtained an understanding on and assessed the reasonableness of the valuation method adopted in the appraisal report.
- (3) Obtained an understanding on and assessed the reasonableness of the main valuation key assumptions adopted in the appraisal report and recalculated to ascertain the accuracy of the calculation.

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

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

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

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

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

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

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

**POLARIS GROUP AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 7,224,724	78	\$ 5,877,401	75
1110	Financial assets at fair value through profit or loss - current	6(2)	155,988	2	114,109	2
1170	Accounts receivable, net	6(3)	461	-	4,930	-
1200	Other receivables		60	-	418	-
1410	Prepayments	6(4)	153,825	2	18,954	-
1476	Other current financial assets	6(1) and 8	3,036	-	334,141	4
1479	Other current assets, others		2,122	-	37	-
11XX	<b>Current Assets</b>		<u>7,540,216</u>	<u>82</u>	<u>6,349,990</u>	<u>81</u>
<b>Non-current assets</b>						
1550	Investments accounted for using equity method	6(5)	60,122	1	62,352	1
1600	Property, plant and equipment	6(6)(8)	1,300,049	14	1,297,205	17
1755	Right-of-use assets	6(7)	287,456	3	66,982	1
1780	Intangible assets		174	-	381	-
1920	Guarantee deposits paid	8	23,184	-	7,864	-
1990	Other non-current assets, others	6(9)	8,041	-	37,330	-
15XX	<b>Non-current assets</b>		<u>1,679,026</u>	<u>18</u>	<u>1,472,114</u>	<u>19</u>
1XXX	<b>Total assets</b>		<u>\$ 9,219,242</u>	<u>100</u>	<u>\$ 7,822,104</u>	<u>100</u>
<b>Liabilities and Equity</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ -	-	\$ 277,951	4
2200	Other payables	6(11)	130,057	2	138,652	2
2280	Current lease liabilities		32,635	-	20,167	-
2320	Long-term liabilities, current portion	6(12)	88,138	1	-	-
21XX	<b>Current Liabilities</b>		<u>250,830</u>	<u>3</u>	<u>436,770</u>	<u>6</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(12)	30,848	-	117,261	2
2580	Non-current lease liabilities		230,997	3	21,371	-
2670	Other non-current liabilities, others	6(13)	32,510	-	32,825	-
25XX	<b>Non-current liabilities</b>		<u>294,355</u>	<u>3</u>	<u>171,457</u>	<u>2</u>
2XXX	<b>Total Liabilities</b>		<u>545,185</u>	<u>6</u>	<u>608,227</u>	<u>8</u>
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Ordinary share	6(16)	7,420,484	81	7,188,451	92
	Capital surplus	6(17)				
3200	Capital surplus		11,476,142	124	9,824,000	126
	Retained earnings	6(18)				
3350	Accumulated deficit		( 10,572,795)	( 115)	( 9,422,362)	( 121)
Other equity interest						
3400	Other equity interest		350,226	4	( 376,212)	( 5)
3XXX	<b>Total equity</b>		<u>8,674,057</u>	<u>94</u>	<u>7,213,877</u>	<u>92</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 9,219,242</u>	<u>100</u>	<u>\$ 7,822,104</u>	<u>100</u>

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

**POLARIS GROUP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19)	\$ 6,439	-	\$ 15,041	2
5000 Operating costs	6(22)(23)	( 5,024)	-	( 12,944)	( 2)
5900 Gross profit from operations		<u>1,415</u>	-	<u>2,097</u>	-
Operating expenses	6(22)(23)				
6200 Administrative expenses		( 234,991)	( 21)	( 179,724)	( 24)
6300 Research and development expenses		( 923,971)	( 80)	( 554,290)	( 75)
6000 Total operating expenses		( 1,158,962)	( 101)	( 734,014)	( 99)
6900 Net operating loss		( 1,157,547)	( 101)	( 731,917)	( 99)
Non-operating income and expenses					
7100 Interest income		64,739	6	7,892	1
7020 Other gains and losses	6(20)	( 32,285)	( 3)	8,191	1
7050 Finance costs	6(21)	( 11,051)	( 1)	( 14,674)	( 2)
7060 Share of loss of associates and joint ventures accounted for using equity method	6(5)	( 8,755)	( 1)	( 9,202)	( 1)
7000 Total non-operating income and expenses		<u>12,648</u>	<u>1</u>	<u>( 7,793)</u>	<u>( 1)</u>
7900 Loss before income tax		( 1,144,899)	( 100)	( 739,710)	( 100)
7950 Income tax expense	6(24)	( 5,534)	-	( 777)	-
8200 Loss for the year		<u>( \$ 1,150,433)</u>	<u>( 100)</u>	<u>( \$ 740,487)</u>	<u>( 100)</u>
<b>Components of other comprehensive income, net, that will not be reclassified to profit or loss</b>					
8361 Exchange differences on translation		\$ 835,691	73	( \$ 135,663)	( 18)
<b>Components of other comprehensive income, net, that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation		( 109,253)	( 9)	15,791	2
<b>Other comprehensive income(loss)</b>		<u>\$ 726,438</u>	<u>64</u>	<u>( \$ 119,872)</u>	<u>( 16)</u>
8500 Total comprehensive loss		<u>( \$ 423,995)</u>	<u>( 36)</u>	<u>( \$ 860,359)</u>	<u>( 116)</u>
Loss per share					
9750 Basic and diluted loss per share	6(25)	<u>( \$ 1.57)</u>		<u>( \$ 1.09)</u>	

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

POLARIS GROUP AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent				Total equity
		Share capital – ordinary share	Capital surplus	Accumulated deficit	Financial statements translation differences of foreign operations	
<u>2021</u>						
Balance at January 1, 2021		\$ 6,529,014	\$ 5,290,730	(\$ 8,681,875)	(\$ 256,340)	\$ 2,881,529
Loss for the year		-	-	( 740,487)	-	( 740,487)
Other comprehensive loss for the year		-	-	-	( 119,872)	( 119,872)
Total comprehensive loss		-	-	( 740,487)	( 119,872)	( 860,359)
Issuance of shares	6(16)	640,000	4,480,000	-	-	5,120,000
Exercise of employee stock options	6(15)(17)	19,437	33,229	-	-	52,666
Compensation cost of employee stock options	6(15)(17)	-	21,317	-	-	21,317
Changes in ownership interest in associates accounted for using the equity method	6(5)(17)	-	( 1,276)	-	-	( 1,276)
Balance at December 31, 2021		<u>\$ 7,188,451</u>	<u>\$ 9,824,000</u>	<u>(\$ 9,422,362)</u>	<u>(\$ 376,212)</u>	<u>\$ 7,213,877</u>
<u>2022</u>						
Balance at January 1, 2022		<u>\$ 7,188,451</u>	<u>\$ 9,824,000</u>	<u>(\$ 9,422,362)</u>	<u>(\$ 376,212)</u>	<u>\$ 7,213,877</u>
Loss for the year		-	-	( 1,150,433)	-	( 1,150,433)
Other comprehensive income for the year		-	-	-	726,438	726,438
Total comprehensive income(loss)		-	-	( 1,150,433)	726,438	( 423,995)
Issuance of shares	6(16)	200,000	1,528,539	-	-	1,728,539
Exercise of employee stock options	6(15)(17)	32,033	52,081	-	-	84,114
Compensation cost of employee stock options	6(15)(17)	-	71,522	-	-	71,522
Balance at December 31, 2022		<u>\$ 7,420,484</u>	<u>\$ 11,476,142</u>	<u>(\$ 10,572,795)</u>	<u>\$ 350,226</u>	<u>\$ 8,674,057</u>

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

**POLARIS GROUP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 1,144,899 )	( \$ 739,710 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(7)(22)	143,502	153,859
Amortisation expense	6(22)	213	210
Impairment loss	6(8)(20)	-	75,368
Compensation cost of employee stock options	6(15)(23)	37,507	48,026
Interest expense	6(21)	11,051	14,674
Interest revenue		( 64,739 )	( 7,892 )
Loss on disposal of property, plant and equipment		570	409
Loss on valuation of financial assets at fair value through profit or loss	6(2)(20)	18,408	1,992
Share of loss of associates accounted for using the equity method		8,755	9,202
Income from Paycheck Protection Program (PPP) loan forgiveness		-	( 65,396 )
Gain in government grants		( 1,630 )	( 820 )
Gain on disposal of investments accounted for using the equity method	6(5)(20)	-	( 18,757 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net	6(3)	4,469	( 2,614 )
Other receivables		358	5,414
Prepayments		( 134,871 )	( 3,350 )
Other current assets, others		( 2,085 )	78
Other non-current assets, others		29,289	( 6,452 )
Changes in operating liabilities			
Other payables		18,663	2,033
Cash outflow generated from operations		( 1,075,439 )	( 533,726 )
Income taxes paid	6(24)	( 5,534 )	( 777 )
Interest paid		( 12,843 )	( 12,647 )
Interest received		64,739	7,892
Net cash flows used in operating activities		( 1,029,077 )	( 539,258 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(6)(26)	( 69,633 )	( 204,343 )
Acquisition of financial assets at fair value through profit or loss	6(2)	( 47,546 )	( 57,893 )
Proceeds from disposal of property, plant and equipment		172	-
Acquisition of investments accounted for using the equity method		-	( 69,536 )
Decrease(increase) in other current financial assets	6(1)	332,010	( 332,064 )
Decrease(increase) in refundable deposits		( 15,320 )	( 5,961 )
Proceeds from disposal of financial assets at amortised cost		-	1,688,864
Net cash flows from investing activities		199,683	1,019,067
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Acquisition of short-term borrowings	6(10)(27)	-	275,615
Repayments of short-term borrowings	6(10)(27)	( 299,387 )	( 21,397 )
Acquisition of long-term borrowings	6(12)(27)	-	29,657
Repayments of long-term borrowings	6(12)	-	( 86,199 )
Payments of lease liabilities	6(7)(27)	( 28,491 )	( 18,998 )
Exercise of employee stock options	6(16)	84,114	52,666
Proceeds from issuance of shares	6(16)	1,728,539	5,120,000
Net cash flows from financing activities		1,484,775	5,351,344
Effect of exchange rate changes on cash and cash equivalents		691,942	( 104,437 )
Net increase in cash and cash equivalents		1,347,323	5,726,716
Cash and cash equivalents at beginning of year		5,877,401	150,685
Cash and cash equivalents at end of year		\$ 7,224,724	\$ 5,877,401

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

POLARIS GROUP AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organisation

THE POLARIS GROUP, LLC (Polaris Group, the “Company”) was incorporated in the Cayman Islands on February 9, 2006. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the biotechnology services, drug testing, contract development and manufacturing services and research, development, manufacture and sales of new drugs. The Group’s core research is the ADI-PEG 20 which is currently undergoing human clinical trials for various cancer indications.

The review of initial application for primary listing of stock filed by the Company had been completed on March 4, 2022. The application for listing had been approved by the Board of Directors of the Taiwan Stock Exchange on March 22, 2022. The Company’s stocks have been listed on the Taiwan Stock Exchange on June 6, 2022.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 9, 2023.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
- (b) Liabilities on cash-settled share-based payment arrangements measured at fair value.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Notes 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			December 31, 2022	December 31, 2021
The Company	Polaris Biopharmaceuticals, Inc.	Research, development and manufacture of new drugs	100(Note)	-
The Company	Polaris Pharmaceuticals, Inc.	Research and development of biotechnology	100	100
The Company	DesigneRx Europe Limited	Research and development of biotechnology	100	100
The Company	Polaris Group Korea Limited	Research and development of biotechnology	100	100
The Company	Polaris Pharmaceuticals Australia Pty Ltd.	Research and development of biotechnology	100	100
The Company	Polaris Pharmaceuticals Ireland Limited	Research and development of biotechnology	100	100
The Company	TDW Pharmaceuticals Inc.	Biotechnology services and medicine inspection	100	100
The Company	DesigneRx Pharmaceuticals, Inc.	Research, development and manufacture of new drugs	100	100
The Company	TDW HK Limited	Holding company	100	100
TDW HK Limited	DesigneRx Pharmaceuticals (Shanghai) Inc.	Research and development of new drugs	100	100
TDW HK Limited	DesigneRx Pharmaceuticals (Chengdu) Co., Ltd.	Research, development and manufacture of new drugs	100	100

(Note) Polaris Biopharmaceuticals, Inc. was incorporated under approval on June 2, 2022.

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

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

E. Significant restrictions: None

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's functional currency is USD; however, the consolidated financial statements are presented in NTD under the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet

date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

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

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

#### (5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### (6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that

meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Accounts receivable

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

(9) Impairment of financial assets

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

(10) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus'

in proportion to its ownership.

- D. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 ~ 50 years
Testing equipment	5 ~ 10 years
Production equipment	5 ~ 10 years
Computer equipment	3 ~ 7 years
Office equipment	3 ~ 7 years
Leasehold improvement	The shorter of useful lives and lease terms

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

(13) Intangible assets

Intangible assets, mainly computer software acquired externally, are stated at cost and amortised on a straight-line basis over their estimated useful lives of 3 years.

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment

loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(15) Borrowings

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

(16) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The Group initially measures notes and accounts payable at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'

(18) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service

conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

- B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

(19) Income tax

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

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

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

(20) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(21) Revenue recognition

The Group provides biopharmaceutical manufacturing services to the customers. Operating revenue is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual cost of services provided to the end of the reporting period as a proportion of the total cost of services to be provided. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(22) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(23) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

## Critical accounting estimates and assumptions

### Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2022, the carrying amount of property, plant and equipment was \$1,300,049. There was no impairment loss recognised for the year ended December 31, 2022.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 167	\$ 147
Checking accounts and demand deposits	551,788	479,654
Time deposits	<u>6,672,769</u>	<u>5,397,600</u>
	<u>\$ 7,224,724</u>	<u>\$ 5,877,401</u>

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

B. As of December 31, 2022 and 2021, cash and cash equivalents that were pledged to others as collateral and classified as other current financial assets amounted to \$16,036 and \$334,141, respectively. Refer to Notes 6(10) and 8 for details.

### (2) Financial assets at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Unlisted stocks	\$ 49,998	\$ 45,065
Corporate bonds	79,545	27,414
Beneficiary certificates	<u>49,062</u>	<u>44,222</u>
	178,605	116,701
Valuation adjustment	<u>(22,617)</u>	<u>(2,592)</u>
	<u>\$ 155,988</u>	<u>\$ 114,109</u>

### (3) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 461	\$ 4,930

The Group had no accounts receivable that were past due on December 31, 2022 and 2021.

(4) Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepaid clinical trial	\$ 123,972	\$ 6,921
Others	29,853	12,033
	<u>\$ 153,825</u>	<u>\$ 18,954</u>

In order to actively expand the clinical trials of Globlastoma, the Company's US subsidiary, Polaris Pharmaceuticals, Inc., entered into a clinical trial contract with a research institution in the current year.

(5) Investments accounted for using equity method

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ 62,352	\$ 39,552
Addition of investments accounted for using equity method	-	61,972
Disposal of investments accounted for using equity method	-	( 27,103)
Share of profit or loss of investments accounted for using equity method	( 8,755)	( 9,202)
Capital surplus - recognition of changes in ownership interest in associates accounted for using the equity method not proportionately to interest (Notes 6(17))	-	( 1,276)
Net exchange differences	6,525	( 1,591)
At December 31	<u>\$ 60,122</u>	<u>\$ 62,352</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Nanotein Technologies, Inc.	<u>\$ 60,122</u>	<u>\$ 62,352</u>

Associates

A. For the abovementioned investments accounted for using the equity method, the balances on December 31, 2022 and 2021 were \$60,122 and \$62,352, respectively, and the comprehensive losses recognised for the years ended December 31, 2022 and 2021 were \$8,755 and \$9,202 respectively.

B. The basic information of the Group's associates is as follows:

<u>Company name</u>	<u>business</u>	<u>Shareholding ratio</u>	
		<u>2022</u>	<u>2021</u>
Nanotein Technologies, Inc.	California, US	41.00%	41.00%

C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2022 and 2021, the carrying amount of the net assets of the Group's individually immaterial associates amounted to \$74,102 and \$86,698, respectively.

	2022	2021
Loss for the period from continuing operations	(\$ 21,466)	(\$ 27,862)

D. The Group holds 41% of Nanotein Technologies, Inc.'s ordinary shares outstanding. However, the Group assessed that it has significant influence but no control over the investee considering it only holds 1/3 of the seats in the investee's Board of Directors.

(6) Property, plant and equipment

	2022							
	Land	Buildings	Testing equipment	Transportation equipment	Office equipment	Leasehold improvement	Unfinished construction and equipment under acceptance	Total
At January 1								
Cost	\$ 163,511	\$ 981,184	\$ 573,302	\$ 3,438	\$ 16,424	\$ 373,543	\$ 22,053	\$ 2,133,455
Accumulated depreciation and impairment	-	( 118,684)	( 400,282)	( 3,266)	( 13,934)	( 300,084)	-	( 836,250)
	<u>\$ 163,511</u>	<u>\$ 862,500</u>	<u>\$ 173,020</u>	<u>\$ 172</u>	<u>\$ 2,490</u>	<u>\$ 73,459</u>	<u>\$ 22,053</u>	<u>\$ 1,297,205</u>
Opening net book amount as at January 1	\$ 163,511	\$ 862,500	\$ 173,020	\$ 172	\$ 2,490	\$ 73,459	\$ 22,053	\$ 1,297,205
Additions	-	-	12,552	-	1,291	698	56,241	70,782
Disposals	-	-	( 742)	-	-	-	-	( 742)
Transfers	-	-	33,751	-	5,626	4,843	( 44,220)	-
Depreciation charge	-	( 21,563)	( 38,219)	-	( 1,164)	( 50,691)	-	( 111,637)
Net exchange differences	17,898	12,652	5,487	3	36	6,148	2,217	44,441
Closing net book amount as at December 31	<u>\$ 181,409</u>	<u>\$ 853,589</u>	<u>\$ 185,849</u>	<u>\$ 175</u>	<u>\$ 8,279</u>	<u>\$ 34,457</u>	<u>\$ 36,291</u>	<u>\$ 1,300,049</u>
At December 31								
Cost	\$ 181,409	\$ 995,619	\$ 651,830	\$ 3,489	\$ 23,715	\$ 419,877	\$ 36,291	\$ 2,312,230
Accumulated depreciation and impairment	-	( 142,030)	( 465,981)	( 3,314)	( 15,436)	( 385,420)	-	( 1,012,181)
	<u>\$ 181,409</u>	<u>\$ 853,589</u>	<u>\$ 185,849</u>	<u>\$ 175</u>	<u>\$ 8,279</u>	<u>\$ 34,457</u>	<u>\$ 36,291</u>	<u>\$ 1,300,049</u>

	2021							
	Land	Buildings	Testing equipment	Transportation equipment	Office equipment	Leasehold improvement	Unfinished construction and equipment under acceptance	Total
At January 1								
Cost	\$ -	\$ 988,952	\$ 575,060	\$ 5,535	\$ 16,642	\$ 400,559	\$ 8,655	\$ 1,995,403
Accumulated depreciation and impairment	-	( 21,172)	( 355,891)	( 5,259)	( 14,547)	( 276,336)	-	( 673,205)
	<u>\$ -</u>	<u>\$ 967,780</u>	<u>\$ 219,169</u>	<u>\$ 276</u>	<u>\$ 2,095</u>	<u>\$ 124,223</u>	<u>\$ 8,655</u>	<u>\$ 1,322,198</u>
Opening net book amount as at January 1	\$ -	\$ 967,780	\$ 219,169	\$ 276	\$ 2,095	\$ 124,223	\$ 8,655	\$ 1,322,198
Additions	164,402	-	2,695	-	593	-	31,292	198,982
Disposals	-	-	( 273)	( 102)	( 34)	-	-	( 409)
Transfers	-	-	16,823	-	871	-	17,694	-
Depreciation charge	-	( 22,396)	( 62,690)	-	( 1,007)	( 47,854)	-	( 133,947)
Impairment loss	-	( 75,368)	-	-	-	-	-	( 75,368)
Net exchange differences	( 891)	( 7,516)	( 2,703)	( 2)	( 29)	( 2,910)	( 200)	( 14,251)
Closing net book amount as at December 31	<u>\$ 163,511</u>	<u>\$ 862,500</u>	<u>\$ 173,021</u>	<u>\$ 172</u>	<u>\$ 2,489</u>	<u>\$ 73,459</u>	<u>\$ 22,053</u>	<u>\$ 1,297,205</u>
At December 31								
Cost	\$ 163,511	\$ 981,184	\$ 573,302	\$ 3,438	\$ 16,424	\$ 373,543	\$ 22,053	\$ 2,133,455
Accumulated depreciation and impairment	-	( 118,684)	( 400,282)	( 3,266)	( 13,934)	( 300,084)	-	( 836,250)
	<u>\$ 163,511</u>	<u>\$ 862,500</u>	<u>\$ 173,020</u>	<u>\$ 172</u>	<u>\$ 2,490</u>	<u>\$ 73,459</u>	<u>\$ 22,053</u>	<u>\$ 1,297,205</u>

A. The Group has no property, plant and equipment pledged to others.

B. Impairment information about the property, plant and equipment is provided in Notes 6(8). The accumulated impairment amount recorded as of December 31, 2022 was \$75,368.

(7) Leasing arrangements – lessee

A. The Group leases various assets including buildings, offices, land and office equipment. Except for the land use right whose lease period is 20~50 years, other rental contracts are typically made for periods of 1 to 5 year(s). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Short-term leases with a lease term of 12 months or less comprise certain offices. Low-value assets comprise certain offices and office equipment.

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

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land use right	\$ 243,721	\$ 29,449
Buildings and offices	43,735	37,314
Office equipment	-	219
	<u>\$ 287,456</u>	<u>\$ 66,982</u>

	Year ended December 31, 2022	Year ended December 31, 2021
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land use right	\$ 9,994	\$ 705
Buildings and offices	21,793	19,110
Office equipment	78	97
	<u>\$ 31,865</u>	<u>\$ 19,912</u>

- D. On August 6, 2013, the second-tier subsidiary of the Group, DesigneRx Pharmaceuticals (Chengdu) Co., Ltd., signed a land use right contract with the People's Republic of China for the use of the land in the Southwest area of the Chengdu high-tech west zone with a term of 50 years. All rentals had been paid on the contract date.
- E. The Company planned to invest and construct a plant in Yilan Science Park through the newly established subsidiary, Polaris Biopharmaceuticals, Inc. as resolved by the Board of Directors on January 27, 2022. The subsidiary had been incorporated under approval on June 2, 2022. The Company entered into a land leasing contract with the Hsinchu Science Park Bureau, National Science and Technology Council on behalf of the subsidiary in the first quarter of 2022. The lease term is 20 years starting from March 1, 2022 to December 31, 2041. During the period of incorporation, the rental was paid by the Company in advance.
- F. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$248,951 and \$0, respectively.
- G. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,757	\$ 2,240
Expense on short-term lease contracts	784	866
Expense on leases of low-value assets	449	-

- H. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$33,481 and \$22,105, respectively.
- I. Information about the land use right that was pledged to others as collateral is provided in Notes 8.

(8) Impairment of non-financial assets

As the impact of the Covid-19 on the Group had been gradually stabilised for the year ended December 31, 2022, the Group did not recognise impairment loss on certain property and plant in China for the current year. The recoverable amount is the property's fair value less costs of disposal, estimated in accordance with the comparison approach and replacement cost method. For the land use right, the weighted-average price of the comparison targets was calculated and the balance as of December 31, 2022 were calculated based on the remaining period of the land use right. For the buildings, their estimated economic lives are 30.8 years and the useful lives of clean rooms are 2 to 5 years. For the machinery and equipment, their estimated economic lives are 5 to 15 years based on their nature. Valuations of the non-financial assets were categorised within Level 3 in the fair value hierarchy. There was no impairment for the year ended December 31, 2022. The accumulated impairment that the Group recognised amounted to \$75,368 as of December 31, 2022 and 2021.

The impairment loss is as follows:

	Year ended December 31, 2022	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss – buildings	\$ -	\$ -

	Year ended December 31, 2021	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss – buildings	(\$ 75,368)	\$ -

(9) Other non-current assets - others

	December 31, 2022	December 31, 2021
Tax retained	\$ 8,041	\$ 37,330

(10) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range
Bank borrowings		
Secured borrowings (B)	\$ 56,458	2.85% ~ 3.4%
Secured borrowings (B)	221,493	3.44% ~ 3.56%
	<u>\$ 277,951</u>	

A. The Group had no short-term borrowings as of December 31, 2022.

B. The borrowings were pledged by certificates of deposit and had been fully repaid on April 19, 2022.

(11) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payable on clinical trials and consumables	\$ 43,973	\$ 64,338
Payable on wages and salaries	33,958	22,113
Payable on share-based payments (Notes 6(15))	-	26,961
Payable on construction, machinery and equipment	3,037	1,543
Payable on service fees	156	510
Others	48,933	23,187
	<u>\$ 130,057</u>	<u>\$ 138,652</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Secured borrowings (A~C)	1.80%	Land use right	\$ 118,986
Less: Current portion			( 88,138)
			<u>\$ 30,848</u>

<u>Type of borrowings</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Secured borrowings (A~C)	1.80%	Land use right	\$ 117,261
Less: Current portion			-
			<u>\$ 117,261</u>

A. The borrowing period of the long-term borrowings is from August 23, 2016 to August 11, 2024 and the principal is repayable in 5 installments according to the agreed amounts. The Group had repaid 3 installments. The remaining 2 installments will be repaid in 2023 and 2024 in the amounts of RMB 20 million and RMB 7 million, respectively.

B. The secured fee and borrowing consulting fee are payable annually at a fixed rate of 1.5% and 0.3%, respectively.

C. The borrowing funds were provided for the use of plant construction and equipment purchased and classified to other current financial assets. Refer to Notes 8 for details.

(13) Other non-current liabilities, others

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term deferred revenue	\$ 32,510	\$ 32,825

Long-term deferred revenue pertains to the subsidies of construction project granted by the management committee of Chengdu High-tech Industrial Development Zone, People's Republic of China to support the construction project of the base for the Group's research, development and production of ADI-PEG20 and other antineoplastic drugs. Long-term deferred revenue has been transferred to other gains year by year according to the remaining useful life of the plant. The amount

transferred to other gains for the years ended December 31, 2022 and 2021 was \$797 and \$820, respectively.

(14) Pensions

The Group has adopted a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. Nationality. Other consolidated entities have also adopted a defined contribution pension plan under the local regulations and contribute salaries and wages of the local employees to the endowment insurance or pension fund. Other than the annual contributions, the entities have no further obligations. Under the New Plan, the Group contributes monthly an amount based on a certain percentage of the salaries and wages to the pension. Other than the monthly contributions, the Group has no further obligations. Details of the relevant pension expense are as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Defined contribution plans	<u>\$ 1,128</u>	<u>\$ 993</u>

(15) Share-based payment

A. As of December 31, 2022, the contents of the share-based payment arrangements issued by the Group whose objects were the Company's stocks are as follows:

Equity settled

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Stock options	2012.02.21	1,735,999	10 years	4 years' service
Stock options	2012.02.28	480,000	10 years	Vested immediately
Stock options	2012.08.01	1,990,500	10 years	4 years' service
Stock options	2012.10.10	88,000	10 years	4 years' service
Stock options	2012.10.10	20,000	10 years	2 years' service
Stock options	2013.05.20	2,204,000	10 years	4 years' service
Stock options	2013.09.13	276,000	10 years	4 years' service
Stock options	2014.08.15	3,706,400	10 years	4 years' service
Stock options	2014.11.24	520,000	10 years	4 years' service
Stock options	2014.11.24	4,000	10 years	2 years' service
Stock options	2014.12.30	400,000	10 years	4 years' service
Stock options	2015.04.15	519,999	10 years	4 years' service
Stock options	2015.07.07	128,000	10 years	4 years' service
Stock options	2015.10.30	312,000	10 years	4 years' service
Stock options	2015.11.17	3,128,000	10 years	4 years' service
Stock options	2018.01.03	6,111,000	10 years	4 years' service
Stock options	2018.05.31	210,000	10 years	4 years' service
Stock options	2019.11.20	1,788,000	10 years	4 years' service
Stock options	2020.04.01	4,697,000	10 years	4 years' service
Stock options	2021.06.24	818,000	10 years	4 years' service
Stock options	2021.12.13	640,000	10 years	4 years' service
Stock options	2022.05.10	570,000	10 years	4 years' service
Stock options	2022.12.24	7,262,500	10 years	4 years' service

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

	2022		2021	
	No. of options	Weighted-average exercise price (in USD)	No. of options	Weighted-average exercise price (in USD)
Options outstanding at January 1	14,684,373	\$ 1.39	17,114,766	\$ 1.28
Options granted	7,832,500	3.38	1,458,000	2.47
Options exercised	( 3,203,269)	0.88	( 1,943,713)	0.96
Options forfeited	( 739,482)	1.24	( 1,944,680)	1.63
Options outstanding at December 31	<u>18,574,122</u>	2.33	<u>14,684,373</u>	1.39
Options exercisable at December 31	<u>7,336,933</u>	1.64	<u>7,823,076</u>	1.76

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2022 and 2021 was US\$3.83 (in dollars) and US\$2.6 (in dollars), respectively.

D. For the years ended December 31, 2022 and 2021, the range of exercise prices of the Company's stock options issued and outstanding was US\$0.33 (in dollars) ~ US\$4.15 (in dollars) and US\$0.33 (in dollars) ~ US\$3.30 (in dollars), respectively; the weighted-average remaining contractual period was 4.33 years and 6.05 years, respectively.

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information on December 31, 2022 is as follows:

Type of arrangement	Grant date	Stock price (USD)	Exercise price (USD)	Expected price volatility (Note)	Expected option life (Year)	Expected dividends	Risk-free interest rate	Fair value per unit (USD)
Stock options	2012.02.21	0.88	0.88	80.00%	5.05~6.05	-	0.96~1.24%	0.56~0.60
Stock options	2012.02.28	0.88	1.17	80.00%	5.00	-	0.87%	0.51
Stock options	2012.08.01	1.18	1.25	80.00%	5.39~5.62	-	0.80%	0.76~0.77
Stock options	2012.10.10	1.18	1.25	80.00%	5.46~5.51	-	0.79%	0.75~0.76
Stock options	2013.05.20	1.50	1.50	75.00%	5.81~6.11	-	1.09%	0.97~0.99
Stock options	2013.09.13	1.50	1.50	72.50%	5.91~6.08	-	2.01%	0.97~0.98
Stock options	2014.08.15	2.06	2.06	49.65%	5.00	-	1.77%	0.92
Stock options	2014.11.24	1.93	1.93	67.50%	6.00	-	1.82%	1.18
Stock options	2014.12.30	1.93	1.93	66.00%	6.00	-	1.84%	1.16
Stock options	2015.04.15	2.50	2.50	64.00%	6.00	-	1.50%	1.47
Stock options	2015.07.07	2.50	2.50	63.00%	6.00	-	1.77%	1.46
Stock options	2015.10.30	2.50	2.50	63.50%	6.00	-	1.70%	1.46
Stock options	2015.11.17	3.30	3.30	63.50%	6.00	-	1.84%	1.94
Stock options	2018.01.03	1.95	1.68	45.00%	6.00	-	2.30%	0.98
Stock options	2018.05.31	1.93	1.68	45.00%	6.00	-	2.71%	0.98
Stock options	2019.11.20	0.33	0.33	45.00%	7.00	-	1.65%	0.17
Stock options	2020.04.01	0.47	0.47	45.00%	7.00	-	0.51%	0.22
Stock options	2021.06.24	2.40	2.39	47.76%	7.00	-	1.26%	1.19
Stock options	2021.12.13	2.57	2.56	45.71%	7.00	-	1.37%	1.24
Stock options	2022.05.10	4.17	4.15	46.37%	7.00	-	2.97%	2.16
Stock options	2022.12.24	3.32	3.32	45.79%	7.00	-	3.56%	1.74

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

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

	2022		2021	
Equity-settled				
Compensation cost of employee stock options	\$	70,590	\$	21,317
Unfinished construction		932		-
Cash capital increase		55,683		-
Cash-settled (Note)	(	33,083)		26,709
	\$	94,122	\$	48,026

Note: All cash-settled share-based payments were converted to equity-settled after the Company was listed on the Taiwan Stock Exchange on June 6, 2022, and thus the Company wrote-off the existing payable on share-based payments.

G. Liabilities arising from the Company's share-based payment transactions are shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Liabilities on cash-settled share-based payment	\$ -	\$ 26,961
Total intrinsic value of liabilities for which the vesting conditions have been met	-	19,788

(16) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock, and the paid-in capital was \$7,420,484 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. The Company's Board of Directors had resolved the capital increase by issuing new shares before initial listing on March 29, 2022. The subscription price of the capital increase was NT\$82 (in dollars) per share, the number of shares issued was 20,000 thousand shares, the effective date of subscription was May 25, 2022 and the effective date of capital increase was June 1, 2022. All proceeds from the capital increase have been collected.
- C. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	718,845,109	652,901,396
Cash capital increase	20,000,000	64,000,000
Employee stock options exercised	3,203,269	1,943,713
At December 31	<u>742,048,378</u>	<u>718,845,109</u>

(17) Capital surplus

	<u>2022</u>				
	<u>Share premium</u>	<u>Employee stock options</u>	<u>Expired conversion options</u>	<u>Net change in equity of associates</u>	<u>Total</u>
At January 1	\$ 9,279,846	\$ 529,569	\$ 7,637	\$ 6,948	\$ 9,824,000
Cash capital increase	1,528,539	-	-	-	1,528,539
Employee stock options exercised	98,480	( 46,399)	-	-	52,081
Compensation cost of employee stock	-	71,522	-	-	71,522
At December 31	<u>\$ 10,906,865</u>	<u>\$ 554,692</u>	<u>\$ 7,637</u>	<u>\$ 6,948</u>	<u>\$ 11,476,142</u>

	2021				
	Share premium	Employee stock options	Expired conversion options	Net change in equity of associates	Total
At January 1	\$ 4,732,778	\$ 542,091	\$ 7,637	\$ 8,224	\$ 5,290,730
Cash capital increase	4,480,000	-	-	-	4,480,000
Employee stock options exercised	67,068	( 33,839)	-	-	33,229
Compensation cost of employee stock	-	21,317	-	-	21,317
Changes in ownership interest in associates accounted for using the equity method	-	-	-	( 1,276)	( 1,276)
At December 31	<u>\$ 9,279,846</u>	<u>\$ 529,569</u>	<u>\$ 7,637</u>	<u>\$ 6,948</u>	<u>\$ 9,824,000</u>

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

B. Refer to Notes 6(15) for the information of capital surplus - stock options.

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. Under the Group's Articles of Incorporation, at least 10% of the distributable earnings for the current year shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed for the current year. The Group did not distribute dividends for the years ended December 31, 2022 and 2021.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(19) Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Contract development and manufacturing service	\$ 6,439	\$ 15,041

The Group derives revenue from the transfer of services over time in the United States.

(20) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Gains on government grants	\$ 4,274	\$ -
Income from PPP loan forgiveness	-	65,396
Gains on disposals of investments	-	18,757
Impairment loss on property, plant and equipment (Notes 6(8))	-	( 75,368)
Foreign exchange (losses) gains	( 19,035)	349
Losses on financial assets at fair value through profit or loss	( 18,408)	( 1,992)
Other gains	884	1,049
	<u>(\$ 32,285)</u>	<u>\$ 8,191</u>

(21) Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense		
Bank borrowings	\$ 7,294	\$ 12,434
Lease liabilities	3,757	2,240
	<u>\$ 11,051</u>	<u>\$ 14,674</u>

(22) Operating costs and expenses by nature

<u>Year ended December 31, 2022</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 3,055	\$ 433,099	\$ 436,154
Contracted research expense and consumables expense	1,067	220,496	221,563
Depreciation charges on property, plant and equipment	395	111,242	111,637
Professional fee	-	149,713	149,713
Depreciation charges on right-of-use assets	44	31,821	31,865
Traveling expense and entertainment expense	-	8,982	8,982
Amortisation charges on intangible assets	-	213	213
Other expenses	463	203,396	203,859
	<u>\$ 5,024</u>	<u>\$ 1,158,962</u>	<u>\$ 1,163,986</u>

<u>Year ended December 31, 2021</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 5,348	\$ 279,154	\$ 284,502
Contracted research expense and consumables expense	5,577	136,359	141,936
Depreciation charges on property, plant and equipment	1,266	132,681	133,947
Professional fee	-	55,576	55,576
Depreciation charges on right-of-use assets	85	19,827	19,912
Traveling expense and entertainment expense	-	3,648	3,648
Amortisation charges on intangible assets	-	210	210
Other expenses	668	106,559	107,227
	<u>\$ 12,944</u>	<u>\$ 734,014</u>	<u>\$ 746,958</u>

(23) Employee benefit expense

<u>Year ended December 31, 2022</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 2,580	\$ 278,762	\$ 281,342
Employee stock options	-	93,190	93,190
Labour and health insurance fees	475	46,160	46,635
Pension costs	-	1,128	1,128
Other personnel expenses	-	13,859	13,859
	<u>\$ 3,055</u>	<u>\$ 433,099</u>	<u>\$ 436,154</u>

<u>Year ended December 31, 2021</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 4,535	\$ 192,831	\$ 197,366
Employee stock options	-	48,026	48,026
Labour and health insurance fees	813	31,265	32,078
Pension costs	-	992	992
Other personnel expenses	-	6,040	6,040
	<u>\$ 5,348</u>	<u>\$ 279,154</u>	<u>\$ 284,502</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees 'compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. The Company did not recognise employees' compensation and directors' remuneration for the years ended December 31, 2022 and 2021.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Current tax:		
Current tax on profits for the year	<u>\$ 5,534</u>	<u>\$ 777</u>

(b) Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate (Note)	(\$ 40,289)	(\$ 51,418)
Expenses disallowed by tax regulation	( 27,721)	20
Tax exempt income by tax regulation	( 12,312)	( 17,093)
Effect from Alternative Minimum Tax	4,631	777
Temporary difference and taxable loss not recognised as deferred tax assets	87,374	76,450
Others	(6,149)	(7,959)
Income tax expense	<u>\$ 5,534</u>	<u>\$ 777</u>

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

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

December 31, 2022			
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry year
2009 to 2022	<u>\$ 2,928,768</u>	<u>\$ 2,928,768</u>	2023~indefinite

December 31, 2021			
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry year
2009 to 2021	<u>\$ 2,346,607</u>	<u>\$ 2,346,607</u>	2022~indefinite

The abovementioned unused amount and unrecognised deferred tax assets mainly occurred in the subsidiaries of the Group, Polaris Pharmaceuticals, Inc., DesigneRx Pharmaceuticals, Inc., TDW Pharmaceuticals Inc. and DesigneRx Pharmaceuticals (Chengdu) Co., Ltd.

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

December 31, 2022				
Qualifying items	Year incurred	Unused tax credits- federal tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditures	2006 to 2022	<u>\$ 77,506</u>	<u>\$ 77,506</u>	2026 to 2042

December 31, 2021				
Qualifying items	Year incurred	Unused tax credits- federal tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditures	2005 to 2021	\$ 83,803	\$ 83,803	2025 to 2041

December 31, 2022				
Qualifying items	Year incurred	Unused tax credits- state tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditures	2003 to 2022	\$ 109,136	\$ 109,136	Indefinite

December 31, 2021				
Qualifying items	Year incurred	Unused tax credits- state tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditures	2003 to 2021	\$ 91,252	\$ 91,252	Indefinite

The abovementioned unused tax credits and unrecognised deferred tax assets mainly occurred in the US subsidiaries of the Group, Polaris Pharmaceuticals, Inc. and DesigneRx Pharmaceuticals, Inc.

- D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 627,807	\$ 581,425

- E. The income tax returns of the Group's Taiwan subsidiary, TDW Pharmaceuticals Inc., through 2020 have been assessed and approved by the Tax Authority.

(25) Loss per share

	Year ended December 31, 2022	
	Amount after tax	Loss per share
<u>Basic and diluted loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 1,150,433)	(\$ 1.57)

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 740,487)	680,096	(\$ 1.09)

Note: Only the calculation of basic loss per share is shown as the Group had loss for the years ended December 31, 2022 and 2021 and anti-dilutive effect might arise if potential ordinary shares such as employee stock options were included in the calculation.

(26) Supplemental cash flow information

Investing activities with partial cash payments

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Purchase of property, plant and equipment	\$ 70,782	\$ 198,982
Add: Opening balance of payable on equipment and construction	1,543	6,355
Less: Ending balance of payable on equipment and construction	( 3,037)	( 1,543)
Add: Other current financial assets (Note)	345	549
Cash paid during the year	<u>\$ 69,633</u>	<u>\$ 204,343</u>

Note: Refer to Notes 8 for details.

(27) Changes in liabilities from financing activities

	<u>2022</u>	
	<u>Long-term and short-term borrowings</u>	<u>Long-term and short-term lease liabilities</u>
At January 1	\$ 395,212	\$ 41,538
Changes in cash flow from financing activities	( 299,387)	( 28,491)
Changes in other non-cash items	-	246,081
Effect of foreign exchange	23,161	4,504
At December 31	<u>\$ 118,986</u>	<u>\$ 263,632</u>

	<u>2021</u>	
	<u>Long-term and short- term borrowings</u>	<u>Long-term and short- term lease liabilities</u>
At January 1	\$ 263,667	\$ 61,920
Changes in cash flow from financing activities	197,676	( 18,998)
Changes in other non-cash items	( 64,964)	-
Effect of foreign exchange	( 1,167)	( 1,384)
At December 31	<u>\$ 395,212</u>	<u>\$ 41,538</u>

## 7. Related Party Transactions

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Acepodia Biotechnologies, Limited	Other related parties

### (2) Significant related party transactions

#### A. Operating expenses - research and development expenses

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Other related parties	<u>\$ 511</u>	<u>-</u>

The Company entered into a research cooperation agreement with Acepodia Biotechnologies, Limited in June 2022. The actual research expenses incurred are allocated to both parties based on the agreement.

#### B. Other payables

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Other related parties	<u>\$ 112</u>	<u>-</u>

### (3) Key management compensation

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Short-term employee benefits	\$ 23,333	\$ 23,341
Pensions	108	108
Share-based payments	4,120	6,321
	<u>\$ 27,561</u>	<u>\$ 29,770</u>

## 8. Pledged Assets

The Group's assets pledged as collateral or restricted are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Other current financial assets			
Bank deposits	\$ 3,036	\$ 1,981	Special funds and restricted bank deposits (Note 1)
Time deposits	-	332,160	Secured borrowings, refer to Notes 6(10)
	<u>\$ 3,036</u>	<u>\$ 334,141</u>	
Guarantee deposits paid			
Guarantee deposits of investment and lease - time deposits	<u>\$ 19,647</u>	<u>\$ 5,991</u>	Guarantee deposits of investment and land leasing for plant in Yilan (Note 2)
Right-of-use assets			
Land use right	<u>\$ 29,166</u>	<u>\$ 29,449</u>	Secured borrowings, refer to Notes 6(7), (10) and (12)

Note 1: Certain deposits were deposited in the restricted bank account as such funds can only be used in the construction of plant and purchase of equipment according to the contract entered into with Chengdu Longquanyi District State-owned Assets Investment Management Co., Ltd. and China Minsheng Bank branch in Chengdu. Refer to Notes 6(1) and 6(12) for the details.

Note 2: Referring to guarantee deposits of investment and land leasing paid to Hsinchu Science Park for the construction of plant in Yilan and the lease of land, respectively.

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

### (1) Contingencies

The Company entered into an agreement with a research institution in January 2011 to provide investigational drugs for the institution to conduct clinical trials related to the Company's lead therapeutic. Pursuant to the agreement, the Company will subsidise the institution in the amount of US\$950 thousand of research costs if any of the following events occurs: (1) authorising a third party to commercialise and sell the Company's lead therapeutic; (2) sales of the commercialisation rights of the lead therapeutic to a third party; or (3) the Company's acquisition by a third party. As there were still uncertainties in the development of the Company's lead therapeutic, the occurrence

possibility, timing and contingent liabilities of the aforementioned events could not be reasonably estimated yet.

(2) Commitments

The Group's expenditure contracted for at the balance sheet date but not yet incurred is summarised as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ 31,723	\$ 31,932
Clinical trial plans	<u>15,471</u>	<u>572</u>
	<u>\$ 47,194</u>	<u>\$ 32,504</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On March 9, 2023, the Company's Board of Directors resolved the second-tier subsidiary of the Company, DesigneRx Pharmaceuticals (Chengdu) Co., Ltd., to obtain a loan amounting to US\$20 million from Shanghai Commercial & Savings Bank to meet the operational and repayment needs.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to support the needs of the expansion and upgrading of plants and equipment. Therefore, the Group's capital management is to ensure that there are necessary financial resources and operating plans to maintain or adjust capital structure to support the needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures in the next year.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments at amortised cost (including cash and cash equivalents, current financial assets at amortised cost, investments accounted for using the equity method, accounts receivable, other receivables, other financial assets, guarantee deposits paid, notes payable, other payables, short-term borrowings, long-term borrowings and lease liabilities) are approximate to their fair values. In addition, refer to Notes 12(3) for the fair value information of financial instruments measured at fair value.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under

policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the NTD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: NTD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows (unit: in thousands):

	December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Functional currency (USD)	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:USD	\$ 12,713	0.14	\$ 1,824	\$ 56,025
NTD:USD	981,550	0.03	31,962	981,550
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:USD	\$ 29,238	0.14	\$ 4,196	\$ 128,849
NTD:USD	261,592	0.03	8,518	261,592

December 31, 2021				
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Functional currency (USD)	Book value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:USD	\$ 13,484	0.16	\$ 2,117	\$ 58,593
NTD:USD	11,485	0.04	415	11,485
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:USD	\$ 93,037	0.16	\$ 14,605	\$ 404,278
NTD:USD	8,050	0.04	291	8,050

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation (unit: in thousands):

Year ended December 31, 2022				
Sensitivity analysis				
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (USD)	Effect on profit or loss (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:USD	1%	\$ 18	\$ 560	
NTD:USD	1%	320	9,816	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:USD	1%	\$ 42	\$ 1,288	
NTD:USD	1%	85	2,616	

	Year ended December 31, 2021			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss (USD)	Effect on profit or loss (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:USD	1%	\$ 21	\$	586
NTD:USD	1%	4		115
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:USD	1%	\$ 146	\$	4,043
NTD:USD	1%	3		80

- v. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to (\$19,035) and \$349, respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss
- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,560 and \$1,141, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new counterparties before standard payment terms and conditions are offered. Internal risk control assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance

with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only rated parties with an optimal credit rating are accepted.

iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days. The Group's accounts receivable was generated from the customers with an optimal credit. The book value of accounts receivable on December 31, 2022 and 2021 was \$461 and \$4,930, respectively. The expected credit impairment is insignificant based on the assessment.

(c) Liquidity risk

- i. Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational and research and development needs. Such forecasting takes into consideration the compliance with internal project technology research and development schedule targets.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Other payables	\$ 130,057	\$ -	\$ -	\$ -
Long-term and short-term borrowings	89,618	31,218	-	-
Lease liability	36,504	24,673	52,110	175,978

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Other payables	\$ 138,652	\$ -	\$ -	\$ -
Long-term and short-term borrowings	283,686	88,319	30,720	-
Lease liability	21,628	16,197	5,720	-

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates, and on-the-run US corporate bonds is included in Level 1

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in unlisted stocks and stock options is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:

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

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity investments	\$ -	\$ -	\$ 49,998	\$ 49,998
-Bond investments	66,802	-	-	66,802
-Beneficiary certificates	39,188	-	-	39,188
	<u>\$ 105,990</u>	<u>\$ -</u>	<u>\$ 49,998</u>	<u>\$ 155,988</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity investments	\$ -	\$ -	\$ 45,065	\$ 45,065
-Bond investments	26,598	-	-	26,598
-Beneficiary certificates	42,446	-	-	42,446
	<u>\$ 69,044</u>	<u>\$ -</u>	<u>\$ 45,065</u>	<u>\$ 114,109</u>

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

- i. The Group used market quoted prices as the fair values (that is, Level 1) of the corporate bonds and beneficiary certificates.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty

quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance.

C. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

D. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022	2021
At January 1	\$ 45,065	\$ -
Transfers into level 3	-	45,860
Effect of exchange rate changes	4,933	(795)
At December 31	<u>\$ 49,998</u>	<u>\$ 45,065</u>

E. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments, and take the latest cash capital increase price as a reference.

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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 49,998	Most recent non-active market price	Not applicable	Not applicable	Not applicable

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 45,065	Most recent non-active market price	Not applicable	Not applicable	Not applicable

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

### 14. Segment Information

#### (1) General information

The Group operates business only in a single industry, which is the development of new drugs. The chief operating decision-maker (Board of Directors), who allocates resources and assesses

performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

- A. Segment income (loss) of the Group is measured using the pre-tax operating margin and is used as a basis for performance assessment. The accounting policies and accounting estimates of operating segment are in agreement with the summary of significant accounting policies and the critical accounting estimates and assumption described in Notes 4 and 5.
- B. The financial information reported to the chief operating decision-maker is consistent with the financial information in the consolidated statement of comprehensive income and use a consistent measurement method.

(3) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
US	\$ 6,439	\$ 276,534	\$ 15,041	\$ 321,971
China	-	1,054,561	-	1,076,183
Taiwan	-	264,626	-	3,744
	<u>\$ 6,439</u>	<u>\$ 1,595,721</u>	<u>\$ 15,041</u>	<u>\$ 1,401,898</u>

Non-current assets refer to property, plant and equipment, right-of-use assets, intangible assets and other non-current assets, others.

Polaris Group and subsidiaries

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Polaris Group	DesigneRx Pharmaceuticals (Chengdu) Co., Ltd.	Finance receivables due from related parties	Yes	614,200	614,200	614,200	1.33% 3.3%	Short-term financing	-	Working capital	-	-	-	867,406	3,469,622	Note 2 and 3
1	Polaris Pharmaceutical, Inc.	Polaris Pharmaceuticals Australia Pty Ltd.	Finance receivables due from related parties	Yes	30,710	30,710	25,796	1.83%	Short-term financing	-	Working capital	-	-	-	217,563	217,563	Note 4

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

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

Note 2: Limit on loans for short-term financing granted by the Company to a single party is 10% of the Company's net assets in the latest audited and attested or reviewed financial statements.

Note 3: Ceiling on total loans for short-term financing granted by the Company to a single party is 40% of the Company's net assets in the latest audited and attested or reviewed financial statements.

Note 4: Limit on loans and ceiling on total loans for short-term financing granted between the overseas subsidiaries whose voting rights are wholly-owned by the Company is the creditor's net assets in the latest audited and attested or reviewed financial statements.

Polaris Group and subsidiaries  
Provision of endorsements and guarantees to others  
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by parent company (Note 7)	Provision of endorsements /guarantees to the party in Mainland China (Note 7)	Footnote
		Relationship with the endorser/guarantor (Note 2)	Company name											
0	Polaris Group	2	DesigneRx Pharmaceuticals (Chengdu) Co., Ltd.	\$17,348,112	\$ 368,520	\$ -	\$ -	\$ -	0.00	\$ 26,022,168	Y	N	Y	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total amount of endorsements/guarantees that the Company provided to others is 300% of the Company's net assets and limit on endorsements/guarantees provided for a single party is 200% of the Company's net assets.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of  
by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Polaris Group and subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Polaris Group	LAUNXP Biomedical Co., Ltd.	Not applicable	Financial assets at fair value through profit or loss	3,000,000	\$ 49,998	16.66%	\$ 49,998	None
Polaris Group	AT&T Inc Bond 3.5%	Not applicable	Financial assets at fair value through profit or loss	Not applicable	\$ 20,094	Not applicable	\$ 20,094	None
Polaris Group	First Bank Fund	Not applicable	Financial assets at fair value through profit or loss	Not applicable	\$ 18,306	Not applicable	\$ 18,306	None
Polaris Group	SCSB 4Y Maturity Bond Collective Trust Account (OBU)	Not applicable	Financial assets at fair value through profit or loss	Not applicable	\$ 20,882	Not applicable	\$ 20,882	None
Polaris Group	Soft Bank Bond 5.25%	Not applicable	Financial assets at fair value through profit or loss	Not applicable	\$ 46,708	Not applicable	\$ 46,708	None

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

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Polaris Group and subsidiaries  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022			
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
The Company	Stocks	Investments accounted for using the equity method	Polaris Biopharmaceuticals, Inc.	Subsidiaries	-	\$ -	100,000,000	\$ 1,000,000	-	\$ -	-	\$ -	-	100,000,000	\$ 1,000,000
The Company	Stocks	Investments accounted for using the equity method	DesigneRx Pharmaceuticals, Inc.	Subsidiaries	75,179,257	\$ 1,753,470	13,000,000	\$ 381,140	-	\$ -	-	\$ -	-	88,179,257	\$ 2,134,610

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

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

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

Polaris Group and subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Polaris Pharmaceutical, Inc.	Polaris Group	Parent company to subsidiary	Service revenue	\$ 108,051	1678.06%	1 year	-	-	\$ 109,842	23826.92%	Note

Note: Except that there is no relevant similar transaction to follow, the transaction conditions are determined by both parties through negotiation, and the rest is similar to the general transaction conditions.

Polaris Group and subsidiaries  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 Year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Polaris Pharmaceutical, Inc.	Polaris Group	Parent company	\$ 109,842	95%	\$ -	Subsequent collection	\$ 109,842	\$ -

Polaris Group and subsidiaries  
 Significant inter-company transactions during the reporting periods  
 Year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Polaris Group	Polaris Pharmaceutical, Inc.	Parent company to subsidiary	Payables to related parties	\$ 109,842	Note 3	1.19%
0	Polaris Group	Polaris Pharmaceutical, Inc.	Parent company to subsidiary	Research and development expenses	\$ 108,051	Note 3	1678.06%

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

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: The transaction terms of significant inter-company transactions are similar with the normal transaction terms except for circumstances in which there are no similar transactions for reference and the terms will be negotiated and determined by both parties.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 5: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Polaris Group and subsidiaries  
Information on investees  
Year ended December 31, 2022

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the	Investment income	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	investee for the year ended December 31, 2022	(loss) recognised by the Company for the year ended December 31, 2022	
The Company	Polaris Pharmaceuticals, Inc.	U.S.A	Research and development of biotechnology	\$ 150,995	\$ 150,995	23,000	100%	\$ 217,563	(\$ 35,856)	(\$ 35,856)	
The Company	Polaris Group Korea Limited	South Korea	Biotechnology services	1,159	1,159	3,184	100%	-	( 75)	( 75)	
The Company	DesignRx Europe Limited	U.K.	Biotechnology services	-	-	1	100%	-	-	-	Note 1
The Company	Polaris Pharmaceuticals Australia Pty Ltd.	Australia	Biotechnology services	2	2	100	100%	( 30,589)	( 3,961)	( 3,961)	
The Company	Polaris Pharmaceuticals Ireland Limited	Ireland	Biotechnology services	4	4	100	100%	-	-	-	
The Company	DesignRx Pharmaceuticals, Inc.	U.S.A	Research, development and manufacture of new drugs	2,134,610	1,753,470	88,179,257	100%	287,846	( 489,300)	( 489,300)	
The Company	TDW Pharmaceuticals Inc.	Taiwan	Biotechnology services and medicine inspection	903,612	853,612	43,800,000	100%	48,498	( 10,572)	( 10,572)	
The Company	TDW HK Limited	Hong Kong	Holding company	1,416,405	1,416,405	45,300,001	100%	549,975	( 209,723)	( 209,723)	
The Company	Nanotein Technologies, Inc.	U.S.A	Biotechnology services and medicine inspection	70,884	70,884	3,696,357	41.00%	74,102	( 21,466)	( 8,755)	Note 2
The Company	Polaris Biopharmaceuticals, Inc.	Taiwan	Research, development and manufacture of new drugs and CDMO services	1,000,000	-	100,000,000	100%	988,242	( 14,606)	( 14,606)	

Note 1: The initial investment amount is 1 GBP.

Note 2: The investee is the indirect associate of the Company.

Polaris Group and subsidiaries  
Information on investments in Mainland China  
Year ended December 31, 2022

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
DesigneRx Pharmaceuticals (Shanghai) Inc.	Research and development of new drugs	\$ 108,950	Note 1	\$ -	\$ -	\$ -	\$ -	\$ 357	100%	\$ 357	\$ 3,221	\$ -		
DesigneRx Pharmaceuticals (Chengdu) Co., Ltd.	Research and development of new drugs	1,413,200	Note 1	-	-	-	-	( 210,011)	100%	( 210,011)	544,404	-		

Note 1: Through investing in TDW HK Limited, which then invested in the investee in Mainland China.

Note 2: The investment income (loss) was recognised based on the financial statements that were audited by the Group's CPA.

Polaris Group and subsidiaries  
Major shareholders information  
December 31, 2022

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Digital Capital Inc.	290,000,000	39.08%
Digital Mobile Venture Ltd.	61,729,295	8.31%
MAI INVESTMENT CO., LTD.	40,527,138	5.46%

**Polaris Group**



**Person in Charge: Howard Chen**

