



Panion & BF Biotech Inc.

2022

Annual Report

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Chapter 1. Letter to Shareholders

I. Operating Performance in 2022

(I) Results of the 2022 Business Plan

The Company's consolidated operating revenue for 2022 was NT\$2,398,648 thousand, an increase of NT\$497,437 thousand compared with that of 2021, representing a 26.16% increase in revenue. The revenue of the Taiwan BU increased by NT\$486,518 thousand, it is mainly due to new record revenue from COVID-19 antigen rapid test kits, and stable growth of active pharmaceutical ingredients (APIs) revenues. Additionally, the sales royalty income increased by NT\$90,131 thousand in 2022, while the operating revenue of the China, Hong Kong and Macau BUs decreased by NT\$79,212 thousand due to the impact of the COVID-19 pandemic and lockdown.

The consolidated gross profit in 2022 was NT\$1,318,596 thousand, an increase of NT\$406,458 thousand compared with that of 2021, representing a 44.56% increase. Gross profit increased by NT\$433,183 thousand mainly due to the significant increase in Taiwan BU's operating revenue of COVID-19 antigen rapid test kits and royalty income obtained from the new drug for renal failure. The gross profit of the China, Hong Kong, and Macau BUs decreased by NT\$26,725 thousand.

The consolidated operating expense for 2022 was NT\$904,632 thousand, an increase of NT\$157,836 thousand compared with that of 2021. This is mainly due to the growth in revenue from the Taiwan BU, the increase in various staffing costs, bonuses, business promotion, warehousing and shipping expenses, and continued investment in R&D expenses for COVID-19 antigen rapid test kits, new indications of Nephoxil[®], medical aesthetic micro-needling, and minimally invasive products.

The consolidated income tax for 2022 was NT\$151,064 thousand, an increase of NT\$72,814 thousand compared with that of 2021. This is mainly due to the increase in consolidated net income before tax. As a result of the above, consolidated operating revenue, consolidated gross profit, and consolidated operating profit increased in 2022, resulting in a consolidated income of NT\$182,345 thousand in 2022, an increase of NT\$77,943 thousand or 74.66% compared to that of 2021.

(II) Budget execution and analysis of revenues, expenses, and profitability

1. Budget execution

In 2022, in response to changes in the market environment, the Taiwan BU actively explored markets, diversified operations, generated operating income, and comprehensively controlled costs and expenses. The consolidated net income after tax increased by 173.59% compared to that of 2021, the Company achieved its expected operating target.

2. Financial revenue & expenditure and profitability analysis

Unit: NT\$ thousands

Item \ Year		2021 (Consolidated)	2022 (Consolidated)	Changes (%)
Financial revenue and expenditure	Operating Revenue	1,901,211	2,398,648	26.16
	Gross Profit	912,138	1,318,596	44.56
	Net Income	104,402	182,345	7.66
Profitability	Return on assets (%)	3.85	6.23	61.82
	Return on shareholder's equity (%)	6.58	9.26	40.73
	As a percentage of paid-in capital (%)	Operating profit	48.28	150.41
		Income before tax	38.89	82.58
	Net income margin (%)		5.49	7.60
	Basic earnings per share (NT\$)		1.32	2.13
	Diluted earnings per share (NT\$)		1.32	2.12

(III) Research and Development

1. Research and Development Expenditure for the Last Two Years

Unit: NT\$ thousands

Item \ Year		2021 (Consolidated)	2022 (Consolidated)
Research and Development Expenses		157,711	248,496
Operating Revenue		1,901,211	2,398,648
Ratio of Research and Development Expenditure to Operating Revenue		8.30%	10.36%

2. Major Research and Development Achievements in Recent Year

After more than ten years of precise strategic layout, the Company's new drug for renal failure Nephoxil[®] has begun to make profits. In addition to the Taiwan, Japan and the United States, the Company has added South Korea (the South Korean license partner successfully passed NDA in May, 2022) to its global sales territory, which is expected to bring stable revenue and profit contribution to the Company. In EU, Akebia granted the license to Averoa SAS at the end of December 2022, highlighting the Company's success in capturing international market.

With respect to sales results, the annual sales of Nephoxil[®] exceeded US\$200 million in the U.S., Japan, and Taiwan, and its U.S. license partner (Akebia Therapeutics - formerly Keryx Corporation) achieved seven consecutive years of double-digit positive sales growth from 2016 to 2022.

While Nephoxil[®] constantly expands its international sales, the Company has been more active in the R&D of expanded indications in recent years, to effectively extend the product life cycle and develop new sources of profit. Both the U.S. Akebia Therapeutics[®]—formerly Keryx Biopharmaceuticals) and the Japanese sublicense partner (Japan Tobacco and its subsidiary Torii Pharmaceuticals) have successfully developed an expanded indication, iron deficiency anemia, effectively extending the product's profitable lifespan. In March, 2023, Taiwan successfully

blinded Phase III clinical trials data for the new indication of Nephoxil[®]. In the future, it will actively submit NDA (New Drug Application) and apply for health insurance coverage. Since the patient base of iron deficiency anemia among those with chronic renal failure is much larger than that of dialysis patients, the Company expects to increase its profit stream on top of the existing revenue of Nephoxil.

In terms of new market development, particularly with regard to progress in the Chinese market: The Company entered into an alliance with Shandong Weigao Pharmaceuticals to enter the mainland market, officially announcing on February 22, 2022 that its new Chinese renal failure drug Nephoxil[®] ferric citrate 500 mg capsule (a preparation for the treatment of hyperphosphatemia in dialysis patients with chronic renal failure) had achieved the target in Phase III clinical trial data analysis, with all major efficacy indicators and secondary efficacy measures comparable to those of sevelamer carbonate. Recently, DKSH, the Company's exclusive distribution partner in Thailand, has submitted NDA to the Thai authorities. According to the global growth rate of the dialysis patients revealed by USRDS, Thailand had the highest annual compounded growth rate in the world at 18.1% from 2020 to 2025. According to reports, about 100,000 patients in Thailand received dialysis treatment in 2022 (Note 1). If the Company succeeds in passing NDA, it is expected to witness an increase in its sales revenue.

In terms of API integration, on November 30, 2020, the Company acquired Cheng Fong Chemical Co., Ltd., as a wholly-owned subsidiary. Cheng Fong Chemical is the foundry of API (Ferric Citrate) for the Company's drug, Nephoxil[®]. The acquisition of Cheng Fong Chemical has a profound strategic impact on the Company's future global strategy in the area of ferric citrate, an API for Nephoxil[®]. The Company has to respond in advance to the future sales demand in China and South Korea after obtaining the drug license. In addition to further development in the U.S. and Japan, the Company will also strive to engage with our authorized partners on the possibility of marketing the API (ferric citrate hydrate) to the U.S. and Japan (subject to obtaining a DMF Listing from the USFDA). Later, the Company will strive to sell ferric citrate to its partners in Japan and the European Union to strategically maximize revenue and profitability. At present, Cheng Fong Chemical and Panion & BF have a total of 17 drug licenses for APIs. In addition to ferric citrate, Cheng Fong Chemical focuses on the production and market expansion of two drug licenses (Pseudoephedrine and Phenylpropanolamine) that are highly profitable and potential.

We have successfully developed our core technology platform in the areas of chemical manufacture and control (CMC), clinical development, patent layout, new drug development regulations, and commercialization, and have developed a number of original, unique, and critical benchmark results and core values in the development of new drugs, which have led to the formation of our core R&D management team in new drug development. This R&D management team is capable of planning relevant R&D strategies and processes, mastering core technologies, laying out patents, and effectively managing and monitoring outsourced R&D tasks. This core new drug design know-how and team have driven the Company's becoming a world-class biotech pharmaceutical research and development center.

Note 1. (<https://www.tuneprotect.co.th/en/article/THAILANDS-AWARENESS-OF-CRITICAL-ILLNESSES-IS-RATHER-CONCERNING>)

II. Business plan for 2023

(I) Operational policy

Our philosophy is to develop our four core businesses of disease treatment, disease prevention, disease diagnosis, and aging delay, with a focus on improving human health and quality of life. Based on this development strategy, we have extended our six major business units—Taiwan PBF, China PBF, Innovative Medical, Innovative Diagnostics ", Innovative Medical and Beauty, and API Business. The Company continues to engage in innovative R&D, adhere to international standards of product quality, and establish quality marketing channels. We are committed to developing new drugs, niche pharmaceuticals, APIs, infection control, diagnostic testing, and cosmeceutics, as well as to expanding in markets in Greater China and overseas to achieve our internationalization goals.

(II) Expected sales volume and its basis

Looking ahead to 2023, based on the market conditions, the expectations of the Board of Directors, and corporate development strategy, the Company has set its business objectives. In addition to gradually realizing development revenue in the innovative medical business unit , the Company will focus on the sales mix of major customers, major products, and high-margin products in the development of channel management and enterprise resource integration, in order to increase gross profits and gross margins and create operating profit. In addition, we will continue to control our operating expenses and introduce production cost reductions and other management-oriented optimization programs in the hope of establishing a competitive advantage for the Company and fostering higher profitability.

(III) Major production and marketing policies

1. Pharmaceutical products are a long-established source of revenue and profit growth for the Company. The internal marketing team has been actively developing nephrology-related channels in major hospitals in Taiwan in line with the marketing of the new nephrological drug Nephoxil[®] and the development of new indications. In addition, we will stay focused on the development of drugs and medical materials for nephrology and infectious diseases, and we will also continue to expand our cooperation with other overseas markets to increase our revenue stream and realize the huge value of new drug development.
2. We will develop our API business to achieve vertical integration, reduce production costs, optimize and streamline the production process, and seek opportunities to link with the biotech industry to upgrade biotech in Taiwan.
3. Focusing on the development of our core business, we are not only diversifying our operations in the Taiwan market and focusing on target customers, but also actively expanding into mainland China and other overseas markets to expand our operating performance and achieve new profitability goals.
4. We will continue to optimize the process technology and plant expansion of our PIC/S GMP manufacturing plant, enhance the plant's optimal production capacity and reduce its operating costs, and keep track of regulatory changes and take countermeasures to improve the gross profit of our products and boost the profitability of the Company.

5. We continue to invest in innovative R&D with a focus on two major areas: product development (evolutionary and revolutionary products) and personalized precision diagnostics. With our successful experience in new drug development, we have built up an incubation platform and core team to select and introduce high potential technologies and products for full-scale development, and achieve the best development benefits through strategic alliances with global partners.

III. Future development strategy

(I) Mastering core technologies and deploying to global markets

With Nephoxil® as the core drug, we have introduced a product lifecycle management strategy to expand the application of Nephoxil® in the field of chronic renal failure and established a global cooperation network with international nephrology partners. In addition to extending the development of new indications, we will continue to develop product lines for general and serious diseases to significantly enhance the efficiency of new drug development and our competitive advantage in the international market.

(II) Expanding the business of “age-reversal and age-delaying”

By promoting the concept of age-reversal in all aspects of both aesthetic age and biological age and promoting personal health and sub-health management, we are actively developing our medical cosmetics and nutritional supplements businesses, targeting complementary treatments with dermatological/medical aesthetic minimally invasive surgeries in the skin medical business and developing a full range of medical cosmetics, hair loss cosmetics, and nutritional supplements to delay the aging process. The Company continues to research and develop new non-invasive and age-reversing medical aesthetic technology and develop functional products to achieve full differentiation in the market. In addition, the Company has leveraged its niche in a wide range of aesthetic medical channels (aesthetic medical clinics, dermatology, hair management clinics, etc.) to actively develop aesthetic medicine related materials. The Company will develop a complete range of products for physical and aesthetic aging and to use age-delaying and age reversal medical treatments as the development framework for innovative medical aesthetic business, so as to explore new blue ocean business opportunities in the highly competitive market of medical aesthetics. In addition to its diverse channels in Taiwan, the Company will continue to actively expand its professional medical channels and virtual e-commerce channels in China, as well as its international market presence elsewhere.

(III) Development of “infection control” business

The Company is actively developing a full range of “infection control ” products and has established its brand authority in the professional medical channel in Taiwan, with plans to expand its applications to the livestock and pet markets. In addition, the Company is also actively entering the long-term care market by developing new dosage forms of medical materials, which are currently under clinical trial and are expected to bring new revenues and profits to the Company after obtaining approval. The Company will continue to focus on infection-related products and promote research and development, with an eye on the huge market opportunities of long-term care of the aging and continuous development of infection control in everyday environments, along with actively developing markets such as mainland China and Japan.

(IV) Investing in the testing and diagnostic business, developing prospective technologies and products

Biotechnology is an emerging part of the tech industry in the 21st century, and the development of testing reagents is a vital aspect of its commercial application. In 2014, we established the Innovative Diagnostics Business Unit. With the internal core team and R&D platform, we built ourselves as the first company in Taiwan to develop immunoassay reagents with an ISO- and GMP-compliant design control system. By the end of 2022, we had successfully developed eight rapid tests for infectious diseases, including gastrointestinal and respiratory disease tests. Since 2020, the Company has achieved strong sales figures despite the rampant COVID-19 pandemic. In the future, the Company will continue to work on clinical and regulatory applications in other key strategic countries and regions. Besides, in the post-pandemic era, the Company is actively developing new products, including the rapid test kits for FluA/B & COVID and dengue fever. In medicine and clinical treatment, prevention is always better than cure. The Company's ultimate goal is to become the world's number one in bringing infectious disease prevention and diagnosis to home testing, maximizing business opportunities and enabling the general public to be diagnosed and treated at the earliest stages of disease.

(V) Establishment of a sports medicine department

Our "Race On" brand was officially launched in December 2019, aiming to appeal to endurance sports-enthusiasts. Through the rapid dissemination of information through Facebook and the Company's website, as well as trial promotions by athletes and coaches from schools and road running teams, sales figures have continued to rise several years after launch, and the Company expects to anchor itself in the Taiwanese sports market as it expands worldwide.

(VI) Acquisition of API plants and integration of upstream and downstream resources

On November 30, 2020, the Company completed a share transaction, formally acquired Cheng Fong Chemical Co., Ltd. as a wholly-owned subsidiary, and actively carried out expansion plans. Cheng Fong Chemical is a GMP API plant and the sole API registrant for ferric citrate, the main ingredient of the Company's new renal drug Nephoxil[®]. The Company is striving to become a partner in the US/Japan/EU for the supply of ferric citrate, and provides ferric citrate to Panion & BF for product launching preparation in China, Taiwan, South Korea, Thailand and other regions. Our strategic goal is to achieve market advantages by combining the integrated advantages of APIs and its benefits from vertical integration.

(VII) Promoting ESG and moving towards sustainable development and corporate governance 3.0

To promote the sustainable development of the Company, the Board of Directors decided to set up a special Sustainable Development Committee. The Committee has established dedicated teams responsible for improving various indicators. Additionally, the Committee promotes and implements the progress of regular reports to the Board of Directors. The Sustainable Development Committee consists of six teams:

1. Environmental Sustainability Team

Cooperate with the competent authority, the Financial Supervisor

y Commission (FSC), to promote the policies and measures related to Corporate Governance 3.0_Sustainable Development Blueprint, and actively strive to achieve energy saving, water saving, carbon reduction (implement the inventory and verification of greenhouse gas emissions to realize the effective control of carbon emissions), waste and sewage reduction, etc. In terms of product development, the Team aims to reduce the use of related surfactants and preservatives such as environmental hormones (in line with the strictest EU standards). To alleviate the impact of product packaging materials on environment, the Team will consider lightweight and environmentally friendly materials when designing packaging materials in the future.

2. Social Responsibility Team

In terms of corporate social responsibility, the Company continues to care for the underprivileged and rural communities, strive to promote the healthy development of the mind, body, and spirit, and try to create a better and healthier society.

3. Risk Management Team

In terms of risk management procedures, the risk management process includes risk identification, risk analysis, risk monitoring and response, risk reporting and disclosure, etc.

4. Corporate Governance Team

At the corporate governance level, the Company strives to uphold the interests of shareholders with a sound and professional Board of Directors and impartial independent directors.

5. Information Security Team

Responsible for implementing the formulation and management of information security regulations to ensure the safety of data, system and network, and reporting to the Board of Directors at least once a year.

6. Ethical Management Team

Responsible for formulating and supervising the implementation of ethical management policies and prevention plans to improve ethical management and report to the Board of Directors at least once a year.

IV. Effect of external competitive environment, regulatory environment, and general business environment

In recent years, domestic and foreign pharmaceutical companies have been facing increasing competition, coupled with the tightening of drug prices under the National Health Insurance system and consequent tightening profit margins, as well as the implementation of PIC/S GMP certification and government regulations and capacity expansion, all of which have led to an increase in drug costs. The traditional pharmaceutical market is becoming less profitable. The only ways for domestic pharmaceutical companies to secure a place in the domestic market are to continuously improve the quality of their pharmaceutical products and to innovate and develop niche markets.

The Company has invested many years in R&D into new patented international drugs, the development and deployment of global marketing channels, the upgrading of PIC/S GMP plants, and the active pursuit of transformation opportunities and enhancements related to the Group's business. Since 2014, our new drugs have been approved for marketing in Japan, the U.S., Taiwan, Europe and South Korea, and our R&D achievements have blossomed internationally. We have also joined forces with Shandong Weigao Pharmaceutical Co., Ltd., a leading pharmaceutical company in China, to establish a joint venture company in Hong Kong and develop the market for chronic renal failure treatment in China and reach a new milestone in our overall operations. Looking ahead, the Company will continue to work hard to build a solid foundation for stable growth in its own industry while continuing to improve its revenue from new drugs as well as the revenue and profitability of its mainland subsidiaries during the post-pandemic period. In particular, the Company has announced that the Phase III clinical trial of Nephoxil® in mainland China has met the target data and will accelerate the preparation of the submission for the milestone of obtaining a drug license. It is expected to have more fruitful operating results in the future.

Although the Company will continue to encounter many new challenges and impacts from the external environment in the course of its pursuit of sustainable business growth, along with the continued impact of the COVID-19 pandemic since January 2020, as this pandemic was a sudden and irresistible external factor, it has also been a test of the Group's handling of such situation and the adoption of relevant measures and countermeasures so as to minimize the impact on its operations.

We believe that with the concerted efforts of our Board of Directors, management team, and all employees, we will be able to overcome difficulties of all kinds, create better business results, and implement our corporate philosophy of sustainable management, thereby increasing shareholders' equity and contributing to society.

Chairman: Chang, Li-Chiou

General Manager: Chiang, Chung-Ming

Vice President of Finance: Wang, Feng-Jen

Accounting Manager: Chiu, Mei-Lun

Chapter 2. Company Profile

I. Date of Incorporation:

January 7, 1976

II. Company History

➤ Dedicated start, prudent expansion	
January 1976	The Company's predecessor, Panion Pharmaceutical Manufacturing Co., Ltd., was established in January 1976 with capital of NT\$7 million.
August 1984	The Company merged with BF Co., Ltd. and became Panion & BF Pharmaceutical Manufacturing Co., Ltd. with capital of NT\$13 million. The Company successfully expanded its plant into a GMP pharmaceutical plant and signed technical cooperation projects with major pharmaceutical companies in the U.S. and France.
➤ In-depth technical development, creating a multipronged brand operation	
August 1988	The first GMP pharmaceutical company in Taiwan that successfully transformed itself from a specialty in dermatology specialty to one in cosmetics.
March 1990	Successfully obtained the exclusive distributorship of Germaine de Capuccini, a well-known Spanish brand of specialist beauty products.
October 1990	Dosage R&D into Matrix Type release control technology made the Company a pioneer in the development of 24-hour long-acting pain relievers in Taiwan.
April 1993	The Spanish brand Germaine De Capuccini won the Gold Award of European Cosmetics Brand Image Design of the Year. Began the launch of our own brand of aesthetic medical products.
July 1993	Capital increased by cash in the amount of NT\$27 million and capitalization of capital surplus in the amount of NT\$10 million, resulting in paid-in capital of NT\$50 million.
May 1995	Capital increased by cash in the amount of NT\$10 million and capitalization of earnings in the amount of NT\$10 million, resulting in paid-in capital of NT\$70 million.
March 1998	Capital increased by cash in the amount of NT\$50 million, resulting in paid-in capital of NT\$120 million.
August 2000	Capitalization of earnings in the amount of NT\$12 million, resulting in a paid-in capital of NT\$132 million.
December 2000	December 16, 2000 Securities and Futures Commission (2000) Tai-Cai-Zheng (1) No. 99030 approved the Company as a public company.
➤ Investing in global new drug R&D, establishing core technologies and patents	
July 2001	Successfully introduced the exclusive worldwide patent for the base technology of Nephoxil [®] , a new nephropathy drug.
August 2001	Capitalization of earnings in the amount of NT\$7.92 million and capitalization of capital reserves in the amount of NT\$5.28 million, resulting in paid-in capital of NT\$145.2 million.
September 2001	Changed the name of the company from Panion & BF Pharmaceutical Manufacturing Co., Ltd. to Panion & BF Biotech Inc.
November 2001	Capital increased by cash in the amount of NT\$49 million, resulting in paid-in capital of NT\$194.2 million.

July 2002	Established the core technology and patent portfolio for the new drug Nephoxil® and registered Type II DMF with the FDA
July 2002	Capitalization of earnings in the amount of NT\$6,797 thousand and capitalization of capital reserves in the amount of NT\$4,855 thousand, resulting in paid-in capital of NT\$205,852 thousand.
July 2002	The new drug Nephoxil® received project funding from the Industrial Technology Development Program of the Department of Industrial Technology, Ministry of Economic Affairs.
September 2002	The new drug Nephoxil® is approved by the U.S. Food and Drug Administration (USFDA) as an investigational new drug (Sponsor of IND).
July 2003	Capitalization of earnings in the amount of NT\$15,439 thousand and capitalization of capital reserves in the amount of NT\$5,146 thousand, resulting in paid-in capital of NT\$226,437 thousand.
November 2003	Our cosmetic product New Skin Kinetin Cream won the National Biotechnology Medical Quality Award.
November 2003	The U.S. FDA approved U.S. Phase II clinical trial protocol for the new drug Nephoxil®.
January 2004	The new drug, Nephoxil®, is in Phase II clinical trials at five major clinical centers in the U.S.
May 2004	On May 21, 2004, the Taipei Exchange registered the Company's stocks as an emerging stock through Zheng-Gui-Shang-Zi No. 0930014307.
June 2004	Capitalization of earnings in the amount of NT\$22,644 thousand and capitalization of capital reserves in the amount of NT\$11,322 thousand, capital increase by cash in the amount of NT\$45,000 thousand, resulting in paid-in capital of NT\$305,403 thousand.
December 2004	Passed Phase III validation of cGMP by the Bureau of Drug and Food Inspection, Department of Health, Executive Yuan.
➤ Beating rigorous FDA testing and cooperating in the global market	
March 2005	Signed a manufacturing contract with Japan East Asia Pharmaceutical Industry Co., Ltd. as an authorized overseas OEM partner for the Japanese pharmaceutical industry.
April 2005	Approved by Taiwan's Department of Health and the IRB of Shin Kong Hospital to expand the Phase II Clinical Trial Taiwan Clinical Center at Shin Kong Hospital.
September 2005	Completed a multinational Phase II clinical trial of the new drug Nephoxil® in the U.S. and Taiwan.
October 2005	The new drug Nephoxil® was awarded the Silver Award for R&D Innovation by the Taipei City Government in the Taipei Biotechnology Award 2005.
November 2005	Entered into an international license agreement with Keryx Biopharmaceuticals, a Nasdaq-listed company, for the new drug Nephoxil® in the U.S., Europe, and Japan.
December 2005	The new drug Nephoxil® won the Silver Award in the Pharmaceuticals category of the Department of Health's 2005 Drug Technology Research and Development Award. Awarded the Silver Award in the Manufacturing Technology Category by the Department of Health and the Ministry of Economic Affairs in the 2005 Pharmaceutical Technology Research and Development Awards.

September 2006	The new drug Nephoxil® was awarded the 2006 Industry Contribution Award for Excellence in the Industry Development Technology Program by the Ministry of Economic Affairs.
October 2006	The new drug Nephoxil® was awarded the 2006 Taipei Biotechnology Award—Gold Award for Technology Commercialization by the Taipei City Government.
September 2007	The new drug Nephoxil® was licensed to Japan Tobacco and its subsidiary Torii Pharmaceutical for development in the Japan market.
October 2007	Awarded the Excellent Innovation Enterprise Award in the 15 th Ministry of Economic Affairs Industrial Technology Development Awards.
March 2007	Approved by the Department of Health to conduct a Phase III clinical trial of the new drug Nephoxil® in Taiwan.
September 2007	PBF Pingzhen Cosmetic Plant passed the Cosmetics GMP Certificate from the Department of Health, Executive Yuan.
December 2009	Capital increased by cash in the amount of NT\$34,000 thousand, resulting in paid-in capital of NT\$339,403 thousand.
March 2010	Purchased land and building for the office at Nangang Software Park, Taipei.
➤ Passed PIC/S GMP, drug license, international leader	
April 2012	Panion Pingzhen Western Medicine Plant passed the PIC/S GMP inspection and certification by the Department of Health, Executive Yuan.
July 2012	Completed the Phase III clinical trial of the new drug Nephoxil® in five major medical centers in Taiwan.
December 2012	Submitted to the Food and Drug Administration of the Ministry of Health and Welfare of Taiwan for a New Drug Application (NDA) for Nephoxil® in Taiwan.
January 2013	Sub-licensing partner JT/Torii sent an application to the Japanese Ministry of Health and Welfare for an NDA for Nephoxil® (Japanese name Riona®).
April 2013	Merged with subsidiary, Panacor Bioscience Ltd., with post-merger company continuing as Panion & BF Biotech Inc.
August 2013	The license partner Keryx Biopharmaceuticals filed an application with the U.S. Food and Drug Administration (USFDA) for a U.S. NDA for Nephoxil® (European and U.S. name Auryxia™).
September 2013	Capital increased by cash in the amount of NT\$49,000 thousand, resulting in paid-in capital of NT\$433,053.51 thousand.
December 2013	Panion & BF won the National Innovation Award, Enterprise Category—R&D Technology from the 10 th Institute for Biotechnology and Medicine Industry.
January 2014	Sub-licensing partner JT/Torii receives marketing approval for a new drug, Nephoxil® (Japanese name Riona®), in Japan.
March 2014	Licensing partner Keryx Biopharmaceuticals submitted a Marketing Authorization ~~Authorisation~~ Application (MAA) for Nephoxil® to the European Medicines Agency (EMA).
May 2014	The new drug Nephoxil® (Japanese name Riona®) was officially launched in Japan on May 12, 2014.
September 2014	The capital reserve was increased by NT\$43,491.35 thousand for paid-in capital of NT\$480,192.36 thousand.

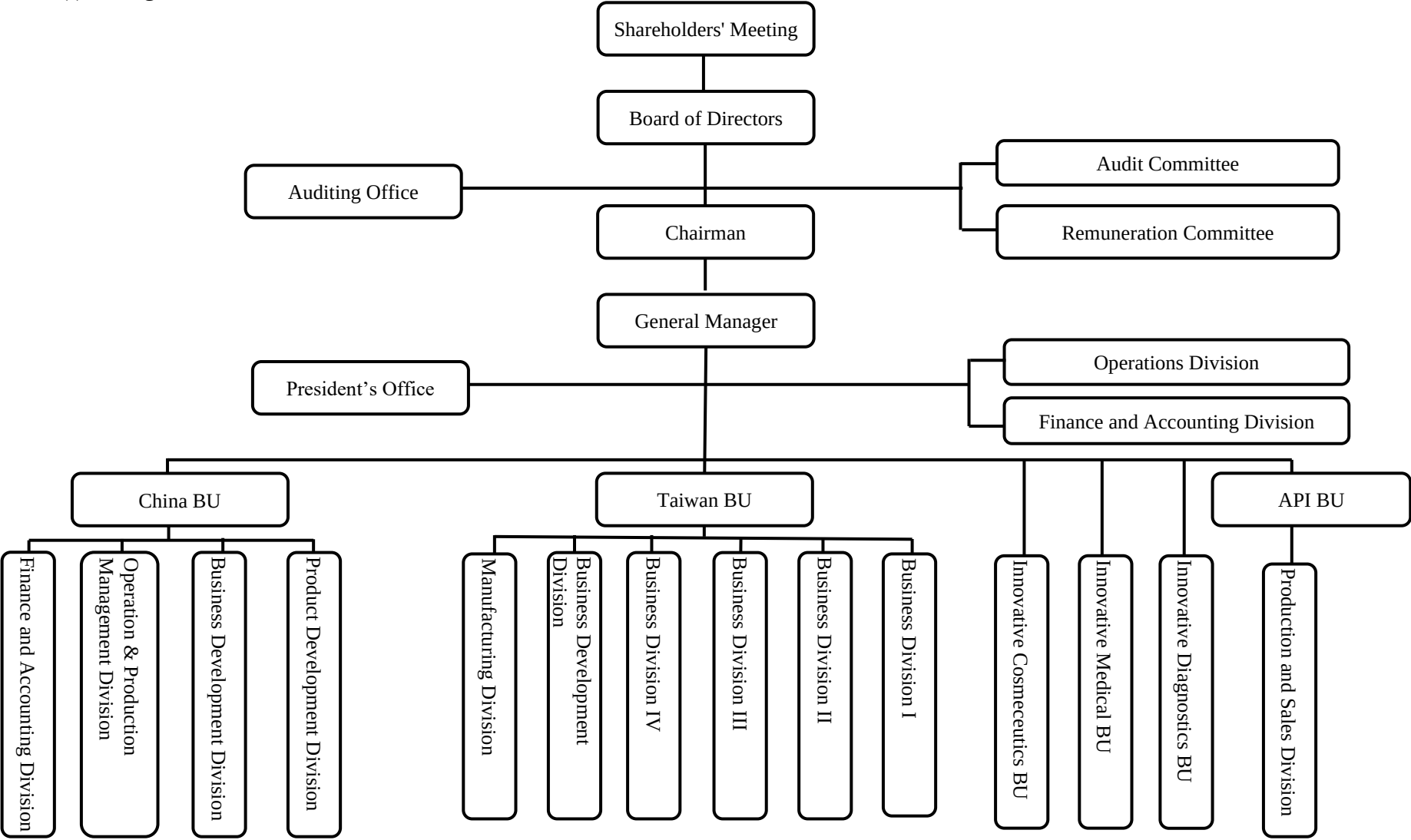
	Licensing partner Keryx Biopharmaceuticals received U.S. marketing approval for new drug, Nephoxil® (U.S. name Auryxia™).
December 2014	The new drug Nephoxil® (U.S. name Auryxia™) was officially launched in the U.S. on December 22, 2014.
January 2015	The new drug Nephoxil® was approved by the Ministry of Health and Welfare for registration as a new drug.
February 2015	Entered into an alliance with Shandong Weigao Pharmaceuticals to establish a joint venture subsidiary to develop, manufacture, and market BLOHM's new nephropathy drug Nephoxil® in China.
April 2015	The new drug Nephoxil® was granted a drug license by the Ministry of Health and Welfare on April 29, 2015.
June 2015	Joint venture with Shandong Weigao Pharmaceuticals and established Weigao Panion Biotech Holding Company Limited
August 2015	Weigao Panion Biotech Holding Company Limited established a 100%-owned subsidiary in China, Shandong Weigao Panion Pharmaceutical Company Limited.
September 2015	Capital reserve and capital surplus were increased by NT\$77,538.38 thousand for paid-in capital of NT\$562,153.24 thousand. Licensing partner Keryx Biopharmaceuticals received European marketing authorization for new drug Nephoxil® (European name Fexeric®).
November 2015	The new drug Nephoxil® was clinically accepted by the China Food and Drug Administration (CFDA) in mainland China.
March 2016	Licensing partner Keryx Biopharmaceuticals announced positive Phase III clinical data for its new drug Nephoxil® (U.S. name Auryxia™) in the U.S. for the treatment of iron deficiency anemia in adult non-diaaphoretic chronic kidney patients.
August 2016	Capital surplus and capital reserve were increased by NT\$56,249.83 thousand for paid-in capital of NT\$619,445.57 thousand.
January 2017	Licensing partner Keryx Biopharmaceuticals filed a supplemental New Drug Application, sNDA (Expanded Indication), with the U.S. FDA.
February 2017	Signed a license and exclusive distribution agreement with Kyowa Hakko Kirin Korea Co., Ltd. (KKKR).
March 2017	The new drug, Nephoxil® (U.S. name Auryxia™), is covered by U.S. Medicare Part D insurance.
July 2017	Licensing partner KKKR submitted an application to the Ministry of Food and Drug Safety (MFDS) for an NDA for Nephoxil® in Korea and received a submission for review.
August 2017	Capital surplus and capital reserve were increased by NT\$61,944.56 thousand for paid-in capital of NT\$681,390.13 thousand.
November 2017	Auryxia™ received FDA approval for the expanded indication of renal iron deficiency anemia (sNDA).
January 2018	Capital increased by cash in the amount of NT\$86,000 thousand, resulting in paid-in capital of NT\$767,390.13 thousand. The stock was listed on the Taiwan Stock Exchange.

February 2018	New renal drug Nephoxil® received clinical approval from the China Food and Drug Administration (CFDA) in mainland China.
August 2018	The Company was granted a patent by the Japan Patent Office (JPO). The Company was granted a patent by the European Patent Office (EPO). We received approval from Taiwan's Ministry of Health and Welfare to expand the indications for the change of Nephoxil® capsules.
October 2018	We signed an exclusive distribution contract for Nephoxil® with Taiwan Zuellig Pharma, Inc.
December 2018	The Company received a Premarket Notification 510(k) application from the U.S. Food and Drug Administration (USFDA) for a <i>H. pylori</i> rapid antigen test.
March 2019	The U.S. Food and Drug Administration (USFDA) officially approved the Company's application for the Vstrip <i>H. Pylori</i> Antigen Rapid Test 510(K). An application was submitted to the Food and Drug Administration of the Ministry of Health and Welfare of Taiwan for the clinical trial of Ferric Citrate 1000mg tablets for the treatment of iron deficiency anemia in patients with non-dialytic chronic renal failure.
June 2019	The Company officially received approval from the Taiwan Food and Drug Administration (TFDA), Ministry of Health and Welfare, to conduct a clinical trial of ferric citrate 1000mg tablets for the treatment of iron deficiency anemia in patients with non-dialytic chronic renal failure.
July 2019	Our Japanese partner, JT-Torii, announced the completion of a Phase III clinical trial of Riona® for general anemia indication.
August 2019	The Company officially launched the Phase III human clinical trial of its new renal drug, Nephoxil® (Chinese drug name: citrate capsule), at The First Affiliated Hospital of Guangdong Pharmaceutical University in China and completed the first patient intake.
November 2019	The Company signed an exclusive distribution contract with DKSH Limited in Thailand for the marketing and sale of Nephoxil® in Thailand.
February 2020	Zhuhai Panion plant obtained China's Disinfection Product Number certification.
May 2020	JT-Torii, the Japanese licensing partner for the new renal drug Riona®, filed an application with the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) for sNDA (expanded indications) for adult iron deficiency anemia (IDA).
August 2020	The Company obtained the approval of the Food and Drug Administration, Ministry of Health and Welfare, in Taiwan for the manufacture of Vstrip COVID-19 antigen rapid test reagent.
September 2020	Our Vstrip COVID-19 antigen rapid test was validated by ICMR in India and approved for sale there.
December 2020	The Company acquired 100% of the shares of Cheng Fong Chemical Co., Ltd., by way of share exchange for cash consideration. The Company's Vstrip COVID-19 antigen rapid test reagent obtained CE-IVD certification from the European Union. The Company obtained Singaporean HAS provisional authorization for COVID-19 antigen rapid test reagent.
January 2021	Taiwan's Food and Drug Administration, Ministry of Health and Welfare, granted approval in principle to conduct a clinical trial of Aqua (chlorhexidine gluconate) Antiseptic Cloth 2% w/v for drug testing and registration.

February 2021	The Company obtained the Belgium Free Sale Certificate for Vstrip COVID-19 antigen rapid test reagent.
March 2021	Our Vstrip COVID-19 Antigen Rapid Test Kit was officially approved for import into India, enabling it to be marketed in the country (License No.: IMP/IVD/2021/000128). JT-Torii, our Japanese licensing partner for our new renal drug, Riona [®] , successfully obtained an expanded indication (sNDA) for iron deficiency anemia (IDA) in adults from the PMDA in Japan.
July 2021	Our product Vstrip Home Use RV2 Antigen Rapid Test was approved by the Food and Drug Administration, Ministry of Health and Welfare, Taiwan.
September 2021	Capital increased by cash in the amount of NT\$90,000 thousand, resulting in paid-in capital of NT\$857,390.13 thousand.
February 2022	Our U.S. Auryxia [®] patent for the use of ferric citrate for the treatment of hyperphosphatemia indications in dialysis patients expired.
February 2022	Our U.S. Auryxia [®] patent for the use of ferric citrate for the treatment of hyperphosphatemia indications in dialysis patients expired. The Company's new nephropathy drug, Nephoxil [®] 500 mg capsules, was announced to have achieved compliance with the data analysis of the Phase III clinical trial in China.
May 2022	"Kyowa Hakko Kirin Korea Co., Ltd." (hereinafter referred to as KKKR), the Korean license partner of the Company's new renal drug, Nephoxil [®] , passed NDA.
December 2022	Akebia Therapeutics, the Company's U.S. license partner, signed an agreement with Averoa SAS for exclusive license sales in the EU.
March 2023	CKD new drug ferric citrate achieves all treatment targets in the Taiwan phase III clinical trial for iron deficiency anemia in non-dialysis CKD population.

Chapter 3. Corporate Governance Report

- I. Organization
 - (I) Organizational Structure



(II) Functions of Major Divisions

Division	Major Functions
Auditing Office	Responsible for auditing the internal rules and internal control system of the Company and making suggestions for improvement.
President's Office	Assists the President in managing the Company's external communications, business implementation, coordination of operational goals, and management analysis, as well as directing and supervising departmental operations, meeting notifications, preparation of related information, and IP and financial management.
Operations Division	Responsible for legal affairs, stock affairs, document management, organization and human resource development, general affairs, information system, material procurement, and supply chain management.
Finance and Accounting Division	Responsible for the annual budget compilation, financial capital utilization and adjustment, accounting, cost management, taxation, transfer of investment assessment, and assisting in the financial management of subsidiaries.
Innovative Diagnostics BU	Responsible for test reagent market research and analysis, test reagent product development, production control, testing, quality assurance, raw material procurement, machine maintenance, and warehouse management.
Innovative Medical BU	Responsible for new drug project development, analysis, license management, and sports medicine business.
Innovative Cosmeceutics BU	Responsible for the development of innovative cosmetic and medical materials for cosmeceutical treatments, including "age freezing" cosmetics and non-invasive/minimally invasive age-reversing cosmetic and medical materials.
API BU	Responsible for the production and development of APIs to meet the raw material needs of the Parent Company and pharmaceutical companies worldwide.
Taiwan BU	Responsible for the production, R&D, sales, and import and export of pharmaceuticals, medical materials, cosmetics, and health care products in Taiwan through various channels.
China BU	Responsible for the production, R&D, sales, and import and export of medical devices, medical aesthetics, cosmeceutics, and healthcare products in China.

II. Directors

(I) Directors Information

May 1, 2023; Unit: share; %

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Inaugurated)	Term of Office	Date First Elected	Shares Held upon Election		Shares Currently Held		Shares Currently Held by Spouse and Minor Children		Shareholding by Nominee Arrangement		Major Experience (Education)	Current Positions in Company and Other Companies Served Concurrently	Executives, Directors, or Supervisors who are Spouses or Relatives within the Second Degree of Kinship			Notes
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Chairman	Republic of China	Chang, Li-Chiou	Male 71-80 years old	June 8,2022	3 years	June 3, 2016	0	0	0	0	0	0	0	0	1. Master of Science in Insurance, National Chengchi University 2. Chairman of Yuanta Securities Finance Co., Ltd. 3. President of Yuanta Securities Co., Ltd. 4. President of Grand Cathay Corp.	1. Director of Fiber Optic Communications, Inc. 2. Chairman of Bowlin Biotech Corp. (USA) (Representative of Panion & BF Biotech Inc.) 3. Independent Director of Acme Electronics Corp. 4. Independent Director of T3EX Global Holdings Corp. 5. Chief Executive Officer of Sun Ten Pharmaceutical Co. 6. Chairman of Herbiotek Co., Ltd. (Representative of Shun Tian International Investment Consulting Co., Ltd.) 7. Chairman of Shun Tian International Investment Consulting Co., Ltd. 8. Chairman of Cheng Fong Chemical Co., Ltd. (Representative of Panion & BF Biotech Inc.) 9. Director of TriKnight Capital Corp. 10. Chairman of Ho Tung Chemical Corp. 11. Director of Formosan Union Chemical Corp. 12. Chairman of YH Bio Co., Ltd.	None	None	None	NA
Directors	Republic of China	Panion Investment Co., Ltd. Representative: Hsieh, De-Fu	NA	June 8,2022	3 years	May 18, 2001	16,169,336	18.86	15,844,336	18.48	NA	NA	0	0	1. Bachelor of Pharmacy, Taipei Medical University 2. Chairman of Lumosa Therapeutics Co., Ltd. 3. Director of King Anticancering Biotech Co., Ltd. 4. Director of Taiwan Bio Industry Organization	1. Chairman of Panion Investment Co., Ltd. 2. Director of Sun Ten Pharmaceutical Co., Ltd. (Representative of Panion Investment Co., Ltd.) 3. Chairman of Sun Ten Natureceutica Co., Ltd. (Representative of Shun Tian International Investment Consulting Co., Ltd.) 4. Director of Lumosa Therapeutics Co., Ltd. (Representative of Shun Sheng Pharmaceutical Co., Ltd.) 5. Managing Director of Medical and Pharmaceutical Industry Technology and Development Center 6. Director of Bowlin Holding Co., Ltd. (Seychelle) 7. Director of Bowlin Holding Co., Ltd. (Cayman) 8. 8. Director of Balay Biotechnology Corp. (Representative of Sun Ten Natureceutica Co., Ltd.) 9. Director of Eikon Healthcare Device Corp. 10. Director of Taiwan Product Quality Research Institute 11. Supervisor of Cheng Fong Chemical Co., Ltd. (Representative of Panion & BF Biotech Inc.)	None	None	None	NA
			Male 71-80 years old				191,033	0.22	146,033	0.17	0	0	0	0						
Directors	Republic of China	Panion Investment Co., Ltd. Representative: Chiang, Chung-Ming	NA	June 8,2022	3 years	September 2, 1998	16,169,336	18.86	15,844,336	18.48	NA	NA	0	0	1. Bachelor of Pharmacy, Taipei Medical University 2. Manager of Western Medicine Department of Johnson & Johnson 3. Sales Supervisor of Bristol Myers Squibb	1. General Manager of Panion & BF Biotech Inc. 2. Director of Shining Biomedical Co., Ltd. 3. Director of Healtdeva Co., Ltd. 4. Representative of Shining Biomedical Co., Ltd. (Seychelles) 5. Representative of Zhuhai Baozhan Trade Co., Ltd. (China) 6. Representative of Zhuhai Panion & BF Biotech Inc. 7. Representative of Bowlin Holding Co., Ltd. (Cayman) 8. Representative of Bowlin Holding (HK) Co., Ltd.	Assistant Vice President	Chuang, Jui-Yuan	First degree of kinship	NA

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Inaugurated)	Term of Office	Date First Elected	Shares Held upon Election		Shares Currently Held		Shares Currently Held by Spouse and Minor Children		Shareholding by Nominee Arrangement		Major Experience (Education)	Current Positions in Company and Other Companies Served Concurrently	Executives, Directors, or Supervisors who are Spouses or Relatives within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
			Male 71-80 years old				534,294	0.62	534,294	0.62	0	0	0	0		9. Representative of Zhuhai Panion Innovation Biotech Co., Ltd. 10. Representative of Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada. 11. Representative of Zhuhai Baoyi Biotech Co., Ltd. 12. Director of Weigao Panion Biotech Holding Co., Ltd.(HK) (Representative of Panion & BF Biotech Inc.) 13. Director of Shandong Weigao Panion Pharmaceutical Co., Ltd. (Representative of Panion & BF Biotech Inc.) 14. Director and General Manager of Cheng Fong Chemical Co., Ltd. (Representative of Panion & BF Biotech Inc.)	Assistant Vice President	Chiang, Cheng-Ju	First degree of kinship	NA
Directors	Republic of China	Panion Investment Co., Ltd. Representative: Lin, Jyh-Ming	NA	June 8,2022	3 years	September 2, 1998	16,169,336	18.86	15,844,336	18.48	NA	NA	0	0	1. Bachelor of Pharmacy, Taipei Medical University 2. Chairman of Panion & BF Biotech Inc. 3. Supervisor of the Pharmacy Department of Chung Shan Hospital 4. Supervisor of the Pharmacy Department of Chunghwa Open Hospital 5. Sales Representative of Taiwan Bristol Myers Squibb Co., Ltd.	1. Director of Bowlin Holding Co., Ltd. (Seychelles) 2. Director of Bowlin Holding Co., Ltd. (Cayman) 3. Director of Shining Biomedical Co., Ltd. 4. Director of Canbran International Inc. (Representative of Panion Investment Co., Ltd.) 5. Director of Chee Siang Co., Ltd. 6. Supervisor of Hung Yun Asphalt & Chemical Corp. 7. Supervisor of J.O. Corp. 8. Director of Sun Ten Pharmaceutical Co., Ltd. (Representative of Panion Investment Co., Ltd.) 9. Supervisor of Cheng Fong Chemical Co., Ltd. (Representative of Panion & BF Biotech Inc.)	None	None	None	NA
			Male 71-80 years old				436,077	0.50	436,077	0.51	80,352	0.09	0	0						
Directors	Republic of China	Huang, Weng-Houng	Male 71-80 years old	June 8,2022	3 years	June 3, 2016	0	0	0	0	0	0	0	0	1. Ph.D. in Social and Administrative Pharmacy, University of Minnesota, USA 2. M.S. in Administrative Pharmacy, University of Minnesota, USA 3. Bachelor of Pharmacy, National Taiwan University 4. Professor, Associate Professor, and Chair of Institute of Health and Welfare Policy, National (.), Yang Ming University 5. Director and Deputy Director of Bureau of Pharmaceutical Affairs (Department of Drug Administration), Department of Health, Executive Yuan 6. Director, Bureau of Food and Drug Analysis Inspection, Department of Health, Executive Yuan	1. Independent Director of TaiGen Biopharmaceuticals Holdings Ltd. 2. Independent Director of Eusol Biotech Co., Ltd. 3. Independent Director of AmCad BioMed Corp. 4. Director of Cheng Fong Chemical Co., Ltd. (Representative of Panion & BF Biotech Inc.) 5. Director of Bowlin Holding Co., Ltd (Seychelles) (Representative of Panion & BF Biotech Inc.) 6. Director of Bowlin Holding Co., Ltd (Cayman) (Representative of Panion & BF Biotech Inc.) 7. Director of Formosa Pharmaceuticals Inc. (Representative of Formosa Laboratories, Inc.) 8. Director of Orient EuroPharma Co., Ltd. (Representative of Orient EuroPharma Co., Ltd.) 9. Senior Consultant of YFY Biotech Management Co., Ltd. 10. Investment Counselor of Formosa Laboratories, Inc.	None	None	None	NA
Directors	Republic of China	Chen, Pa-Chuan	Male 51-60 years old	June 8,2022	3 years	June 8, 2022	0	0	0	0	0	0	172,744	0.20	1. Master of Management, Columbia University 2. Bachelor of Management, National Taiwan University	1. Chairman of TriAnchor Capital Group 2. Chairman of Rui Shi Co., Ltd. 3. Chairman of Ming Hui Intelligent Medical Co., Ltd.	None	None	None	NA
Independent Director	Republic of China	Chang, Ryh-Yan	Male 61-70 years old	June 8,2022	3 years	June 4, 2014	0	0	0	0	0	0	0	0	1. MBA in Finance, College of Management, National Taiwan University 2. Bachelor of Accounting, College of Business, National Taipei University 3. CEO of Deloitte Taiwan 4. Member of the Disciplinary Committee and the Business Services Committee of the Taipei Certified Public Accountant Association 5. Chairman of the Professional Ethics Committee of the National Federation of CPA Associations of ROC	1. Independent Director of Savior Lifetec Corp. 2. Independent Director of CTCI Advanced Systems Inc. 3. Independent Director of E.SUN Financial Holding Co., Ltd. 4. Independent Director and Managing Director of E.SUN Bank 5. Chairman of Diligence Financial Advisor Co., Ltd. 6. Member of the Remuneration Committee of Super Dragon Technology Co., Ltd.	None	None	None	NA

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Inaugurated)	Term of Office	Date First Elected	Shares Held upon Election		Shares Currently Held		Shares Currently Held by Spouse and Minor Children		Shareholding by Nominee Arrangement		Major Experience (Education)	Current Positions in Company and Other Companies Served Concurrently	Executives, Directors, or Supervisors who are Spouses or Relatives within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Independent Director	Republic of China	Liao, Chi-Chou	Male 71-80 years old	June 8,2022	3 years	June 10, 2015	0	0	0	0	0	0	0	0	1. Ph.D. & M.S. in Industrial Pharmacy, St. John's University 2. B.S. in Pharmacy, Taipei Medical University 3. Office Consultant of the Institute for Biotechnology and Medicine Industry 4. Director General of Drug Administration, Department of Health, Executive Yuan 5. General Manager of the Medical and Pharmaceutical Industry Technology and Development Center 6. Assistant Vice President of Biotrust International Corp. 7. Chairman of Taiwan Society of Health-System Pharmacists 8. Director of the Pharmacy Department, Chang Gung Hospital 9. Adjunct Associate Professor of Taipei Medical University, National Cheng Kung University, and Chang Gung University.	1. Independent Director of Easywell Biomedicals, Inc. 2. Director of Biohopeking Corporation	None	None	None	NA
Independent Director	Republic of China	Chen, Jiin-Shian	Female 61-70 years old	June 8,2022	3 years	June 4, 2014	0	0	0	0	0	0	0	0	1. Doctor of Juridical Science (SJD), National Chengchi University 2. EMBA, National Chengchi University 3. Graduate programs of Business School Student, Stanford University 4. Advanced study Graduate Student, University of Victoria, Canada 5. Director of Legal Affairs Office and Manager of Audit Office, Taiwan Depository Clearing Corporation 6. Adjunct Associate Professor, Law Research Institute, Department of Law School, Central Police University 7. Former Section Chief Head of the Securities and Futures Commission, Ministry of Finance	1. Presiding Attorney of J.S. International Attorneys At Law	None	None	None	NA

(II) Major Institutional Shareholders

May 1, 2023

Name of Institutional Shareholders	Major Institutional Shareholders	Shareholding Ratio
Panion Investment Co., Ltd.	Chiang, Chung-Ming	11.176%
	Lin, Jyh-Ming	11.103%
	Wu, Chin-Hsiung	11.103%
	Yang, Chao-Chin	11.103%
	Hsieh, De-Fu	11.103%
	Feng, Li-Chu	11.103%
	Huang, Yin-Chun	11.103%
	Huang, Tsuan-Yen	11.103%
	Liu, Hung-Chih	11.103%

(III) Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

1. Professional Qualifications and Experience of Directors

Title	Name	Professional Qualifications and Experience
Chairman	Chang, Li-Chiou	Graduated from National Chengchi University with a master's degree in insurance. He was the Chairman of Yuanta Securities and Finance Corp. and currently serves as the Chairman of the Board of Directors of the Company, the Chairman of Ho Tung Chemical Corp., and an independent director of Acme Electronics Corp.. With his long experience in securities and financial capital markets, operation management, and strategic planning, he has led the company to a leading position in the industry and towards sustainable management.
Directors	Representative of Panion Investment Co., Ltd.: Hsieh, De-Fu	Graduated from Taipei Medical University College with a bachelor's degree in pharmacy. He was the Chairman of the Board of Directors of Lumosa Therapeutics Co., Ltd., and is currently the Chairman of the Board of Directors of Panion Investment Co., Ltd. and the Chairman of the Board of Directors of Sun Ten Natureceutica Co., Ltd. He has the working experience necessary for the Company's business, an international perspective, a keen insight into global specialist market competition, and innovative leadership skills.
Directors	Representative of Panion Investment Co., Ltd.: Chiang, Tsung-Ming	Graduated from Taipei Medical University College with a bachelor's degree in pharmacy. He served as the manager of the Pharmaceutical Department of Johnson & Johnson and now serves as the Company's President and representative of our subsidiary. He has 50 years of professional leadership, marketing, management, industry observation, and crisis management experience.
Directors	Representative of Panion Investment Co., Ltd.: Lin, Jyh-Ming	Graduated from Taipei Medical University College with a bachelor's degree in pharmacy. He was the Chairman of the Board of Directors of the Company and the Director of the Board of Pharmacy of Chung Shan Hospital. Currently, he is a director of Shining Biomedical Company Ltd. and a director for a subsidiary of the Company. He has extensive experience in marketing strategy and business promotion.
Directors	Huang, Weng-Houng	Graduated from the University of Minnesota with a doctorate in social and administrative pharmacy. He was the Chair of the Institute of Health and Welfare at Yang Ming University and the Director of the Department of Drug Administration at the Department of Health, Executive Yuan. He is currently an independent director of TaiGen Biopharmaceuticals and a director of Formosa Pharmaceuticals. He has a long history of crisis management and a wealth of industry knowledge, and is a leader in the pharmaceutical and biotechnology industries, bringing significant benefits to the Company's operations.
Directors	Chen, Pa-Chuan	Graduated from National Taiwan University with a Bachelor's degree in Business Administration and Columbia University with an MBA degree. He

Title	Name	Professional Qualifications and Experience
		used to be the former Executive Director of Nomura International (Hong Kong) and Senior Vice President of Lehman Brothers Holdings, Inc. and currently serves as Chairman of TriAnchor Capital Group and Chairman of Veden Dental Group. He specializes in investments, mergers and acquisitions, and post-investment operations and management. Besides, he pursues sustainable business operations and growth with integrity, commitment, and innovation in mind.
Independent Director	Chang, Ryh-Yan	Graduated from National Taiwan University School of MBA in Finance. He was the CEO of Deloitte Taiwan. He is currently the convener of the Remuneration Committee and Audit Committee of the Company, as well as an independent director of E.SUN Financial Holding Co., Ltd. He is an expert in financial accounting, has extensive experience as an accountant, and has served the financial industry for a long time, having served as a CPA for financial reports of financial holding companies and banks. He is also qualified as a CPA in China. He brings risk control thinking to the Company and a commitment to the active development of the field.
Independent Director	Liao, Chi-Chou	Graduated from St. John's University with a Ph.D. and M.S. in Industrial Pharmacy. He served as the Director General of the Department of Health's Drug Administration Division and promoted the domestic medical industry. Currently, he is a member of the Audit Committee and Remuneration Committee of the Company, an independent director of Easywell Biomedicals, Inc., and a director of Biohopeking Corp. With more than five years of experience in the business, he has extensive knowledge of the industry and has been instrumental in the sustainable development of the Company, as well as having a strong presence in the industry to which the Company belongs. His extensive knowledge of and experience in the pharmaceutical industry and the regulatory field enable him to provide important advice for the development of the Company's operations.
Independent Director	Chen, Jiin-Shian	Graduated from National Chengchi University with Doctor of Juridical Science (SJD) and E.M.B.A.. She was the Director of the Legal Affairs Office/Manager of the Audit Office of the Taiwan Depository Clearing Corporation, and an adjunct associate professor at the Law Research Institute under the Department of Law School at Central Police University. Currently, she is a member of the Remuneration Committee and the Audit Committee of the Company, and is the presiding attorney of J.S. International Attorneys At Law. With legal expertise and familiarity with relevant laws and regulations, she has more than five years of working experience in business, legal affairs, finance, and business requirements, specializing in the legal profession and licensed as a practicing attorney. She assists in providing professional advice and crisis management in

Title	Name	Professional Qualifications and Experience
		corporate affairs and provides supervision and professional advice to the Board of Directors.

2. Independence Information of Directors

Title	Name	Status of Independence	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
Chairman	Chang, Li-Chiou	- Chairman of the Company's affiliated enterprise (wholly-owned subsidiary) - Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	2
Directors	Representative of Panion Investment Co., Ltd.: Hsieh, De-Fu	- Chairman of Panion Investment Co., Ltd. (the Company's largest shareholder), which holds more than 5% of the Company's outstanding shares. - Director and Supervisor of the Company's affiliated enterprises (wholly-owned subsidiaries) - Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	0
Directors	Representative of Panion Investment Co., Ltd.: Chiang, Tsung-Ming	- General Manager of the Company and Chairman, Director and General Manager of the Company's affiliated enterprises (wholly-owned subsidiaries) - Relative within the second degree of kinship of the Company's top ten natural-person shareholders. - Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	0
Directors	Representative of Panion Investment Co., Ltd.: Lin, Jyh-Ming	- Director and Supervisor of the Company's affiliated enterprises (wholly-owned subsidiaries) - Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	0
Directors	Huang, Weng-Houng	- Director of the Company's affiliated enterprise (wholly-owned subsidiary) - Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	3

Title	Name	Status of Independence	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
Directors	Chen, Pa-Chuan	Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	0
Independent Director	Chang, Ryh-Yan	During the two years before being elected or during the term of office, none of the following conditions have been met:	3
Independent Director	Liao, Chi-Chou	1. An employee of the Company or any of its affiliates. 2. A director or supervisor of the Company or any of its affiliates.	1
Independent Director	Chen, Jiin-Shian	3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in aggregate of 1% or more of the total number of issued shares or ranking in the top 10 holdings. 4. A spouse, a relative within the second degree of kinship, or a lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs. 5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. 6. A majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. 7. The chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or	0

Title	Name	Status of Independence	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
		institution. 8. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. 9. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations. 10. Not a spouse or a relative within the second degree of kinship of other directors. 11. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act. 12. Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.	

(IV) Diversity and Independence of the Board of Directors:

1. Diversity of the Board of Directors

In accordance with Article 20 of the Company's Corporate Governance Best Practice Principles, the composition of the Board of Directors shall consider diversity and formulate appropriate diversity policies with respect to its own operations, business model and development needs. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following qualities:

- (1) Ability to make operational judgments.
- (2) Ability to perform accounting and financial analysis.
- (3) Ability to conduct operational management.
- (4) Ability to conduct crisis management.
- (5) Knowledge of the industry.
- (6) International market perspective.
- (7) Ability to make policy decisions.
- (8) Decision-making ability.

The diversity policy of the current members of the Company's Board of Directors and its implementation are as follows:

Title	Name	Gender	Age			Concurrent Employee	Operational Judgment	Operation Management	Industry Knowledge	Leadership	International Market Perspective	Finance and Accounting	Legal Regulations	Risk Management
			51-60	61-70	71-80									
Directors	Chang, Li-Chiou	Male			V		V	V	V	V	V	V		V
Directors	Hsieh, De-Fu	Male			V		V	V	V	V	V		V	V
Directors	Chiang, Chung-Ming	Male			V	V	V	V	V	V	V		V	V
Directors	Lin, Jyh-Ming	Male			V		V	V	V	V	V			V
Directors	Huang, Weng-Houng	Male			V		V	V	V	V	V		V	V
Directors	Chen, Pa-Chuan	Male	V				V	V	V	V	V	V	V	V
Independent Director	Chang, Ryh-Yan	Male		V			V	V	V	V	V	V		V
Independent Director	Liao, Chi-Chou	Male			V		V	V	V	V	V		V	V
Independent Director	Chen, Jiin-Shian	Female		V			V	V	V	V	V		V	V

Specific Management Objectives of the Board's Diversity Policy and the Achievement Thereof

Management Objective	Achievement
Directors concurrently acting as managerial officers shall not be more than	Achieved
At least one female director among the board members	Achieved
No more than two directors have a marital relationship or a relative within the	Achieved

In summary, the Company's current Board of Directors consists of nine directors, including three independent directors (33.33%). 11.11% of directors are employees, and 11.11% are women. All directors, including independent directors, shall have the knowledge, skills, and experience necessary to perform their duties. Six directors are from the areas of management, leadership, finance and accounting, with industry knowledge and international market perspective. The three independent directors are from the fields of finance and accounting, taxation, law, and biotechnology and healthcare, which are in line with the Company's goal of diversifying its Board of Directors.

2. Independence of the Board of Directors: The current Board of Directors of the Company consists of nine directors, including three independent directors (33.33%), and 11.11% of directors who are employees. There are no circumstances as specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, including cases where the directors are related to each other as spouses or to the second degree of kinship.

During their term of office, the directors have in-depth discussions and communication on the operation and future direction of the Company, and jointly plan decisions that have significant impact on organizational growth, performance improvement, operational development, risk management, and corporate governance, fully utilizing their respective expertise to guide the Company's management and supervise the Board of Directors.

(V) Remuneration Paid to Directors and Supervisors

1. Remuneration Paid to General Directors and Independent Directors

December 31, 2022; Unit: NT\$ thousands

Title	Name	Remuneration to Directors								The Sum of A, B, C, and D as a Percentage of Earnings After Tax (%)		Relevant Remuneration Received by Directors who are Also Employees								Sum of (A+B+C+D+E+F+G) as a Percentage of Net Income After Tax (%)		Remuneration Received from Investee or Parent Company other than the Company's Subsidiaries
		Compensation (A)		Pension (B)		Directors' Remuneration (C) (Note 1)		Business Execution Expenses (D)				Salary, Bonus, and Allowance (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company		From companies in the consolidated financial statements		The Company	From companies in the consolidated financial statements	
																Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Chairman	Chang, Li-Chiou	5,733	5,733	0	0	15,846	15,846	1,159	1,382	12.47%	12.59%	17,566	17,566	0	0	0	0	0	0	22.10%	22.22%	0
Directors	Panion Investment Co., Ltd. Representative: Hsieh, De-Fu																					
Directors	Panion Investment Co., Ltd. Representative: Chiang, Chung-Ming																					
Directors	Panion Investment Co., Ltd. Representative: Lin, Jyh-Ming																					
Directors	Chen, Pa-Chuan (Note 3)																					
Directors	Huang, Weng-Houng																					
Independent Director	Chang, Ryh-Yan	3,840	3,840	0	0	2,388	2,388	310	310	3.594%	3.59%	0	0	0	0	0	0	0	0	3.59%	3.59%	0
Independent Director	Liao, Chi-Chou																					
Independent Director	Chen, Jiin-Shian																					
1. Please state the policies, systems, standards, and structure of independent directors' remuneration payment and describe the relevance of their responsibilities, risks, and time of investment to the amount of remuneration. In accordance with the Company's Regulations Governing the Remuneration of Directors and Independent Directors, independent directors shall be paid monthly in the range of NT\$50 thousand to NT\$120 thousand, regardless of operating profit or loss, and shall be considered by the Remuneration Committee and submitted to the Board of Directors for decision. The Company's independent directors are remunerated differently depending on the level of responsibility and the risks associated with their roles on functional committees. 2. Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: None (Note 3)																						

Note 1. As at the printing date of the annual report, the proposed allotment has yet to be reported to the shareholders' meeting of 2023.

Note 2. In addition to the above, the remuneration of the directors' drivers amounted to NT\$1,446 thousand.

Note 3. Director Chen, Pa-Chuan took office on June 8, 2022.

Table of Remuneration Ranges

Range of Remuneration Paid to the Company's Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements
Less than NT\$1,000 thousand	-	-	-	-
NT\$1,000 thousand (inclusive)–NT\$2,000 thousand (exclusive)	Chen, Pa-Chuan	Chen, Pa-Chuan	Chen, Pa-Chuan	Chen, Pa-Chuan
NT\$2,000 thousand (inclusive)–NT\$3,500 thousand (exclusive)	Hsieh, De-Fu; Lin, Jyh-Ming; Huang, Weng-Houng; Chang, Ryh-Yan; Liao, Chi-Chou; Chen, Jiin-Shian	Hsieh, De-Fu; Lin, Jyh-Ming; Huang, Weng-Houng; Chang, Ryh-Yan; Liao, Chi-Chou; Chen, Jiin-Shian	Hsieh, De-Fu; Lin, Jyh-Ming; Huang, Weng-Houng; Chang, Ryh-Yan; Liao, Chi-Chou; Chen, Jiin-Shian	Hsieh, De-Fu; Lin, Jyh-Ming; Huang, Weng-Houng; Chang, Ryh-Yan; Liao, Chi-Chou; Chen, Jiin-Shian
NT\$3,500 thousand (inclusive)–NT\$5,000 thousand (exclusive)	Chiang, Chung-Ming	Chiang, Chung-Ming	-	-
NT\$5,000 thousand (inclusive)–NT\$10,000 thousand (exclusive)	Chang, Li-Chiou	Chang, Li-Chiou	Chang, Li-Chiou	Chang, Li-Chiou
NT\$10,000 thousand (inclusive)–NT\$15,000 thousand (exclusive)				
NT\$15,000 thousand (inclusive)–NT\$30,000 thousand (exclusive)	-	-	Chiang, Chung-Ming	Chiang, Chung-Ming
NT\$30,000 thousand (inclusive)–NT\$50,000 thousand (exclusive)	-	-	-	-
NT\$50,000 thousand (inclusive)–NT\$100,000 thousand (exclusive)	-	-	-	-
Over NT\$100,000 thousand	-	-	-	-
Total	9	9	9	9

2. Remuneration to Supervisors

Not applicable, the Company has established an Audit Committee of three independent directors on June 13, 2014 and the supervisors have all been dismissed.

III. Major Managers

(I) Information on General Managers, Vice President , Assistant Managers, and Heads of Departments and Branches

May 1, 2023; Unit: Share; %

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Positions Currently Held with the Company or Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
General Managers	Republic of China	Chiang, Chung-Ming	Male	March 1, 1980	534,294	0.62	0	0	0	0	1. Bachelor of Pharmacy, Taipei Medical University 2. Manager of Western Medicine Department of Johnson & Johnson 3. Sales Supervisor of Bristol Myers Squibb	1. General Manager of Panion & BF Biotech Inc. 2. Director of Shining Biomedical Co., Ltd. 3. Director of Healtdeva Co., Ltd. Representative of Shining Biomedical Co., Ltd. 4. Representative of Bowlin Holding Co., Ltd. (Seychelles) 5. Representative of Zhuhai Baozhan Trade Co., Ltd. (China) 6. Representative of Zhuhai Panion & BF Biotech Inc. 7. Representative of Bowlin Holding Co., Ltd. (Cayman) 8. Representative of Bowlin Holding (HK) Co., Ltd. 9. Representative of Zhuhai Panion Innovation Biotech Co., Ltd. 10. Representative of Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada. 11. Representative of Zhuhai Baoyi Biotech Co., Ltd. 12. Director of Weigao Panion Biotech Holding Co., Ltd.(HK) (Representative of Panion & BF Biotech Inc.) 13. Director of Shandong Weigao Panion Pharmaceutical Co., Ltd. (Representative of Panion & BF Biotech Inc.) 14. Director and General Manager of Cheng Fong Chemical Co., Ltd. (Representative of Panion & BF Biotech Inc.)	Assistant Vice President	Chuang, Jui-Yuan	First degree of kinship	NA
													Assistant Vice President	Chiang, Cheng-Ju	First degree of kinship	

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Positions Currently Held with the Company or Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Vice President	Republic of China	Wang, Feng-Jen	Male	January 11, 2000	155,777	0.18	56,000	0.07%	0	0	1. Bachelor of Accounting, Tamkang University 2. Assistant Vice President of Management Department, ULYCOM Technology Co. Ltd. 3. Finance and Accounting Assistant Vice President of Hos Win Enterprise 4. Finance and Accounting Manager of Sercomm Corp.	1. Supervisor of Zhuhai Baozhan Trade Co., Ltd. (China) 2. Supervisor of Zhuhai Panion & BF Biotech Inc. 3. Supervisor of Zhuhai Panion Innovation Biotech Co., Ltd. 4. Supervisor of Zhuhai Baoyi Biotech Co., Ltd. 5. Director of Weigao Panion Biotech Holding Co., Ltd.(HK) 6. Supervisor of Shandong Weigao Panion Pharmaceutical Co. Ltd. 7. Supervisor of Shanghai Weigao Panion Pharmaceutical Co., Ltd.	None	None	None	NA
Vice President	Republic of China	Tsai, Chung-Chi	Male	January 1, 2014	123,286	0.14	45,780	0.05%	0	0	1. B.S. in International Trade, Tamkang University 2. Operations Manager of Panacor Bioscience Ltd. 3. General Manager of ARTDECO Shanghai Enterprise Co., Ltd.	None	None	None	None	NA
Vice President	Republic of China	Lu, Chun-Ping	Male	February 13, 2017	18,651	0.02	0	0	0	0	1. China Junior College of Technology 2. Senior Sales Manager of Synpac-Kingdom Pharmaceutical Co., Ltd. 3. National Sales Manager of Orient EuroPharma Co., Ltd. 4. Sales Director of DKSH Taiwan Ltd.	None	None	None	None	NA
Vice President	Republic of China	Hsueh, Yu-Sheng (Note 1)	Male	January 17, 2023	0	0	0	0	0	0	1. Bachelor, Department of Economics, Chinese Culture University 2. Deputy General Manager of Elite Secret 3. Deputy General Manager of Enseng International Corp. 4. Deputy General Manager of Johnson Veterinary Supply Co. Ltd. 5. Deputy General Manager of Panion & BF Biotech Inc.	None	None	None	None	NA
Assistant Vice President	Republic of China	Chuang, Jui-Yuan	Male	July 1, 2015	126,578	0.15	158,014	0.18	0	0	1. Master of Biotechnology, University of Pennsylvania, USA 2. Project Manager of Project Development Department of Panacor Bioscience Ltd.	None	President	Chiang, Chung-Ming	First degree of kinship	NA
													Assistant Vice President	Chiang, Cheng-Ju	Second degree of kinship	

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Positions Currently Held with the Company or Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Assistant Vice President	Republic of China	Lee, Jen-Yi	Male	July 1, 2020	5,691	0.00	0	0	0	0	1. Postdoctoral Fellow Researcher, School of Medicine, National Taiwan University 2. Ph.D., Institute Graduate School of Pharmacology, College of Medicine, (Graduate School of Pharmacology), Yang Ming University 3. Researcher of Targetgen Inc.	None	None	None	None	NA
Assistant Vice President	Republic of China	Chiang, Cheng-Ju (Note 2)	Male	March 1, 2022	32,386	0.03	16,407	0.01	0	0	1. M.S., Department of Life Sciences, National Tsinghua University 2. Research Assistant of Jiuyu Biotechnology Co.	None	vi	Chiang, Chung-Ming	First degree of kinship	NA
													Assistant Vice President	Chuang, Jui-Yuan	Second degree of kinship	
Assistant Vice President	Republic of China	Wang, Han-Ming (Note 3)	Male	January 14, 2022	0	0	0	0	0	0	1. Master of Business Administration, National Taiwan Normal University 2. Senior Treatment Specialist of Gilead Science 3. Sales Manager of Long Life Nutraceutical Int'l Co., Ltd.	None	None	None	None	NA
Accounting Manager	Republic of China	Chiu, Mei-Lun	Female	January 21, 2002	1,016	0.00	0	0	0	0	1. EMBA, Tulane University, USA 2. B.S. in Accounting, Soochow University 3. CFO of Mainstream Technology Corporation 4. Financial Accounting Assistant of King Polytechnic Engineering Co., Ltd. 5. Finance Manager of Grand Formosa Taroko Hotel Corporation 6. Assistant Audit Manager of KPMG Taiwan	None	None	None	None	NA
Audit Supervisor	Republic of China	Yang, Ming-Ling	Female	September 22, 2014	4,300	0.00	0	0	0	0	1. Department of Business Administration, Tatung University 2. Assistant Audit Manager of TCI Co., Ltd. 3. Audit Manager of FIC Global, Inc. 4. Audit Manager of World Peace Industrial Co., Ltd.	None	None	None	None	NA

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Positions Currently Held with the Company or Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Vice President of Subsidiary	Republic of China	Chen, Te-En	Male	August 1, 2021	0	0	0	0	0	0	1. Bachelor of Business Administration, Tamkang University 2. General Manager of Totalife International Co., Ltd.	None	None	None	None	NA
Vice President of Subsidiaries	Republic of China	Chang, Le-Lin (Note 3)	Male	January 14, 2022	0	0	0	0	0	0	1. B.A., Department of Philosophy, Soochow University 2. Special Assistant to the General Manager of Beijing Greentech Food Development Co.,Ltd.	None	None	None	None	NA

Note 1. Hsueh, Yu-Sheng, Vice President, took office on January 17, 2023.

Note 2. Assistant Vice President Chiang, Cheng-Ju , took office on March 1, 2022.

Note 3. Assistant Vice President Wang, Han-Ming took office on January 14, 2022 and resigned on November 30, 2022.

Note 4. Chang, Le-Lin, Vice President of mainland China subsidiary, took office on January 14, 2022.

(II) Remuneration Paid to General Manager and Vice President

December 31, 2022; Unit: NT\$ thousands

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowance, etc. (C)		Employee Compensation (D)				The Sum of A, B, C, and D as a Percentage of Net Income After Tax (%)		Remuneration Received from Investee or Parent Company other than the Company's Subsidiaries
		The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company	From companies in the consolidated financial statements	The Company		From companies in the consolidated financial statements		The Company	From companies in the consolidated financial statements	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
General Manager	Chiang, Chung-Ming	11,016	11,016	0	0	23,954	24,006	0	0	0	0	19.18%	19.21%	0
Vice President	Wang, Feng-Jen													
Vice President	Tsai, Chung-Chi													
Vice President	Lu, Chun-Ping													

Note 1. The managers listed above did not participate in the remuneration allocation to employees in 2022.

Note 2. In addition to the above, the remuneration of the Senior Manager's drivers amounted to NT\$813thousand.

Table of Remuneration Ranges of General Manager and Vice Presidents

Range of Remuneration Paid to Managers	Names of Managers	
	The Company	From companies in the consolidated financial statements
Less than NT\$1,000 thousand	-	-
NT\$1,000 thousand (inclusive)–NT\$2,000 thousand (exclusive)	-	-
NT\$2,000 thousand (inclusive)–NT\$3,500 thousand (exclusive)	-	-
NT\$3,500 thousand (inclusive)–NT\$5,000 thousand (exclusive)	Lu, Chun-Ping	Lu, Chun-Ping
NT\$5,000 thousand (inclusive)–NT\$10,000 thousand (exclusive)	Wang, Feng-Jen; Tsai, Chung-Chi	Wang, Feng-Jen; Tsai, Chung-Chi
NT\$10,000 thousand (inclusive)–NT\$15,000 thousand (exclusive)	-	-
NT\$15,000 thousand (inclusive)–NT\$30,000 thousand (exclusive)	Chiang, Chung-Ming	Chiang, Chung-Ming
NT\$30,000 thousand (inclusive)–NT\$50,000 thousand (exclusive)	-	-
NT\$50,000 thousand (inclusive)–NT\$100,000 thousand (exclusive)	-	-
Over NT\$100,000 thousand	-	-
Total	4	4

(III) Names of Managers Who Distributed Employee Compensation and the Status of Distribution

December 31, 2022; Unit: NT\$ thousands

	Title	Name	Amount in Stock	Amount in Cash	Total (Note 1)	Total Amount as Percentage of Net Income (%)
Managers	General Manager	Chiang, Chung-Ming	0	0	0	0
	Vice President	Wang, Feng-Jen				
	Vice President	Tsai, Chung-Chi				
	Vice President	Lu, Chun-Ping				
	Assistant Vice President	Chuang, Jui-Yuan				
	Assistant Vice President	Lee, Jen-Yi				
	Assistant Vice President	Chiang, Cheng-Ju (Note 2)				
	Assistant Vice President	Wang, Han-Ming (Note 3)				

Note 1. The managers listed above did not participate in the remuneration allocation to employees in 2022.

Note 2. Assistant Vice President Chiang, Cheng-Ju, took office on March 1, 2022.

Note 3. Assistant Vice President Wang, Han-Ming took office on January 14, 2022 and resigned on November 30, 2022.

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

1. Percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past two fiscal years to directors, supervisors, general managers, and assistant general managers:

Unit: NT\$ thousands

Title \ Year	2021				2022			
	The Company		From companies in the consolidated financial statements		The Company		From companies in the consolidated financial statements	
	Total Remuneration	Percentage of net income (%)	Total Remuneration	Percentage of net income (%)	Total Remuneration	Percentage of net income (%)	Total Remuneration	Percentage of net income (%)
Directors	16,716	16.01%	16,922	16.21%	29,275	16.05%	29,499	16.18%
General Manager and Vice President	24,456	23.43%	24,503	23.47%	34,970	19.18%	35,022	19.21%
Total	41,172	39.44%	41,425	39.68%	64,245	35.23%	64,521	35.38%

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

(1) In accordance with the Company's Regulations Governing the Remuneration of Directors and Independent Directors, the remuneration of directors includes compensation, emoluments, and payment for business execution. In accordance with Article 26-2 of the Company's Articles of Incorporation, directors of the Company shall be remunerated by the Company regardless of profit or loss in the performance of their duties. Directors shall be compensated on a flat-rate basis, depending on whether they are members of functional committees and their participation and contribution to the operation. In accordance with Article 26 of the Company's Articles of Incorporation, if the Company makes profits in the year, it shall first set aside not more than 5% of the net income before taxation for director's compensation. However, if the Company has accumulated losses, it shall reserve the amount in advance to make up for them. The remuneration of directors is determined in accordance with the Company's Regulations Governing the Remuneration of Directors and Independent

Directors. The remuneration is determined by weighting the overall performance of directors, the Company's operating performance, the Company's future operations and risks, and the degree of participation in the Company's operations and the value of their contributions (for example, acting as joint guarantor of financing/business needs, significant contributions, etc.), and making recommendations for distribution based on the weighted results. The payment for business execution includes travel expenses and various allowances, etc.

- (2) The remuneration of the Company's managers consists of the fixed salary and variable bonuses. The fixed salary shall be determined based on the manager's academic experience, professional ability and position, the Company's salary management provisions and other personnel management regulations, and the industry level; The variable bonuses are linked to the Company's performance goals, including but not limited to financial or non-financial goals for turnover and profitability. The annual KPI targets are set and bonuses are calculated based on the annual KPI achievement rate. The Company's managers do not participate in the distribution of employee compensation because they get bonuses based on the above KPI targets.
- (3) The remuneration of the directors and managers mentioned in (1) and (2) shall comply with the Company's Articles of Incorporation and related regulations. It shall be reviewed by the Compensation Committee and then submitted to the Board of Directors for approval. Its scope shall be consistent with that of the standards for matters to be recorded in Company's annual reports regarding directors' and managers' remuneration.

IV. The State of the Company's Implementation of Corporate Governance

(I) The State of Operations of the Board of Directors

A total of nine (A) board meetings were held in 2022. The attendance of the directors was as follows:

Title	Name	Number of Attendances (Presence) in Person (B)	Proxy Attendances	Attendance (Presence) Rate (%) (B/A)	Note
Chairman	Chang, Li-Chiou	9	0	100%	Serve for another term of office Should attend nine times
Directors	Panion Investment Co., Ltd. Representative: Chiang, Chung-Ming	9	0	100%	Serve for another term of office Should attend nine times
Directors	Panion Investment Co., Ltd. Representative: Hsieh, De-Fu	9	0	100%	Serve for another term of office Should attend nine times
Directors	Panion Investment Co., Ltd. Representative: Lin, Jyh-Ming	9	0	100%	Serve for another term of office Should attend nine times
Directors	Huang, Weng-Houng	7	0	100%	Serve for another term of office Should attend nine times
Directors	Chen, Pa-Chuan	5	0	100%	Newly-appointed (Re-election on August 6, 2022) Should attend five times
Independent Director	Chang, Ryh-Yan	9	0	100%	Serve for another term of office Should attend nine times
Independent Director	Liao, Chi-Chou	8	1	88.8%	Serve for another term of office Should attend nine times
Independent Director	Chen, Jiin-Shian	9	0	100%	Serve for another term of office Should attend nine times

Note: The Company completed the re-election of directors at the Shareholders' Meeting on June 8, 2022. The term of office is from June 8, 2022 to June 7, 2025.

Other matters to be noted:

I. In the event that any of the following circumstances occur at a Board Meeting, the meeting date, meeting session, meeting content, opinions of all independent directors, and the Company's response thereto shall be clearly noted:

- (I) Matters referred to in Article 14-3 of the Securities and Exchange Act: Please refer to the operation of the Audit Committee in this annual report. All of the independent directors consented to the adoption of the resolutions.
 - (II) Other resolutions of the Board to which independent director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: There were no such circumstances for the Board of Directors of the Company for 2022.
- II. When a Director or Directors abstains due to being a stakeholder in certain proposals, the name(s) of the Director(s), the content of the proposal, reasons for abstentions, and the results of vote counts should be stated.
1. 21th meeting of the 14th Board of Directors (January 14, 2022)
 - (1) Remuneration Proposal for appointment of Company managers
In accordance with Article 206-2 of the Company Act, Director Chiang, Chung-Ming is a blood relative within the first degree of kinship of the manager in this case.
Due to the conflict of interest, he shall recuse from the discussion and resolution of this case and temporarily leave the meeting, which was approved without objection by the remaining directors present.
 - (2) Chairman's year-end bonus for 2021
In accordance with Article 206-2 of the Company Act, Chairman Chang, Li-Chiou shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest. The case was approved by a meeting of the Board of Directors, presided over by independent director Chang, Ryh-Yan, who consulted other attending directors, none of whom objected.
 - (3) Managers' year-end bonus for 2021
In accordance with Article 206-2 of the Company Act, Director Chiang, Chung-Ming shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest; The case was approved by a meeting of the Board of Directors, presided over by the chairman, who consulted other attending directors, none of whom objected.
 - (4) Managers' patent incentive payment
In accordance with Article 206-2 of the Company Act, Director Chiang, Chung-Ming is a blood relative within the first degree of kinship of the manager in this case. Due to the conflict of interest, he shall recuse from the discussion and resolution of this case and temporarily leave the meeting, which was approved without objection by the remaining directors present.
 2. 22th meeting of the 14th Board of Directors (May 15, 2022)
 - (1) Director Remuneration Plan for 2021
In accordance with Article 206-2 of the Company Act, Chairman Chang, Li-Chiou; Director Hsieh, De-Fu; Director Chiang, Chung-Ming; Director Lin, Jyh-Ming; Director Huang, Weng-Houng, shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest. The case was approved by a meeting of the Board of Directors, presided over by independent director Chang, Ryh-Yan, who consulted other attending directors, none of whom objected.
 - (2) The list of candidates for nomination as directors (including independent directors) by the Board of Directors
 - 1) In accordance with Article 206-2 of the Company Act, when discussing the nomination and reviewing the qualifications of independent directors, as Independent Director Chang, Ryh-Yan; Independent Director Liao, Chi-Chou; Independent Director Chen, Jiin-Shian are current directors of the Board of Directors, they shall recuse from the discussion and resolution of this case, due to the conflict of interest. It was approved without objection by the remaining directors present.
 - 2) In accordance with Article 206-2 of the Company Act, as Chairman Chang, Li-Chiou; Director Chiang, Chung-Ming; Director Hsieh, De-Fu; Director Huang, Weng-Houng are current directors of the Board of Directors, they shall recuse from the discussion and resolution of this case, due to the conflict of interest. The case was approved by a meeting of the Board of Directors, presided over by independent director Chang, Ryh-Yan, who consulted other attending directors, none of whom objected.

- (3) Removal of the Company's Non-compete Clause for Directors
 - 1) In accordance with Article 206-2 of the Company Act, when discussing the removal of the non-compete clauses on independent directors, Independent Director Chang, Ryh-Yan; Independent Director Liao, Chi-Chou; Independent Director Chen, Jiin-Shian shall recuse from the discussion and resolution of this case, due to the conflict of interest. It was approved without objection by the remaining directors present.
 - 2) In accordance with Article 206-2 of the Company Act, when discussing the removal of the non-compete clauses on directors, as Chairman Chang, Li-Chiou; Director Chiang, Chung-Ming; Director Hsieh, De-Fu; Director Huang, Weng-Houng are current directors of the Board of Directors, they shall recuse from the discussion and resolution of this case, due to the conflict of interest. The case was approved by a meeting of the Board of Directors, presided over by independent director Chang, Ryh-Yan, who consulted other attending directors, none of whom objected.
- (4) Application for bonus for management team
In accordance with Article 206-2 of the Company Act, Director Chiang, Chung-Ming shall recuse from the discussion and resolution of this case, due to the conflict of interest; It was approved without objection by the remaining directors present.
3. 24th meeting of the 14th Board of Directors (May 11, 2022)
Proposed amendment to Regulations Governing the Remuneration of Directors and Independent Directors
In accordance with Article 206-2 of the Company Act, Chairman Chang, Li-Chiou shall recuse from the discussion and resolution of this case, due to the conflict of interest; It was approved without objection by the remaining directors present.
4. 2th meeting of the 15th Board of Directors (June 21, 2022)
 - (1) Proposed appointment of Members by the Fifth Remuneration Committee of the Company
In accordance with Article 206-2 of the Company Act, the three independent directors shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest; The case was approved by a meeting of the Board of Directors, presided over by the chairman, who consulted other attending directors, none of whom objected.
 - (2) Proposed appointment of the Company managers
In accordance with Article 206-2 of the Company Act, Director Chiang, Chung-Ming, who was proposed to be appointed as the general manager of the Company, shall recuse from the discussion and resolution of this case, due to the conflict of interest; It was approved without objection by the remaining directors present.
 - (3) Proposed assignment of directors and supervisors of subsidiaries
In accordance with Article 206-2 of the Company Act, Chairman Chang, Li-Chiou; Director Chiang, Chung-Ming; Director Hsieh, De-Fu; Director Lin, Jyh-Ming; Director Huang, Weng-Houng, who were proposed to be appointed as director or supervisor of the Company, shall recuse from the discussion and resolution of this case, due to the conflict of interest; It was approved without objection by the remaining directors present.
5. 3th meeting of the 15th Board of Directors (August 11, 2022)
 - (1) Proposal for remuneration of the Company Chairman
In accordance with Article 206-2 of the Company Act, Chairman Chang, Li-Chiou shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest. The case was approved by a meeting of the Board of Directors, presided over by independent director Chang, Ryh-Yan, who consulted other attending directors, none of whom objected.
 - (2) Proposal for remuneration of the Company directors (excluding independent directors)
In accordance with Article 206-2 of the Company Act, Chairman Chang, Li-Chiou, Director Hsieh, De-Fu; Director Chiang, Chung-Ming; Director Lin, Jyh-Ming; Director Huang, Weng-Houng; Director Chen, Pa-Chuan shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest. The case was approved by a meeting of the Board of Directors, presided over by independent director Chang, Ryh-Yan, who consulted other attending directors, none of whom objected.

- (3) Proposal for remuneration of the Company independent directors
In accordance with Article 206-2 of the Company Act, Independent Director Chang, Ryh-Yan; Independent Director Liao, Chi-Chou; Independent Director Chen, Jiin-Shian shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest; The case was approved by a meeting of the Board of Directors, presided over by the chairman, who consulted other attending directors, none of whom objected.
- (4) Proposal for remuneration of the Company general manager
In accordance with Article 206-2 of the Company Act, Director Chiang, Chung-Ming shall recuse from the discussion and resolution of this case, due to the conflict of interest; It was approved without objection by the remaining directors present.
- (5) Proposal for remuneration of directors and supervisors of subsidiaries
In accordance with Article 206-2 of the Company Act, as Chairman Chang, Li-Chiou, Director Hsieh, De-Fu; Director Chiang, Chung-Ming; Director Lin, Jyh-Ming; Director Huang, Weng-Houng are the director or supervisor of subsidiaries, they shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest. The case was approved by a meeting of the Board of Directors, presided over by independent director Chang, Ryh-Yan, who consulted other attending directors, none of whom objected.

6. 4th meeting of the 15th Board of Directors (October 18, 2022)

- (1) Proposed amendment to Regulations Governing the Remuneration of Directors and Independent Directors

In accordance with Article 206-2 of the Company Act, Independent Director Chang, Ryh-Yan; Independent Director Liao, Chi-Chou; Independent Director Chen, Jiin-Shian shall recuse from the discussion and resolution of this case and temporarily leave the meeting, due to the conflict of interest; The case was approved by a meeting of the Board of Directors, presided over by the chairman, who consulted other attending directors, none of whom objected.

III. Information on the Board of Directors' evaluation cycle, duration, scope, method and content:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content
Once per year	January 1, 2022 to December 31, 2022	Board of Directors	Board Performance Self-Assessment Questionnaire for the internal self-assessment of the Board of Directors	1. The extent to which they participate in the operation of the Company 2. Improvement in the quality of Board decision making 3. The composition and structure of the Board 4. Selection and continuing education of directors 5. Internal control
		Individual Directors	Board Members Performance Self-Assessment Questionnaire for member self-assessment of the Board of Directors	1. Mastery of company goals and tasks 2. Understanding of Directors duties 3. The extent to which they participate in the operation of the Company 4. Internal relationship management and communication 5. Selection and continuing education of Directors 6. Internal control

		Functional Committees (Audit Committee and Remuneration Committee)	Functional Committees Performance Self-Assessment Questionnaire for the self-assessment of Functional Committee	1. The extent to which they participate in the operation of the Company 2. Understanding of functional Committee' duties 3. Improvement in quality of Functional Committee decision making 4. The composition and the selection of the Functional Committee members 5. Internal control
The performance assessment of the Company's Board of Directors and Functional Committee and the performance self-assessment of the Board members for 2022 were completed in January 2023 and presented to the Board of Directors on March 14, 2023. The average performance self-assessment score of the Board of Directors was 4.81, and the average performance self-assessment score of some board members was 4.75. All directors obtained positive assessment, indicating that the overall Board of Directors operated well; The average performance self-assessment score of Functional Committee was 4.86. The operation of the two committees was perfect and they could give full play to their functions. (The full mark of the above scores is 5 points)				
IV.	Assessment of the objectives and performance of strengthening the functions of the Board of Directors in the current and recent years To implement corporate governance and enhance the functions of the Board of Directors, the Company appointed the chief corporate governance officer in 2022 to improve the operational efficiency of the Board of Directors, and conduct performance evaluations every year in line with the Rules for Performance Evaluations of the Board of Directors (Functional Committee) stipulated by the Company, to complete the evaluation and submit the evaluation results to the Board of Directors before the end of the first quarter of the next year. Besides, in response to the Board of Directors' emphasis on sustainable development, the Company established the Sustainable Development Committee in 2022, and set up corresponding working teams according to different issues of concern to each stakeholder to promote sustainable development strategies, and regularly report the promotion plans and implementation results to the Board of Directors. Furthermore, on June 13, 2014, the Company established an Audit Committee, which holds a meeting at least once a quarter to review the fair presentation of the Company's financial statements, the selection (dismissal), independence and performance of the certified public accountants (CPAs), the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and the control of the Company's existing or potential risks, and to invite accountants and related personnel to attend the reports for consultation as needed.			

(II) Operating status of the Audit Committee:

1. Composition of the Audit Committee

Per Article 14-4 of the Securities and Exchange Act, the Audit Committee is composed of all independent directors in order to assist the Board of Directors in improving the performance of corporate governance.

2. Duties of the Audit Committee

The Audit Committee holds regular meetings on a quarterly basis and, within its terms of reference, may request the attendance of relevant department managers, internal auditors, accountants, legal advisors, or other personnel and provide relevant information as necessary.

In accordance with Article 6 of the Company's Audit Committee Charter, the scope of duties of the Company's Audit Committee is as follows:

- (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) The adoption of or amendment to the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.
- (4) Matters in which a director is an interested party.
- (5) Asset transactions or derivatives trading of a material nature.
- (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) The offering, issuance, or private placement of equity type securities.
- (8) The hiring or dismissal of certified public accountants, or their compensation.
- (9) The appointment or discharge of financial, accounting, or internal audit officers.
- (10) The annual financial report.
- (11) Other material matters as may be required by the Company or the competent authority.

3. Attendance of the Audit Committee

A total of seven meetings (A) were held by the Audit Committee in 2022. The attendance of independent directors was as follows:

Title	Name	Number of Attendances in Person (B)	Proxy Attendances	Rate of Attendance in Person (%) (B/A)	Note
Independent Director	Chang, Ryh-Yan	7	0	100%	Serve for another term of office
Independent Director	Liao, Chi-Chou	7	0	100%	Serve for another term of office
Independent Director	Chen, Jiin-Shian	7	0	100%	Serve for another term of office

Note: The Company completed the re-election of 15th directors at the Shareholders' Meeting on June 8, 2022. The term of office is from June 8, 2022 to June 7, 2025. All three independent directors were re-elected.

Other matters to be noted:

I. In the event that the Audit Committee encounters any of the following circumstances in its operations, it shall state the date and period of the Audit Committee meeting, the content of the motion, the content of the objections, reservations or material recommendations of the independent directors, the results of the Audit Committee resolution and the Company's handling of the Audit Committee's opinion.

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act

Meeting	Motion Content	Resolution	Company's Handling of Audit Committee Opinions
2022.03.15 19 th meeting of 3 rd term	- Adoption of the Company's Statement on Internal Control System for 2021 - Proposal to adopt the Company's 2021 parent company only financial statements and consolidated financial statements - Amendments to the Regulations Governing the Acquisition and Disposal of Assets	Unanimously approved by all Audit Committee members present as it had been proposed. Submitted to the Board of Directors for resolution.	Approved by all directors present or present by proxy.
2022.11.14 4 th meeting of 4 rd term	2023 CPA appointment and service fee 2023 audit plan		

(II) Apart from the preceding matters, any resolutions that were not approved by the Audit Committee but were approved by two-thirds of all directors: None.

- II. Abstentions due to conflicts of interest by independent directors shall clearly specify the name of the independent director, meeting content, reasons for avoidance of conflicts of interest, and their participation in voting: None.
- III. Communication between independent directors and internal audit supervisors & CPAs:
- ⊙ Communication between independent directors and CPAs:
The Company's Audit Committee, consisting of all independent directors, meets regularly and with the CPA at least twice a year to communicate and discuss key auditing matters, financial report findings, and recent legal updates to implement corporate governance.
 - ⊙ Communication between independent directors and internal audit supervisors:
1. Methods of communication between independent directors and internal audit supervisors
 - (1) Written reports:
The monthly audit report and tracking report shall be delivered to each independent director by the end of the following month after submission to the chairman-
 - (2) Audit Committee report:
The audit supervisor reports the audits and internal control deficiencies identified to each independent director at least quarterly via the Audit Committee and receives instructions.
 - (3) Email and telephone communication:
From time to time, audit-related matters are reported and inquiries from independent directors on audit matters are responded to via email or telephone.
 - ⊙ Summary of communication between the independent directors and internal audit supervisors & CPAs

Date	Method	Objects	Communication Highlights
2022.01.14	Audit Committee	Audit Supervisor	Report on the performance of audit operations in October–November 2021
2022.03.15	Audit Committee	Audit Supervisor Accounting Supervisor and CPAs	1. Report on the performance of audit operations in December 2021 2. Discuss the “Statement on Internal Control System” for 2021 3. Audit results of consolidated and parent company only financial statements for 2021 provides an opportunity for the auditors to communicate with each other regarding independence, the reviewers’ responsibilities in reviewing interim financial statements, the scope of such review, the findings of the review, significant regulatory updates, and key points of review by the competent authority for preparing financial reports.
2022.03.24	Email	Audit Supervisor	The independent directors gave instructions for the February 2022 audit results
2022.04.29	Email	Audit Supervisor	The independent director instructed the subsidiary to improve the internal control and the items to be modified within a time limit
2022.05.11	Audit Committee	Audit Supervisor	Report on the performance of audit operations in January–March 2022

	2022.07.26	Email	Audit Supervisor	The independent director instructed the subsidiary to propose an improvement plan for internal control
	2022.08.11	Audit Committee	Audit Supervisor Accounting Supervisor and CPAs	1. Report on the performance of audit operations in April–June 2022 2. Audit results of the consolidated financial statements for the second quarter of 2022 provides an opportunity for the auditors to communicate with each other regarding independence, the reviewers’ responsibilities in reviewing interim financial statements, the scope of such review, the findings of the review, significant regulatory updates, and key points of review by the competent authority for preparing financial reports.
	2022.10.18	Email	Audit Supervisor	Presented the first draft of the 2023 audit plan
	2022.10.25	Email	Audit Supervisor	The independent director inquired about the operation of the mainland subsidiaries
	2022.11.14	Audit Committee	Audit Supervisor Accounting Supervisor and CPAs	1. Report on the performance of audit operations in July-September 2022 2. Discussed the 2023 audit plan 3. Audit results of the consolidated financial statements for the third quarter of 2022 provides an opportunity for the auditors to communicate with each other regarding independence, the reviewers’ responsibilities in reviewing interim financial statements, the scope of such review, the findings of the review, significant regulatory updates, and AQI in 2021.
	2022.11.23	Email	Audit Supervisor	The independent director inquired about the internal control of the mainland subsidiaries

(III) Supervisors’ participation in the operation of the Board of Directors: Not applicable

(IV) Corporate Governance Implementation Status, Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons Therefore:

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
I. Has the Company established and disclosed its own corporate governance best practice principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and disclosed them on the Company's website (ESG Sustainable Management, Corporate Governance, and Important Corporate Rules).	No material deviations
II. The shareholding structure of the Company and shareholders' interests				No material deviations
(I) Has the Company established an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	✓		(I) The Company has established the Procedures for Internal Material Information Handling and Prevention of Insider Trading Management and set up a spokesperson and a proxy spokesperson to handle issues such as shareholders' proposals or disputes.	
(II) Does the Company maintain a register of the major shareholders with controlling power, as well as a register of the ultimate controller of those major shareholders?	✓		(II) The Company engages a brokerage firm to assist the Company in its stock affairs. The Company keeps track of the shareholdings of its directors, managers, and substantial shareholders, and a list of the substantial shareholders and ultimate controllers thereof who have de facto control of the Company, and maintains good relationships with those substantial shareholders, to ensure the stability of management rights. The Company also discloses information on shareholders holding more than 5% of the shares in its quarterly financial reports and reveals monthly changes in the shareholdings of directors, managers and shareholders holding more than 10% of the shares.	

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
(III) Does the Company establish and enforce the risk control mechanism and firewall mechanism between itself and its associates?	✓		(III) The Company and each of its affiliates operate independently in terms of finance and business, and the Company has established the Regulations Governing Related Party Transactions to clarify the management of personnel, assets, and finances between the Company and its affiliates.	
(IV) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		(IV) The Company has established Procedures for Internal Material Information Handling and Prevention of Insider Trading Management and disclosed them on the Company's website (ESG Sustainable Management, Corporate Governance, and Important Corporate Rules) to establish a good mechanism for handling and disclosing internal material information in order to avoid improper leakage of information and strengthen the prevention of insider trading. At least once a year, the Company conducts educational programs for internal staff and employees. The Company has produced online educational courses in the internal system, all staff can learn them online at any time. In addition, the Company conducted educational programs and tests for 340 participants from December 1, 2022 to December 15, 2022, and carried out educational programs for current directors and managers on November 30, 2022. The curriculum content included the causes of insider trading, the identification process of insider trading, laws and regulations that prevent insider trading, relevant legal responsibilities and ways to prevent insider trading.	
III. Composition and responsibilities of the Board of Directors				No material deviations

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
(I) Has the Board of Directors formulated a strategy to achieve diversity among Board members and, if so, is such strategy being implemented?	✓		(I) The Company's Corporate Governance Best Practice Principles have established the policy of diversification of the Board of Directors, and the Directors are elected in accordance with these principles. The Company is focused on strengthening the independence and supervision of the Board of Directors and aims to form a Board of Directors with a majority of outside directors. To improve the overall quality of the Board, as well as its supervisory function, we plan to establish more independent directors than that required by law, with a target of 20% or more of the Board of Directors for female gender in order to provide new, independent perspectives to the Board and discuss the supervision of the Board of Directors. The members of the Board are distinguished professionals in industry and academia, with diverse and complementary professional backgrounds and abilities which contribute to the implementation of diversity.	
(II) In addition to establishing a Remuneration Committee and Audit Committee as required by law, has the company voluntarily established other Functional Committees?	✓ ✓		(II) In addition to the Remuneration Committee and Audit Committee established based on laws, the Company set up the Sustainable Development Committee on August 11, 2022 by virtue of a resolution of the Board of Directors, with the General Manager as the Chairman. The Sustainable Development Committee has Environmental Sustainability Team, Social Responsibility Team, Risk Management Team, Corporate Governance Team, Information Security Team, Ethical Management Team, and Executive Office. The members of these teams come from different departments and are responsible for coordinating the operation and execution of matters related	

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
(III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually? Are the results submitted to the Board of Directors and used as references for director remuneration and nominations for reappointment?			to the promotion of sustainable development, and shall report to the Board of Directors at least once a year on the results of the implementation of sustainable development and future work plans. For details of the operation of the "Sustainable Development Committee", please refer to Section 3.4 of this Annual Report. (III) The Company performs performance evaluation in accordance with the Rules for Performance Evaluations of the Board of Directors (Functional Committee), which shall be completed by the end of the first quarter of the following year. The performance evaluation of the Company's Board of Directors includes the following items: (1) The extent to which they participate in the operation of the Company (2) Improvement in the quality of Board decision making (3) The composition and structure of the Board (4) Selection and continuing education of directors (5) Internal control The performance evaluation of the Company's Directors includes the following items: (1) Mastery of company goals and tasks (2) Understanding of Directors' duties (3) The extent to which they participate in the operation of the Company (4) Internal relationship management and communication (5) Selection and continuing education of Directors (6) Internal control	

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			The performance evaluation of the Company's Functional Committees includes the following items: (1) The extent to which they participate in the operation of the Company (2) Understanding of Functional Committees' duties (3) Improvement in the quality of Functional Committee decision making (4) The composition and the selection of the Functional Committee members (5) Internal control The performance evaluation of the Board of Directors and Functional Committee for the year 2022 was conducted by the corporate governance unit through an internal questionnaire survey. The Company completed its performance evaluation in January 2023 and presented the results to the Board of Directors on March 14, 2023. The results of the above evaluation will serve as a reference for the selection or nomination of Directors and setting of individual remuneration.	
(IV) Does the Company regularly evaluate the independence of CPAs?	✓		(IV) In order to strengthen the independence of the CPAs and their familiarity with the Company's business, the Company shall periodically evaluate the independence and suitability of the appointed CPAs in accordance with the Corporate Governance Best Practice Principles. The Finance and Accounting Division shall evaluate the independence, suitability and performance of the CPAs annually according to the evaluation standards (Note 1) and audit quality indicators (AQIs), and submit it to the Audit Committee for review and report to the Board of Directors. The latest evaluation was submitted to the Board of Directors	

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			for approval on the same day after the Audit Committee's resolution on November 14, 2022.	
IV. If the Company is a publicly-listed company, does the Company have sufficient qualified corporate governance personnel in place and assign a chief corporate governance officer to handle matters relating to corporate governance (including but not limited to providing directors and supervisors with materials necessary to perform their duties, assisting directors and supervisors in legal compliance, handling matters in connection with the Board Meeting and the Shareholders' Meeting in accordance with laws and regulations, and preparing meeting minutes for Board Meetings and Shareholders' Meetings)?	✓		On May 11, 2022, the Board of Directors appointed Tsai, Chung-Chi as chief corporate governance officer, who was deputy general manager of the Operations Division and served as the head of legal and stock affairs of a public company for more than three years, to take charge of corporate governance-related matters as the top executive. The chief corporate governance officer is responsible for overall coordination, and manages corporate governance related affairs in conjunction with the Stock Affairs Division to enhance corporate governance and strengthen the functions of the Board of Directors. The scope of duties and responsibilities includes planning the agenda and deliberations of the Shareholders' Meeting, the Board of Directors, the Audit Committee and the Compensation Committee, assisting the directors in performing their duties and handling their requests, arranging for the directors' advanced study and providing the required information, ensuring compliance with the Board of Directors' rules and regulations, maintaining the exchange of information and opinions between the directors and the management and the members of the Board of Directors, and communicating with the independent directors on matters related to corporate governance from time to time. In 2022, the chief corporate governance officer performed various businesses in accordance with his responsibilities, and all directors spent 6 hours in training, which met the standard for training hours stipulated in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". The chief corporate	No material deviations

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			governance officer spent 20 hours in training, which met relevant regulations. (Note 2)	
V. Does the Company establish communication channels between stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a stakeholder area on the Company's website, and respond appropriately to important corporate social responsibility issues of concern to stakeholders?	✓		The Company has set up a stakeholder section (Investor Section/stakeholder Section) on its website which sets out the matters of concern, communication channels, reply methods, and contact information (including windows, E-mail boxes, telephone numbers, etc) for each type of stakeholder to handle stakeholder-related matters and maintain good communication relationships.	No material deviations
VI. Does the Company commission a professional shareholder services agency to handle matters in connection with the Shareholders' Meetings?	✓		The Company appoints the President Securities Corp. as the stock affairs agency to deal with matters relating to the Shareholders' Meetings.	No material deviations
VII. Information Disclosure				No material deviations
(I) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(I) The Company has set up a website at https://www.pbf.com.tw to disclose information related to financial operations and corporate governance, as well as disclosing it on the Market Observation Post System in accordance with the regulations.	
(II) Does the Company have other information disclosure channels (e.g. an English website, designated people to handle information collection and disclosure, a spokesman system, webcasting of investor conferences)?	✓		(II) The Company has established a website in both English and Chinese, with dedicated personnel responsible for the collection and dissemination of various information. It also has spokespersons and acting spokespersons to reveal the information to the public. In addition to the disclosure on the Market Observation Post System, the information from the Corporate Presentation is also disclosed on the Company's website (Investors Section>Shareholders Section>Corporate Presentation).	

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
(III) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?			(III) The Company reports its financial statements and monthly operations on a regular basis in accordance with the “List of Matters Required to Be Handled by Issuers of Listed Securities”.	
VIII. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		(I) The Company always protects the rights and interests of its employees. In addition to statutory protections, we also have good welfare measures and smooth interaction channels. For more details on employee rights and benefits and employee care, please refer to the explanations in(V) Operation Overview, and V. Labor Relations. (II) The Company discloses sufficient information through the Market Observation Post System and the Company’s website for investors to understand the Company’s operations, and communicates with investors through Shareholders’ Meetings and spokespersons. In addition, after the announcement of the Company’s financial and material information, a spokesperson will take the initiative to inform the investment corporation to maintain the exchange of information and communication at all times. (III) The Company builds partnerships and stable supply chains with suppliers based on the principles of equality and mutual benefit. (IV) The Company provides safe and high quality products, values customer opinions, and takes immediate action to	No material deviations

Item Assessed	Operation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			address customer complaints to meet customer needs. Stakeholders can contact the Company through the Stakeholder Area of the Company's website or by telephone or e-mail through the information provided in the "Contact Us" section of the website. (V) The Company takes a proactive approach to encourage directors to participate in further education and takes the initiative to appoint professional organizations to conduct on-site courses for directors. Please refer to Note 2 for the 2022 Education Program for Directors and Managers of the Company. (VI) Since 2014, the Company has acquired liability insurance for the Directors and managers on an annual basis. The Directors' and managers' liability insurance for 2022 was obtained from Mingtai Fire & Marine Insurance Co., Ltd., on December 8, 2021, in the amount of US\$5 million and was reported to the Board of Directors on January 14, 2022.	
IX. Based on the latest Corporate Governance Evaluation report released by the Corporate Governance Center of TWSE, please state the circumstances in which improvements have been made and propose priorities and measures for those that have not yet improved. In line with the corporate governance blueprint issued by the FSC, the Company continues to promote the refinement of various corporate governance mechanisms, and through the implementation of the five strategies of safeguarding shareholders' rights and interests, treating shareholders equally, enhancing information transparency, strengthening the structure and operation of the Board of Directors, and implementing corporate social responsibility, the Company responds to the expectations of its stakeholders and continues to create value for them, hoping to become a benchmark for sustainable enterprise. Each year, the Company will first review and evaluate whether there are any reasons why the corporate governance situation may not meet the standards, and if there any deficiencies in the implementation of any aspect are found, we will implement strengthening and improvements period by period with a view to enhancing the corporate governance image.				

Note 1. Assessment of CPAs' Independence and Competence

Assessment of CPAs' Independence and Competence

(Based on the evaluation items set out in Article 47 of Certified Public Accountant Act and Statement No. 10 of the Norm of Professional Ethics for Certified Public Accountants of the Republic of China)

Item Assessed
1. As of the latest certification, there were no circumstances in which replacements haven't been made for seven straight years.
2. No material financial interest in the principal.
3. Avoid any inappropriate relationship with the principal.
4. CPAs should ensure that their assistants are honest, impartial, and independent.
5. CPA's name shall not be used by others.
6. No borrowing from the Company or associates.
7. No co-investment or profit sharing relationship with the Company or associates.
8. Not simultaneously holding a regular position in the Company or associates and receiving a fixed salary therefrom.
9. Not involved in a management or decision-making function of the Company or associates.
10. Not a spouse, lineal relative, direct relative by marriage, or relative within the second degree of kinship of the management of the Company. Second degree of kinship.
11. Not charging any commission in connection with the Company's business.
12. Not subject to any disciplinary action or damage to the principle of independence thus far.

Note 2. 2022 Education Program for Directors and Managers of the Company:

Item	Title	Name	Date	Course Name	Training Institution	Training Hours
1	Chairman	Chang, Li-Chiou	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
2	Directors	Hsieh, De-Fu	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
3	Directors	Chiang, Chung-Ming	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
4	Directors	Lin, Jyh-Ming	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
5	Directors	Huang, Weng-Houng	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.12.02	Discussion on Independent Directors and Audit Committee from the Practice of Court Cases		3
6	Directors	Chen, Pa-Chuan	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.09.08	Protection of Trade Secrets		3
			2022.09.16	The financial information that directors are most likely to overlook		3
			2022.10.19	2022 Legal Compliance Briefing for Stock Transactions of Insiders		3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
7	Independent Director	Chang, Ryh-Yan	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
8	Independent Director	Liao, Chi-Chou	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
9	Independent Director	Chen, Jiin-Shian	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
10	Vice President	Wang, Feng-Jen	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
11	Vice President (concurrently corporate governance officer)	Tsai, Chung-Chi	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
			2022.07.18	"Functions and Tasks of Corporate Governance Personnel under the Corporate Governance	The Institute of Internal Auditors-Chinese Taiwan	6

Item	Title	Name	Date	Course Name	Training Institution	Training Hours
				Blueprint" and "The Latest Practical Development of Insider Trading in Taiwan"		
			2022.07.27	Publicity Conference with the Industry Theme of Sustainable Development Roadmap	Jointly organized by Taiwan Stock Exchange and Taipei Exchange	2
			2022.08.02	Corporate Directors and Supervisors' Responsibility for Intellectual Property Management	Chinese National Association of Industry and Commerce, Taiwan	3
			2022.09.29	2022 Reference Guide for Independent Directors and the Audit Committee on the Exercise of Powers and Functions and Publicity Conference for Directors	Jointly organized by Taiwan Stock Exchange, Taipei Exchange, and Taiwan Corporate Governance Association	3
12	Accounting Manager	Chiu, Mei-Lun	2022.11.21	Continuing Education Course for Accounting Supervisors of Issuers, Securities Firms, and Stock Exchanges	Accounting Research and Development Foundation	12
13	Audit Manager	Yang, Ming-Ling	2022.08.11	Competitiveness vs. Survivability, ESG Trends and Strategies	Securities & Futures Institute (SFI)	3
			2022.11.14	Risks and Opportunities Brought by Climate Change and Net-zero Emission Policies for Business Operations		3
			2022.10.7	The latest revision of the Amendments to the Internal Control Procedures and the Information Security Act on anti-fraud practices	Accounting Research and Development Foundation	6
			2022.09.13	Development trend of Internet technology and new thinking of internal auditors	Accounting Research and Development Foundation	6

(V) Composition, Duties, and Operation of the Remuneration Committee

1. Information of Members of the Remuneration Committee

May 1, 2023

Title	Name	Criteria	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies for which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director (Convenor)	Chang, Ryh-Yan		Graduated from National Taiwan University School of MBA in Finance. He was the CEO of Deloitte Taiwan. He is currently the convenor of the Remuneration Committee and Audit Committee of the Company, as well as an independent director of E.SUN Financial Holding Co., Ltd. He is an expert in financial accounting, has extensive experience as an accountant, and has served the financial industry for a long time, having served as a CPA for financial reports of financial holding companies and banks. He is also qualified as a CPA in China. He brings risk control thinking to the Company and a commitment to the active development of the field.	During the two years before being elected or during the term of office, none of the following conditions have been met: 1. An employee of the Company or any of its affiliates. 2. A director or supervisor of the Company or any of its affiliates. 3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in aggregate of 1% or more of the total number of issued shares or ranking in the top 10 holdings. 4. A spouse, a relative within the second degree of kinship, or a lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.	5
Independent Director	Liao, Chi-Chou		Graduated from St. John's University with a Ph.D. and M.S. in Industrial Pharmacy. He served as the Director General of the Department of Health's Drug Administration Division and promoted the domestic medical industry. Currently, he is a member of the Audit Committee and Remuneration Committee of the Company, an independent director of Easywell Biomedicals, Inc., and a director of Biohopeking Corp. With more than five years of experience in the business, he has extensive knowledge of the industry and has been instrumental in the sustainable development of the Company, as well as having a strong presence in the industry to which the Company belongs. His extensive knowledge of and experience in the pharmaceutical industry and the regulatory field enable him to provide important advice for the development of the Company's operations.	5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. 6. A majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. 7. The chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other	1

Criteria		Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies for which the Individual is Concurrently Serving as a Remuneration Committee Member
Title	Name			
Independent Director	Chen, Jiin-Shian	Graduated from National Chengchi University with Doctor of Juridical Science (SJD) and E.M.B.A.. She was the Director of the Legal Affairs Office/Manager of the Audit Office of the Taiwan Depository Clearing Corporation, and an adjunct associate professor at the Law Research Institute under the Department of Law School at Central Police University. Currently, she is a member of the Remuneration Committee and the Audit Committee of the Company, and is the presiding attorney of J.S. International Attorneys At Law. With legal expertise and familiarity with relevant laws and regulations, she has more than five years of working experience in business, legal affairs, finance, and business requirements, specializing in the legal profession and licensed as a practicing attorney. She assists in providing professional advice and crisis management in corporate affairs and provides supervision and professional advice to the Board of Directors.	company or institution. 8. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. 9. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations. 10. Not a spouse or a relative within the second degree of kinship of other directors. 11. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act. 12. Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.	0

2. Responsibilities of the Remuneration Committee

The Remuneration Committee shall faithfully perform the following duties and responsibilities with the attention of good stewards and submit its recommendations to the Board of Directors for discussion.

- (1) Regularly review the Remuneration Committee Charter and propose amendments.
- (2) Establish and regularly review the policies, systems, standards, and structures of performance evaluation standards, annual and long-term performance goals, and salary compensation for directors, independent directors, and managers of the Company, and disclose the contents of the performance evaluation standards in the annual report.
- (3) Regularly evaluate the achievement of the performance targets of the Company's directors, independent directors, and managers and determine the content and amount of their individual remuneration based on the evaluation results obtained from the performance evaluation standards. The annual report shall disclose the results of individual performance evaluation of directors, independent directors, and managers, and the content and amount of individual remuneration in relation to the results of performance evaluation and its reasonableness, and report these to the Shareholders' Meeting.

3. Operations of the Remuneration Committee

- (1) The number of members of the Remuneration Committee was three.
- (2) Tenure of members of the current committee; Tenure of members of the 4th committee: June 18, 2019 to June 19, 2022. Tenure of members of the 5th committee: June 21, 2022 to June 20, 2025; A total of 5 (A) Remuneration Committee meetings were held in 2022. The information and attendance of the members was as follows:

Title	Name	Number of Attendances in Person (B)	Proxy Attendances	Attendance Rate (%) (B. A)	Note
Convenor	Chang, Ryh-Yan	5	0	100%	2022.06.21 Serve for another term of office
Committee Member	Liao, Chi-Chou	5	0	100%	2022.06.21 Serve for another term of office
Committee Member	Chen, Jiin-Shian	5	0	100%	2022.06.21 Serve for another term of office

Note: The Company completed the re-election of the 15th directors at the Shareholders' Meeting on June 8, 2022. The term of office is from June 8, 2022 to June 7, 2025. To coincide with the re-election of directors, members of the Remuneration Committee were reappointed on June 21, 2022.

Other matters to be noted:

- I. In the case that the Board declines to adopt a recommendation of the Remuneration Committee, or that the Board modifies the same, it shall specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): N/A.
- II. Where there is any resolution of the Remuneration Committee to which a member objects or on which a member has a qualified opinion, and such objection or qualified opinion is documented or reduced to a written statement, it is required to disclose the meeting date, meeting session, proposal content, opinions of all members and the response thereto: N/A.

(3) Remuneration Committee Meeting Minutes

Remuneration Committee	Motion Content and Follow-up	Resolution	Company's Handling of the Opinions of Members of the Audit Committee
4 th term 15 th meeting 2022.01.14	1. Proposal for adjustment of Company managers' salary 2. Proposal for remuneration of subsidiary managers 3. Proposal for remuneration of Company managers 4. Chairman's year-end bonus for 2021 5. Managers' year-end bonus for 2021 6. Managers' patent incentive payment	Approved by all members and reported to the Board.	Approved by all directors present or by present by proxy
4 th term 16 th meeting 2022.03.15	1. Ratification of Manager's 2021 year-end bonus 2. Director Remuneration Plan for 2021 3. Application for bonus for management team 4. Company Managers' Bonus Application 5. Company Managers' Special Bonus Application	Approved by all members and reported to the Board.	Approved by all directors present or by present by proxy
4 th term 17 th meeting 2022.05.11	1. Amendments to Remuneration Paid to Directors and Independent Directors 2. Manager's Bonus Plan for 2022	Approved by all members and reported to the Board.	Approved by all directors present or by present by proxy
5 th term 1 th meeting 2022.08.11	1. Proposal for remuneration of the Company Chairman 2. Proposal for remuneration of the Company directors (excluding independent directors) 3. Proposal for remuneration of the Company independent directors 4. Proposal for remuneration of the Company general manager 5. Proposal for remuneration of director or supervisor of subsidiaries 6. Company Managers' Bonus Application	Approved by all members and reported to the Board.	Approved by all directors present or by present by proxy
5 th term 2 th meeting 2022.10.18	1. Proposed amendment to Regulations Governing the Remuneration of Directors and Independent Directors 2. Company Managers' Bonus Application	Approved by all members and reported to the Board.	Approved by all directors present or by present by proxy

(VI) Implementation of Promoting Sustainable Development, Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reasons Therefore

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated unit to promote sustainable development which is authorized by the Board of Directors to be handled by senior management and is supervised by the Board of Directors?	✓		To promote sustainable management, the Company adopted the resolution of the Board of Directors on August 11, 2022 to establish the dedicated Sustainable Development Committee, which has Environmental Sustainability Team, Social Responsibility Team, Risk Management Team, Corporate Governance Team, Information Security Team, Ethical Management Team, and Executive Office. General Manager Chiang, Chung-Ming serves as the chairman of the Sustainable Development Committee. In addition, the Executive Office was set up with Deputy General Manager Wang, Feng-Jen as the executive member to assist these teams in daily operation and reviewing the work progress. The team members come from different departments of the Company. The Sustainable Development Committee is responsible for coordinating the operation and execution of matters related to the promotion of sustainable development, and shall report to the Board of Directors at least once a year on the results of the implementation of sustainable development and future work plans. The Sustainable Development Committee last reported to the Board of Directors on the expected promotion projects and process of sustainable development on November 14, 2022. The Board of Directors urges the Sustainable Development Committee to complete the compilation of the 2023 Sustainability Report in 2024 and pass	No material deviations

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			the external third-party verification, and to report to the Board of Directors on a regular basis each year on the Company's implementation of sustainable development.	
II. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle and formulate relevant risk management policies or strategies?	✓		The Risk Management Team of the Sustainable Development Committee identifies and evaluates critical and emerging risks in the environmental (including climate), social, economic, technological, and other areas related to the Company's operations and consider the likelihood of risk occurrence, the degree of impact, and other variables, based on the materiality principle. Conduct risk identification at the enterprise level at least once a year and report to the Sustainable Development Committee. The risks include, but are not limited to, operational risk, market risk, compliance risk, information security risk, environmental risk, climate change risk, operational risk and other risks related to operations.	No material deviations
III. Environmental Issues (I) Has the Company established proper environmental management systems based on the characteristics of its industries?	✓		(I) The Company has established an appropriate environmental management system in accordance with the government's environmental protection-related laws and regulations and the characteristics of the industry, which includes the following items: 1. Adequate and timely information on the impact of operations on the natural environment is collected and evaluated. 2. Measurable environmental sustainability goals are	No material deviations

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			established and the sustainability and relevance of their development regularly reviewed. 3. Specific projects or action plans and other implementation measures are established and regularly reviewed for the effectiveness of their operation. 4. Complete environmental pollution prevention and treatment facilities are built, emission of pollution sources strictly controlled to meet national standards, and the impact and burden of the industry on the environment reduced. 5. The Company expects to appoint the British Standards Institution (BSI) as a greenhouse gas inventory and certification institute in July 2023 to emphasize environmental considerations and lower the environmental impact of the industry.	
(II) Does the Company endeavor to improve energy use efficiency and use renewable materials which have low impact on the environment?	✓		(II) In recent years, energy shortages, man-made damage to the environment, and carbonization of the Earth have become increasingly serious, and as such the Company continues to promote energy-saving and carbon-reducing measures to cope with the impact of environmental change. The Company has always attached great importance to environmental protection and energy saving, and has been actively strengthening	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore									
	Yes	No	Summary										
			pollution prevention, energy and resource conservation, waste reduction and recycling measures. We use recycled cardboard or reusable packaging materials for our products to reduce packaging material waste and greenhouse gas emissions.										
(III) Does the company assess the potential risks and opportunities brought by climate change, both for now and in the future, and take measures to adapt?	✓		(III) The Company has evaluated the potential risks and opportunities of climate change for businesses now and in the future and has taken measures to address climate related issues, as described below: <table><tr><th>Potential risks (financial impact)</th><th>Potential opportunities (financial impact)</th><th>Response measures</th></tr><tr><td>Increase in temperatures (increased electricity costs and carbon emissions)</td><td>Promote low-carbon green production and use of renewable energy (save electricity, cut cost)</td><td>1. Transition high energy-consuming equipment such as air conditioning, air pressure, refrigeration equipment, etc. to variable frequency energy-saving models. 2. Solar power system is installed on the roof space of the plant to develop our green energy usage and reduce carbon emissions.</td></tr><tr><td>Lack of water resources</td><td>Improve water efficiency (save water and</td><td>1. Adjust water consumption habits to</td></tr></table>	Potential risks (financial impact)	Potential opportunities (financial impact)	Response measures	Increase in temperatures (increased electricity costs and carbon emissions)	Promote low-carbon green production and use of renewable energy (save electricity, cut cost)	1. Transition high energy-consuming equipment such as air conditioning, air pressure, refrigeration equipment, etc. to variable frequency energy-saving models. 2. Solar power system is installed on the roof space of the plant to develop our green energy usage and reduce carbon emissions.	Lack of water resources	Improve water efficiency (save water and	1. Adjust water consumption habits to	
Potential risks (financial impact)	Potential opportunities (financial impact)	Response measures											
Increase in temperatures (increased electricity costs and carbon emissions)	Promote low-carbon green production and use of renewable energy (save electricity, cut cost)	1. Transition high energy-consuming equipment such as air conditioning, air pressure, refrigeration equipment, etc. to variable frequency energy-saving models. 2. Solar power system is installed on the roof space of the plant to develop our green energy usage and reduce carbon emissions.											
Lack of water resources	Improve water efficiency (save water and	1. Adjust water consumption habits to											

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			wastewater treatment costs) conserve water. 2. Recycle wastewater for sanitation and irrigation. Increase in greenhouse gas emissions prices (increase the cost of carbon emissions) Transition to low-carbon green energy production (replace non-low-carbon products and service technologies to improve business competitiveness) 1. Adopt energy-saving production and utility equipment. 2. Improve product over-packaging and use green production materials.	
(IV) Has the Company collected statistics on greenhouse gas emissions, water consumption, and total weight of waste for the past two years and formulate corresponding policies for greenhouse gas reduction, water use reduction, or other waste management?	✓		(IV) The Company performs a regular greenhouse gas inventory every year to clearly understand the emissions situation and enhance the quantification of greenhouse gases in order to strengthen the development of the GHG management plan and continue to reduce emissions during the production process. The Company also pays close attention to the development of greenhouse gas regulations in order to meet the requirements of future domestic and international greenhouse gas controls and do our part for the global environment. - The Company's GHG emissions statistics for the past two years are as follows : - The inventory sites include: Panion & BF Biotech Inc.	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore																																							
	Yes	No	Summary																																								
			Address: 16F., No. 3, Yuanqu St., Nangang Dist., Taipei City, Taiwan (R.O.C.) Pingzhen Plant Address: No. 266, Xinglong Rd., Pingzhen Dist., Taoyuan City, Taiwan (R.O.C.) Xizhi Plant Address: No. 308-8, Sec. 8, Datong Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C.) Xike Plant Address: 6F., No. 53, Nanxing Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C.) Dayuan Plant of Cheng Fong <table><tr><td>Total emissions of five plants (Metric ton CO2e)</td><td>4682.3079</td><td>%</td></tr><tr><td>Total Emissions of Category 1:</td><td>437.499</td><td>9</td></tr><tr><td>Total Emissions of Category 2:</td><td>3486.1461</td><td>71.69</td></tr><tr><td>Total Emissions of Category 3:</td><td>186.5594</td><td>3.84</td></tr><tr><td>Total Emissions of Category 4:</td><td>572.1034</td><td>15.47</td></tr></table> <table><tr><td>Dayuan Plant of Cheng Fong</td><td>2650.0486</td><td>Greenhouse gas emissions (Metric ton CO2e)</td><td>Proportion %</td></tr><tr><td>Category 1: Direct greenhouse gas emissions and removal</td><td></td><td>202.4438</td><td>7.64%</td></tr><tr><td>Category 2: Indirect greenhouse gas emissions</td><td></td><td>1941.5703</td><td>73.27%</td></tr><tr><td>Category 3: Transportation</td><td></td><td>40.4403</td><td>1.53%</td></tr><tr><td>Category 4: Organizational use of products</td><td></td><td>465.5942</td><td>17.57%</td></tr><tr><td>Xike Plant</td><td>183.4989</td><td>Greenhouse gas emissions (Metric ton CO2e)</td><td>Proportion %</td></tr></table>	Total emissions of five plants (Metric ton CO2e)	4682.3079	%	Total Emissions of Category 1:	437.499	9	Total Emissions of Category 2:	3486.1461	71.69	Total Emissions of Category 3:	186.5594	3.84	Total Emissions of Category 4:	572.1034	15.47	Dayuan Plant of Cheng Fong	2650.0486	Greenhouse gas emissions (Metric ton CO2e)	Proportion %	Category 1: Direct greenhouse gas emissions and removal		202.4438	7.64%	Category 2: Indirect greenhouse gas emissions		1941.5703	73.27%	Category 3: Transportation		40.4403	1.53%	Category 4: Organizational use of products		465.5942	17.57%	Xike Plant	183.4989	Greenhouse gas emissions (Metric ton CO2e)	Proportion %	
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Category 4: Organizational use of products		465.5942	17.57%																																								
Xike Plant	183.4989	Greenhouse gas emissions (Metric ton CO2e)	Proportion %																																								

Item Assessed	Operation Status				Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore			
	Yes	No	Summary					
			Category 1: Direct greenhouse gas emissions and removal		6.3186	3.44%		
			Category 2: Indirect greenhouse gas emissions		146.4902	79.83%		
			Category 3: Transportation		5.3061	2.89%		
			Category 4: Organizational use of products		25.384	13.83%		
			Xizhi Plant	320.9415	Greenhouse gas emissions (Metric ton CO2e)	Proportion %		
			Category 1: Direct greenhouse gas emissions and removal		6.6341	2.07%		
			Category 2: Indirect greenhouse gas emissions		251.7616	78.44%		
			Category 3: Transportation		18.5115	5.77%		
			Category 4: Organizational use of products		44.0343	13.72%		
			Pingzhen Plant	1342.467	Greenhouse gas emissions (Metric ton CO2e)	Proportion %		
			Category 1: Direct greenhouse gas emissions and removal		204.3592	15.22%		
			Category 2: Indirect greenhouse gas emissions		1060.2266	78.98%		
			Category 3: Transportation		58.0352	4.32%		
			Category 4: Organizational use of products		19.846	1.48%		
			Parent company	185.3519	Greenhouse gas emissions (Metric ton CO2e)	Proportion %		
			Category 1: Direct greenhouse gas emissions and removal		17.7433	9.57%		
			Category 2: Indirect greenhouse gas emissions		86.0974	46.45%		
			Category 3: Transportation		64.2663	34.67%		
			Category 4: Organizational use of products		17.2449	9.30%		
			2. The Company’s energy saving and carbon reduction targets and reduction achievement rates for 2022 are as follows: (1) Reduce electricity consumption per unit of turnover by more than 0.5% per year. 2021 (1.09073 kWh. NT\$ thousand)					

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			2022 (0.9862 kWh. NT\$ thousand) Reduction achievement rate: 9.58%. (2) Reduce water consumption per unit of turnover by more than 2.0% per year. 2021 (0.0111 m³. NT\$ thousand) 2022 (0.01087 kWh. NT\$ thousand) Reduction achievement rate: 2.07%. (3) Reduce gas consumption per unit of turnover by more than 1.0% per year. 2021 (0.068 kg. NT\$ thousand) 2022 (0.01900 kg. NT\$ thousand) Reduction achievement rate: 0.38%. (4) Reduce waste per unit of turnover by more than 5.0% per year. 2021 (0.0583 kg. NT\$ thousand) 2022 (0.02607 kg. NT\$ thousand) Reduction achievement rate: -51.57%. (Clean up scraps) (5) Reduce carbon emissions per unit of output value by more than 1.5% per year. 2021 0.536 (kg CO_{2e}) NT\$ thousand 2022 0.5725 (kg CO_{2e}) NT\$ thousand Reduction achievement rate: -6.88%. (Greenhouse gas emissions increased significantly due to the expansion of carbon inventory in 2022)	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			3. The Company's electricity saving policy: (1) Power and process equipment is being replaced by energy-saving or variable frequency models year by year. (2) Air conditioning in the production area has been fully updated with new controllers to accurately maintain an operating temperature of 23°C±4°C (3) General operating area room temperature is raised from 24°C to 25°C (4) Switching to induction T5 or LED flat panel lighting fixtures for lighting equipment, streetlights, and walkways throughout the plant. (5) We actively encourage all employees to develop the good habit of turning off lights and air conditioners and closing doors to save electricity. 4. The Company's paper savings policy: (1) Improve the construction of ERP system into the electronic sign-off operating system. (2) The Company has reduced the amount of paper purchased, recycled and reused necessary paper, and used double-sided printing as much as possible in order to	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			maximize the effectiveness of paper reuse and further improve the promotion of paperless processes. (3) Improve the over-packaging design of products, use recycled cartons or reusable packaging materials for external packaging of raw materials. 5. The Company's oil saving policy: (1) Oil-fired boilers are being replaced by electric or gas-fired boilers year by year. (2) Diesel forklifts are being replaced by electric forklifts year by year. 6. Waste management policy: To protect the environment, the Company strives to minimize business waste and strictly controls the disposal of waste from generation to final discharge. The Company comprehensively supervises waste generation, collection, storage, transportation, utilization, and treatment process, and arranges personnel to supervise sorting.	
IV. Social Aspects (I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) In accordance with the relevant government laws and regulations, including the Labor Standards Act, the Employment Service Act, and the Gender Equality Act, and in compliance with the United Nations Universal Declaration of Human Rights, the UN Guiding	No material deviations

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			Principles on Business and Human Rights, the UN International Labor Organization, and other recognized international human rights conventions, the Company has established internal work rules and regulations to clearly define the rights and obligations of both employer and employee, and to provide a channel for complaints to protect the rights and interests of employees and to improve the management system, ensuring both employees and employers can work together toward the development of the business. In order to protect employees' human rights and prevent occupational hazards from endangering their safety and health, the Company has established four major protection programs: the Abnormal Workload Disease Prevention Program, the Unlawful Assault on Duty Program, the Human Factors Hazard Prevention Program, and the Workplace Maternal Health Protection Program. We also employ professional doctors and nurses to provide on-site health services in 2022, with the following results: The Company has analyzed and evaluated the results of workers' medical examinations eight times for 66 participants; conducted follow-up management and health guidance for 36 participants with irregularities in their examination results; performed the health consultation related to the	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			Abnormal Workload Disease Prevention Program for four participants and conducted the health consultation related to the Human Factors Hazard Prevention Program for three participants.	
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected business performance or results in employee compensation appropriately?	✓		(II) In accordance with Article 26 of the Company's Articles of Incorporation, if the Company makes a profit in a year, it shall first set aside not less than 2% of the net income before taxation for employee' compensation. However, if the Company still has accumulated losses, it should retain the indemnification amount in advance. The Company has established comprehensive rules and regulations, including work rules, salary management rules, employee care rules, attendance management rules, employee incentive and discipline rules, patent award rules, rules for childcare leave without pay, and employee welfare committee welfare rules, all of which are published on the Company's intranet. The design of the employee incentive scheme is interlinked with the Company's goals and KPIs, and the design of the aforementioned system encourages employees to achieve the goals set by the Company. The results are appropriately reflected in the compensation and benefits of employees and serve to provide appropriate feedback.	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			As of December 31, 2022, the total number of female employees is 260, accounting for 67.7% of the total number of employees in the Company. There are 38 female supervisors, accounting for 44.1% of the total number of supervisors in the Company.	
(III) Does the Company provide a healthy and safe working environment and organize training in health and safety for its employees on a regular basis?	✓		(III) The Company is committed to providing a safe and healthy working environment for its employees. Relevant actions include the following: 1. The factory staff undergo annual employee physical examinations; the rest of the staff undergo employee physical examinations every two years. 2. Professional physicians and nurse practitioners are employed to provide on-site health services. 3. From time to time, the Company organizes health talks and invites related organizations to the Company to promote health or give workplace safety talks. 4. A massage room is set up to provide professional massage services to help staff relieve their physical and mental tiredness. 5. In order to create a friendly workplace environment and to comply with the Gender Equality Act, a breastfeeding room has been set up. 6. In terms of work safety, on April 29, 2022, the Company	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			cooperated with the park to conduct the fire safety inspection and self-inspections on a regular basis, as well as passing fire safety equipment inspection to further boost the safety of the working environment. 7. In 2022, there were five accidents involving five employees, with this number of accidents accounting for 0.93% of our total number of employees. 8. In addition to the promotion of traffic work and work SOPs for employees, we have also increased the frequency of on-site supervisors' inspections and management, as well as updating the equipment in the factory and strengthening protective measures. In addition to the promotion of traffic work and work SOPs for employees, we have also increased the frequency of on-site supervisors' inspections and management, as well as updating the equipment in the factory and strengthening protective measures. 9. 705 hours of training for employees in occupational safety was provided for 482 participants in 2022, (including occupational safety education and training for new employees, occupational safety education and training for general employees, refresher training for	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			occupational safety and health business supervisors, refresher training for fire prevention managers, refresher training for organic solvent operation supervisors, and training for first responders).	
(IV) Does the Company provide employees with an effective training program with respect to career competency development?	✓		(IV) In order to encourage our employees to continue to learn and study in the workplace, we provide subsidies for the cost of education and training courses for our employees in addition to our internal training. In 2022, such training totaled 2,567 man-hours, and the total amount of subsidy for external training was NT\$292,504 for 1,326 man-hours.	
(V) Has the Company followed relevant laws, regulations, and international guidelines for issues such as customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer or client protection policies and grievance procedures?	✓		(V) The Company has established management practices for customer health and safety, privacy, marketing and labeling. Customers and consumers can make inquiries or complaints about products or their use through various channels, such as telephone, e-mail or the Company's official website, and the employees in charge will be responsible for replying after receiving such messages. The relevant contact information is disclosed in the Stakeholders Area of the Company's website. For Nephoxil® products, a Chronic Renal Failure Hyperphosphatemia Health Education Service manned by dedicated staff to provide patients with the necessary health	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			education counseling is available at 0800-066-789. The Company markets and labels its products and services in accordance with relevant laws and regulations, and makes every effort to avoid misleading or any other actions that undermine consumer trust and harm consumer rights. To protect the rights of patients who use our medication, our products are labeled with the Taiwan Drug-Relief System Seal.	
(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? What is the status of the implementation of such?	✓		(VI) The Company aims to build a supply chain that protects the environment, attaches importance to social responsibility, labor rights, safety, health and sustainable development. It is the Company's obligation to uphold CSR and select suppliers who are of the same level of integrity as the Company. A qualified supplier shall meet many requirements, such as proper quality control, reasonable pricing, timely delivery, attention to environmental protection, safety and enthusiastic service, etc. The Company has established policies for the management of suppliers of finished goods (including imported goods), raw materials and materials suppliers, suppliers of raw materials and materials provided by entrusted manufacturing plants, and external logistics warehouses. Each year, the Company conducts regular or occasional on-site or written reviews and evaluations of	

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			suppliers in accordance with the supplier evaluation and auditing methods, completing annual evaluation reports for each supplier. During this period, the Company may request the suppliers involved to make improvements on any deficiencies found or even cease trading with them for a certain period of time depending on the severity of the situation. In addition, the terms of cooperation between the Company and its suppliers may be terminated by the Company at any time if the supplier is involved in a breach of its corporate social responsibility policy, particularly with regard to integrity and honesty. To protect the public interest, our contract with suppliers states that if there is any misrepresentation, the Company may terminate the contract at any time and claim damages.	
V. Does the Company refer to internationally recognized report preparation standards or guidance in preparing reports disclosing non-financial information of the Company, including Sustainable Development Reports? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	The Company has not prepared a sustainability report for 2022. Since 2023, the Company will prepare a sustainability report in accordance with the internationally accepted standards for the preparation of CSR (GRI Standard/Code of Practice on CSR for Listed Companies/United Nations Global Compact) and other reports that disclose non-financial information about the Company and make them available on the Market Observation Post System and the Company's website.	No material deviations
VI. If the Company has its own code of conduct for sustainable development in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please state the differences between its operation and the code: The Corporate Social Responsibility Best Practice				

Item Assessed	Operation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
Principles were approved by the 17 th board meeting of the 12 th session of the Company on April 17, 2015, and its operation is consistent with the spirit and principles set forth in the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and have been disclosed on the Company’s website (ESG Sustainable Management, Corporate Governance, and Important Corporate Rules).				
VII. Other important information for understanding the implementation of sustainable development: Since its inception in 1976, the Company has firmly believed that we should do as much as we can, and we have always been committed to giving back to the community and helping the disadvantaged. The Sustainability Management Committee of the Company promotes sustainable development and regularly reports to the Board of Directors on the implementation of sustainable development. The Company has established the Corporate Social Responsibility Best Practice Principles, Corporate Governance Best Practice Principles, and nine strategies to strengthen corporate governance, protect shareholders’ rights and interests, promote human resource development, take care of employee welfare, improve service quality, maintain quality and safety, continue to save energy and reduce carbon emissions, improve the supply system, and fulfill corporate responsibilities. While pursuing sustainable management and profits, the Company also continues to pay attention to stakeholders’ rights and interests and emphasizes environmental, social, and corporate governance issues. The Company’s approach to promoting sustainable development is based on the following principles: 1. Implementing corporate governance. 2. Developing a sustainable environment. 3. Maintaining social welfare. 4. Strengthening the disclosure of CSR information. In accordance with the Company’s mission of giving back to society and caring for the disadvantaged, the operation and execution of the Company’s sustainable development efforts in 2022 were reported to the Board of Directors on November 14, 2022; please refer to Appendix 2 for details.				

Appendix 1

The Company conducts risk assessment on important issues in accordance with the CSR materiality principle, identifies material CSR topics, and establishes relevant risk management policies or strategies as follows:

Material Issues	Risk Assessment Items	Risk Management Policies or Strategies
Environment	Environmental Protection and Ecological Conservation	The Company identifies the risks of climate change and evaluates response measures, such as the risk of water shortage in the dry season and power restrictions in summer due to climate change, and establishes risk management procedures for water and power consumption, including plant-wide water restrictions and water supply interruption management rules, and emergency power supply priority operation standards.
Society	Occupational Safety	Society has made occupational safety and health management a priority and we have implemented it effectively. Fire drills and industrial safety education training were held on April 29 and December 19, 2022, respectively, to cultivate employees' emergency response and safety self-management skills; the health and safety mindset, awareness, and ability of employees are constantly enhanced through education, training, and promotion.
	Product Safety	Our products comply with government regulations and laws and have passed PIC/S GMP certification for pharmaceutical products, ISO 22716 certification for cosmetic products, ISO 13485 certification for test reagents, and TQF certification for food products. Furthermore, we have implemented a stringent quality control system to provide customers with stable product quality, while ensuring customer service quality and enhancing satisfaction.
Corporate Governance	Social Economy and Legal Compliance	Through the establishment of a governance organization and the implementation of internal control mechanisms to ensure that all employees and operations of the Company comply with the relevant laws and regulations, we effectively implement, harmonize with, and respond to changes in regulations.

I. CSR Implementation Direction for 2022

Social Responsibility Items	Implementation and Planning Purpose
Environmental Protection	The Company has set up the Sustainable Development Committee to actively promote the work in all aspects of ESG. The relevant work that have been implemented include: 1. We actively respond to and promote the concept of environmental protection and love for the earth, following the laws and regulations related to environmental protection and starting in our own small ways, such as using energy-saving lamps, taking electricity-saving measures, using compartmentalized air conditioning and lighting control, and cutting down unnecessary power expenses. 2. Through internal promotion, implementation of waste separation and recycling, investigation of the internal carbon emission reduction performance, and the setting of goals and the regular review, we do our part for the global environment. 3. In accordance with the Sustainable Development Roadmap promoted by the FSC, the Company reported to the Board of Directors on May 11, 2022 the progress and planning schedule for the promotion of GHG inventory and verification, and subsequently reported the implementation progress to the Board of Directors on August 11, 2022, November 14, 2022, and March 14, 2023, respectively. Currently, the Company has hired counselors and initiated the meeting for GHG inventory, confirmed the carbon inventory boundary, identified emission sources, provided education and training on the collection and uploading of GHG emission data, and gathered carbon emission data for 2022. In 2023, the Company will strive to complete the GHG emission report writing, external verification (this part has been commissioned to BSI to obtain certification after conducting GHG inventory and verification in July 2023), and realize energy saving and carbon reduction. 4. In terms of promoting green products, the Company will place more emphasis on lightweight packaging materials, environmentally friendly materials and raw material sources in the development of new product lines, and expects to expand to more product lines to lower the impact of products on the environment.
Social Caring	We will continue to sponsor the Anti-Aging Association and assist it in promoting knowledge, culture, and development of aesthetics, and in strengthening accurate health education during the epidemic to enhance people's ability to enjoy an aesthetic lifestyle and achieve the good fortune of a society of truth, beauty, and goodness.
Social Welfare	We sponsor educational and academic institutions to participate in discipline competitions abroad, and donate products that prevent pandemic to public welfare institutions.
Community Engagement	We sponsor marathon and triathlon runners to help build a good sports environment in Taiwan.
Consumer and Related Party Rights	The Company has a dedicated product after-sales service line and an investor service line.
Employee Rights	The relationship between the Company and its employees is governed by the Labor Standards Law and other relevant laws and regulations. The Company has established rules and regulations for the conduct of business and holds regular labor-management meetings. Newly recruited staff are trained after they report to work. The Company provides necessary training, course counseling, and subsidies to employees based on their job requirements and planning. The Company also has an Employee Welfare Committee with a unit dedicated to monitoring and preventing sexual harassment in the workplace to ensure a healthy workplace environment free from harassment and discrimination.

II. 2022 CSR Implementation Summary

Annual CSR Achievements

(I) Based on the government's COVID-19 pandemic prevention program, the Company has made donations to the pandemic-related units and cooperated with schools, arts and cultural organizations, and sports organizations to promote the corporate philosophy of health, care, and sharing. (Please refer to the following list for details)

1. Chung Shan Medical University participated in the iGEM 2022

Recipient: Chung Shan Medical University

2. National Junior and Youth Baseball Championships

Recipient: Taiwan Indigenous Athletic and Multicultural Arts Development Association

Amount (product): NT\$200,000

3. Pandemic Prevention Program for Economically Disadvantaged Families in Taitung and Hualien

Recipient: East Office of World Vision Taiwan

Amount (product): Clothianidin 2% (4L) - 240 drums

4. Eurasia Chamber Orchestra Concert

Recipient: Eurasia Chamber Orchestra Concert

Amount (product): NT\$400,000

5. National Taipei University of Education - Department of Mathematics and Information Education

Recipient: National Taipei University of Education

Amount (product): NT\$50,000

6. EVA AIR Marathon

Recipient: Chinese Taipei Road Running Association

Amount (product): NT\$10,000

7. 2022 Taiwan HAKKA Hospitality International Marathon

Recipient: Taiwan International Marathon Exchange Association

Amount (product): NT\$30,000

8. Race On Sports Athlete Sponsorship

Recipients: 5 athletes in total

Amount (including a record-breaking bonus of NT\$30,000 for the Taipei Marathon, which is expected not to happen)

NT\$525,000 -- (nutrition fee + record-breaking bonus)

- a. Race On series products were sponsored as needed (Sponsored by Race On)

b. Biotech BF products were sponsored as needed (Sponsored by Race On)

9. New Taipei Private Panion Charity Foundation

Recipient: Panion Charity Foundation

Amount: NT\$30,000

- (II) The Company has been committed to fulfilling its corporate social responsibility by actively responding to energy saving and carbon reduction in line with the Government's promotion of fiscal reform and rental tax policies (issuance and use of electronic invoices) in recent years.

It not only improves enterprise efficiency and lowers operating cost, but also boosts the economic growth of Taiwan and promotes its international competitiveness.

※ The Company was honored to be awarded the "2022 Annual Outstanding Business Operator" and "Excellent Business Operator Using Electronic Invoices" by the National Taxation Bureau of Taipei, Ministry of Finance in October 2022.

(VII) Fulfillment of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore

Item Assessed	Operation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs				No material deviations
(I) Has the Company established ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	✓		(I) In order to establish a corporate culture of integrity and sound development, and to provide a reference framework for good business operations, the Company has established the Ethical Corporate Management Best Practice Principles (disclosed in the ESG Sustainable Management/Corporate Governance/Important Corporate Rules section of the Company's website) as approved by the Board of Directors.	
(II) Has the Company established a risk assessment mechanism against unethical conduct and does it analyze and assess on a regular basis business activity within its business scope which are at a higher risk of being involved in unethical conduct and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(II) In accordance with the Ethical Corporate Management Best Practice Principles, the Company has established the Procedures for Ethical Management and Guidelines for Conduct (disclosed in the ESG Sustainable Management/Corporate Governance/Important Corporate Rules section of the Company's website) to regulate relevant operating procedures and implement them accordingly. The Company's Administration Division evaluates the risk of dishonest behavior annually, evaluating and analyzing business activities with a higher risk of dishonest behavior through internal control inspections. It completed the internal control inspection in the	

Item Assessed	Operation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			first quarter of 2022 in conjunction with the audit unit.	
(III) Has the Company established policies to prevent unethical conduct with clear statements regarding relevant procedures, a code of conduct, punishments for violation, rules of appeal, and a commitment to implementation of these policies? And does the Company regularly review and amend these policies?	✓		(III) The Company's Procedures for Ethical Management and Guidelines for Conduct specify various improper interests and violations of integrity and their associated preventive measures, strictly prohibiting the Company's staff from engaging in any illegal and dishonest practices and preventing dishonest business activities through an internal audit mechanism. On April 17, 2015, the Company's Board of Directors approved the Ethical Corporate Management Best Practice Principles (disclosed in the ESG Sustainable Management/Corporate Governance/Important Corporate Rules section of the Company's website) and amended the Code on March 20, 2020 in accordance with the current status of implementation and relevant laws and regulations.	
II. Implementation of Ethical Management				No material deviations
(I) Does the Company assess the ethics records of anyone with whom it has a business relationship and include business conduct and ethics-related clauses in business contracts?	✓		(I) The Company Procedures for Ethical Management and Guidelines for Conduct stipulate that when entering into a contract with another party, the Company shall fully understand the other party's integrity management status and incorporate the integrity management policy into the terms of the contract. In addition, we have established an appraisal mechanism for our customers and set out the	

Item Assessed	Operation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			rights and obligations of both parties in detail in contracts.	
(II) Has the Company set up a unit dedicated to or tasked with promoting the Company's ethical standards and which reports regularly (at least once a year) to the Board of Directors on the implementation of ethical corporate management policies and prevention programs against unethical conduct?	✓		(II) The Company's Administration Division is the unit responsible for promoting ethical corporate management. According to the work duties and scope of each unit, it is responsible for assisting the Board of Directors and management to formulate and supervise the implementation of integrity policies and prevention plans to ensure the implementation of the Ethical Corporate Management Best Practice Principles. On January 17, 2023, the unit reported the implementation process to the Board of Directors.	
(III) Has the Company established policies to prevent conflicts of interest, provided appropriate communication and complaint channels, and implemented such policies properly?	✓		(III) The Company has established the Procedures for Ethical Management and Guidelines for Conduct, which specify Company policy for preventing conflicts of interest and has set up appropriate communications channels.	
(IV) Has the Company established effective accounting and internal control systems for the implementation of ethical corporate management and has its internal audit unit, based on the results of the assessment of the risk of involvement in unethical conduct, devised relevant audit plans and audited accordingly compliance with the prevention programs or entrusted a CPA to conduct such an audit?	✓		(IV) The Company has established accounting and internal control systems in accordance with the relevant laws and regulations. The internal audit unit conducted overall internal control risk assessments based on the results of the annual internal control self-assessment and annual audit findings, and prepares annual audit plans and subsequent follow-ups..	
(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		(V) The Company discloses the Procedures for Ethical Management and Guidelines for Conduct on its intranet site and promotes the regulations for integrity	

Item Assessed	Operation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
			management through various meetings to ensure that employees understand the definitions and comply with them. The Administration Division promotes the educational programs for all colleagues, compiles the Ethical Corporate Management Best Practice Principles and handling procedures for internal material information, publicizes the matters that colleagues should pay attention to when performing business through video and case sharing, and incorporates the promotional video for ethical corporate management into the newcomer training course. In 2022, the Company conducted 1,329.5 hours of internal and external training related to ethical management issues (including courses on quality management, drug safety and inspection, intellectual property rights, accounting system, and internal control and audit).	
III. Implementation of the Whistleblowing Mechanism			(I) The Company's Procedures for Ethical Management and Guidelines for Conduct specify a specific reporting and reward system, and a reporting mailbox has been set up on the Company's website (Investors Section> Stakeholder Section>Stakeholder Contact Information) for the Company's auditors to receive reports. As of the date of publication of this annual report, there were reports received in 2022.	No material deviations
(I) Has the Company established specific whistleblowing and reward systems, set up conveniently accessible whistleblowing channels, and designated responsible individuals to handle the person(s) being reported?	✓			
(II) Has the Company established standard operating procedures for investigating reported misconduct, follow-up measures to be taken after investigations, and related confidentiality mechanisms?	✓			

Item Assessed	Operation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefore
	Yes	No	Summary	
(III) Has the Company adopted proper measures to protect whistleblowers from retaliation for their actions?	✓		(II) The Company's Procedures for Ethical Management and Guidelines for Conduct specify the standard operating procedures for investigation of whistleblowing matters and the related confidentiality mechanism. (III) The Company's Procedures for Ethical Management and Guidelines for Conduct provide for the protection of whistleblowers from improper treatment as a result of whistleblowing.	
IV. Strengthening Information Disclosure Has the Company disclosed, on its own website or on the Market Observation Post System, its ethical corporate management policies and the effectiveness of the promotion thereof?	✓		The Company has disclosed its Code of Conduct for Integrity on its official website and on the Market Observation Post System.	No material deviations
V. If the Company has established ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation between the policies and their implementation: The Company's Ethical Corporate Management Best Practice Principles were prepared and implemented in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Procedures for Ethical Management and Guidelines for Conduct were established in accordance with the Company's Ethical Corporate Management Best Practice Principles to implement integrity management policy and prevent dishonest acts; these are not materially different from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.				
VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): The Company regularly arranges for its directors to attend corporate governance courses and, from time to time, promotes its policy of operating with integrity through internal meetings.				

(VIII) If the Company has a code of corporate governance and related regulations, it shall disclose its inquiry methods: Disclosure can be found on the Market Observation Post System.

The Company has established the Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and CSR Best Practices Principles, all of which are disclosed on the information reporting website designated by the Financial Supervisory Commission (<https://mops.twse.com.tw>) and the Company's website (ESG Sustainable Management>Corporate Governance>Important Corporate Rules).

(IX) Other important information that may be disclosed to enhance understanding of corporate governance operations may include:

1. In addition to the Corporate Governance section of the Market Observation Post System, the Company also discloses its corporate governance operations to investors in a timely and material manner depending on the importance of the information.
2. The Company (ir)regularly holds corporate meetings, and information about these meetings is posted on the Company's website (Investors Section>Shareholders Section>Corporate Presentation) and the Market Observation Post System.

(X) Internal Control System Implementation Status

1. Internal Control System Statement

Panion & BF Biotech Inc.

Statement on Internal Control System

Date: March 14, 2023

Based on the findings of a self-assessment, Panion & BF Biotech Inc. states the following with regard to its internal control system during 2022:

- I. The Company acknowledges that the establishment, implementation, and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has established such a system. Our internal control system is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), the reliability, timeliness, and transparency of our reporting, and our compliance with applicable rulings, laws, and regulations.
- II. The internal control system has inherent constraints. No matter how comprehensively designed, an effective internal control system is only capable of providing adequate assurance of achieving the three above-mentioned objectives. Moreover, the effectiveness of the internal control system may change due to changes in the environment and circumstances. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereafter "the Regulations"). The criteria adopted by the Regulations identify five key components of internal managerial control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component is also composed of several items. Please refer to the Regulations for the above items.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the Regulations.
- V. Based on its findings, the Company believes that, as of December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries) to provide reasonable assurance over its operational effectiveness and efficiency, the reliability, timeliness, and transparency of its reporting, and its compliance with applicable rulings, laws, and regulations.
- VI. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 14, 2023, with all 9 directors present or present by proxy having no dissenting opinions and affirming the content of this Statement.

Panion & BF Biotech Inc.

Chairman: Chang, Li-Chiou

General Manager: Chiang, Chung-Ming

2. If a CPA was engaged to conduct a special audit of the internal control system, provide their Audit Report: No such audit was conducted.

(XI) Any legal penalty incurred by the Company and its internal personnel or any penalty inflicted by the Company on its internal personnel for non-compliance with the internal control system that may have a significant impact on shareholder equity or securities price, the content of such penalties, major non-compliances, and relevant improvement measures in the most recent fiscal year and as of the date of publication of this report: None.

(XII) Major resolutions of Shareholders' Meeting and Board Meetings as of the most recent fiscal year and as of the publication date of this report:

1. Major resolutions and implementations from the Shareholders' Meeting 2022:

Meeting Name	Meeting Date	Major Resolutions	Implementation
Shareholders' Meeting	2022.06.08	1. Ratified the proposal for the 2021 Business Report and Financial Statements.	The relevant forms have been filed with the competent authorities for record-keeping and announcement reporting in accordance with the Company Act and other relevant laws and regulations.
		2. Ratified the proposal for 2021 Earnings Distribution.	The Company's net income after tax of NT\$104,402,159 for FY2021 and cash dividends of NT\$96,027,694 from earnings distribution, with an allotment of NT\$1.12 per share, were paid on July 22, 2022. (Cash dividends from capital reserve of 0.38 per share, total cash dividends of NT\$1.5 per share)
		3. Adoption of Amendments to the Company's Articles of Incorporation.	The resolution was approved by the competent authority and announced on the Company's website on June 29, 2022.
		4. Adoption of Amendments to the Company's Regulations Governing the Acquisition and Disposal of Assets	In accordance with the resolution, the announcement was made on the Company's website and implemented per the revised regulations.
		5. The Election of the 15 th Director	1. Nine directors (including three independent directors) were elected for the 15th Board of Directors. The term of office is from June 8, 2022 to June 7, 2025. 2. The newly-appointed directors were approved and registered with the Department of Commerce, MOEA (Jing-Shou-Shang-Zi No. 11101110490) on June 29, 2022.

		6. Adoption of proposal to release newly-elected directors and corporate representatives from non-compete restrictions	The resolution was approved by the Shareholders' Meeting and was executed in accordance with the resolution of the Shareholders' Meeting.

2. Important resolutions of the Board of Directors for 2022 as of the date of printing of this report:

Date	Major Resolutions
2022.01.14	2022 Budget Proposal - Application for a 100% cash capital increase for the Company's 100% reinvestment in Cheng Fong Chemical Co., Ltd. - Proposed medium- and long-term loan application to financial institutions - Application for increase in cash capital by Zhuhai Panion & BF Biotech Inc. (China), a subsidiary of the Company - Proposed amendments to the service contract of CRO for clinical trials - Proposed amendments to the Company's organizational structure - Proposal for adjustment of Company managers' salary - Proposal for appointment of subsidiary managers - Proposal for remuneration of subsidiary managers - Proposal for appointment of Company managers - Proposal for remuneration of Company managers - Chairman's year-end bonus for 2021 - Managers' year-end bonus for 2021 - Managers' patent incentive payment
2022.03.15	- Adoption of the Company's Statement on Internal Control System for 2021 - Employee Compensation Plan for 2021 - Director Remuneration Plan for 2021 - Proposal to adopt the Company's 2021 parent company only financial statements and consolidated financial statements 2021 Business Report - Cash Dividend Allotment from Capital Reserve for 2021 - Proposal for 2021 Earnings Distribution - Amendments to the Company's Articles of Incorporation - Amendments to the Company's Regulations Governing the Acquisition and Disposal of Assets - Apply to financial institutions for renewal of short-term loan - Apply to financial institutions for renewal of short-term loan - Additional budget for the renovation of the R&D Center of the Pharmaceuticals. Healthcare Products. Cosmetics Development Department - The Election of the 15th Director - Setting up of the Company's 2022 Shareholders' Meeting and Receipt of Shareholders' Proposals/Proposals for Directors - Proposed approval of the list of candidates for nomination as directors (including independent directors) by the Board of Directors - Proposal to release newly-elected directors and corporate representatives from non-compete restrictions - Ratification of Manager's 2021 year-end bonus - Application for bonus for management team - Company Managers' Bonus Application
2022.04.21	Proposed approval of the list of candidates for nomination as the directors by shareholders
2022.05.11	- Proposal to adopt the Company's consolidated financial statements in the first quarter of 2022 - Proposed commissioned development of PDO sutures

Date	Major Resolutions
	3. Proposed amendment to Regulations Governing the Remuneration of Directors and Independent Directors 4. Appointment of the chief corporate governance officer 5. Manager's Bonus Plan for 2022
2022.06.08	1. The election of the 15th Chairman of the Company
2022.06.21	1. The lease of the new factory site by the Innovative Diagnostics BU 2. Appointment of Members by the 5th Remuneration Committee of the Company 3. Proposed appointment of the Company managers 4. Proposed assignment of directors and supervisors of subsidiaries
2022.08.11	1. Establishment of the Sustainable Development Committee 2. Proposal to adopt the Company's consolidated financial statements in the second quarter of 2022 3. Proposal to invest in the financial products of STI Power Fund 4. Integrate financial institutions to approve short - and medium-term loan terms 5. New construction/renovation and upgrading plan of Pingzhen Plant - The implementation status of Phase I of the project and Phase II of the project and budget planning 6. Transfer Agreement of Technology and Intellectual Property Rights 7. Proposal for remuneration of Company Chairman 8. Proposal for remuneration of Company directors (excluding independent directors) 9. Proposal for remuneration of Company independent director 10. Proposal for remuneration of Company general manager 11. Proposal for remuneration of director or supervisor of subsidiaries 12. Company Managers' Bonus Application
2022.10.18	1. Proposed amendments to the signing of the service contract of CRO for clinical trials 2. Plan to build a drug serialization system 3. Proposed amendment to the Company's Table of Authority Summary 4. Amendments to the Company's Corporate Governance Best Practice Principles 5. Proposed amendment to Regulations Governing the Remuneration of Directors and Independent Directors 6. Company Managers' Bonus Application
2022.11.14	1. Proposal to adopt the Company's consolidated financial statements in the third quarter of 2022 2. 2023 CPA appointment 3. 2023 CPA Audit service fee 4. 2023 Audit Plan 5. Planning and budgeting for the expansion of the subsidiary Cheng Fong Chemical plant and relevant equipment 6. The Company has amended the Procedures for Internal Material Information Handling and Prevention of Insider Trading Management 7. The Company proposes to conduct the "clinical trial of absorbable sutures for plastic surgery" in China
2023.01.17	1. 2023 Budget Proposal 2. Apply to financial institutions for renewal of short-term loan 3. Lend money to wholly-owned subsidiaries 4. Proposed amendment of the Company's Table of Authority Summary 5. Proposed to establish the Representative Office in Vietnam 6. Application for increase in cash capital by Zhuhai Panion, a subsidiary of the Company 7. Proposal for appointment of Company managers 8. Proposal for remuneration of Company managers

Date	Major Resolutions
	9. 2023 Organizational Structure 10. Chairman's year-end bonus for 2022 11. Managers' year-end bonus for 2022 12. Proposal for distribution of subsidiary manager's year-end bonus for 2022.
2023.03.14	1. Adoption of the Company's Statement on Internal Control System for 2022 2. Proposed amendments to the Company's Rules and Procedures of the Board of Directors 3. Company and Subsidiary Managers' Bonus Application
2023.03.30	1. Proposal to adopt the Company's 2022 parent company only financial statements and consolidated financial statements 2. 2022 Business Report The case was 3. Proposal for 2022 Earnings Distribution 4. Cash Dividend Allotment from Capital Reserve for 2022 5. Amendments to the Company's Investment Cycle 6. Employee Compensation Plan for 2022 7. Director Remuneration Plan for 2022 8. Application for bonus for management team 8. Setting up of the Company's 2023 Shareholders' Meeting and Receipt of Shareholders' Proposals 9. Application for bonus for management team

(XIII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or Supervisors against major resolutions of the Directors' Meeting in the most recent fiscal year and as of the publication date of this report: None.

(XIV) Summary of the resignation and dismissal of Company personnel including chairman, general manager, accounting supervisors, finance supervisors, internal auditing supervisors, chief corporate governance officer, and R&D supervisors in the most recent fiscal year and as of the publication date of this report: None.

V. CPA Fees

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

CPA Fees

Unit: NT\$ thousand

Name of CPA Firm	Name of CPA	CPA Audit Period	Audit Fee	Non-Audit Fees (Note)	Total	Note
KPMG Taiwan	Lu, Li-Li	2022.01.01~2022.12.31	5,550	1,920	7,470	
	Chao, Min-Ju	2022.01.01~2022.12.31				

Note: NT\$1,302 thousand for tax consultation, NT\$403 thousand for business registration and consultation, NT\$215 thousand for transfer pricing.

- (II) If the accounting firm is changed and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: N/A.
- (III) When the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A.

VI. Replacement of CPA: None.

VII. Company chairman, general managers, or finance or accounting managers who have worked in the CPA firm or an affiliate thereof within the most recent fiscal year: None.

VIII. Changes in transfer or pledge of shares made by directors, and managers, and major shareholders holding more than 10% of Company shares in the most recent fiscal year and as of the publication date of this report:

(I) Changes in Shareholding of Directors, Managers, and the Top 10 Major Shareholders:

Unit: Share

Title	Name	2022		As of May 1, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Chang, Li-Chiou	0	0	0	0
Directors	Panion Investment Co., Ltd. Representative: Hsieh, De-Fu	(45,000)	0	0	0
Director and General Manager	Panion Investment Co., Ltd. Representative: Chiang, Chung-Ming	0	0	0	0
Directors	Panion Investment Co., Ltd. Representative: Lin, Jyh-Ming	0	0	0	0
Directors	Huang, Weng-Houng	0	0	0	0
Directors	Chen, Pa-Chuan	0	0	0	0
Independent Director	Chang, Ryh-Yan	0	0	0	0
Independent Director	Liao, Chi-Chou	0	0	0	0
Independent Director	Chen, Jiin-Shian	0	0	0	0
Vice President of Finance	Wang, Feng-Jen	0	0	0	0
Vice President	Tsai, Chung-Chi	0	0	0	0
Vice President	Lu, Chun-Ping	0	0	0	0
Vice President (Note 1)	Hsueh, Yu-Sheng	NA	NA	0	0
Assistant Vice President	Chuang, Jui-Yuan	(31,000)	0	0	0
Assistant Vice President	Lee, Jen-Yi	0	0	0	0
Assistant Vice President (Note 2)	Chiang, Cheng-Ju	(6,000)	0	0	0
Assistant Vice President (Note 3)	Wang, Han-Ming	0	0	NA	NA
Accounting Manager	Chiu, Mei-Lun	(2,000)	0	0	0

Title	Name	2022		As of May 1, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Major shareholder with more than 10% shareholding	Panion Investment Co., Ltd.	(305,000)	0	(20,000)	0
Vice President of Subsidiary Business Division	Chen, Te-En	0	0	0	0
Vice President of Subsidiary Business Division (Note 4)	Chang, Le-Lin	0	0	0	0

Note 1. Hsueh, Yu-Sheng, Vice President, took office on January 17, 2023.

Note 2. Assistant Vice President Chiang, Cheng-Ju , took office on March 1, 2022.

Note 3. Assistant Vice President Wang, Han-Ming , took office on January 14, 2022 and resigned on November 30, 2022.

Note 4. Chang, Le-Lin, Vice President of mainland China subsidiary, took office on January 14, 2022.

(II) Transfers of equity made by directors, supervisors, managers, and major shareholders holding more than 10% of Company shares:

None.

(III) Pledges of equity made by directors, managers, and major shareholders holding more than 10% of Company shares:

None.

IX. Information on top 10 major shareholders who are related to one another or are related as spouses or at the second degree of kinship:

May 1, 2023; Unit: Shares

Name	Personal shareholding		Spouse & minor shareholding		Combined shareholding by nominee arrangement		Name and relationship between the company's top 10 major shareholders or spouses/relatives within the second degree of kinship		Note
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name	Relationship	
Representative of Panion Investment Co., Ltd.: Hsieh, De-Fu	15,844,336	18.48%	N/A	N/A	-	-	-	-	-
	146,033	0.17%	-	-	-	-	-	-	-
Citibank Custodianship of UOB Kay Hian (Hong Kong)—Client Account Dedicated Account	6,738,000	7.86%	N/A	N/A	-	-	-	-	-
Li, Kuo-Feng	3,312,000	3.86%	-	-	-	-	-	-	-
Chen, Si-Han	1,881,000	2.19%	-	-	-	-	-	-	-
Chiang, Su-Lan	1,550,000	1.81%	-	-	-	-	-	-	-
Huang, Hsiu-Chen	1,327,157	1.55%	-	-	-	-	-	-	-
Cheng, Wen-Hsien	1,200,946	1.40%	-	-	-	-	-	-	-
Public Service Pension Fund Management Board (PSPFMB)	1,115,000	1.30%	N/A	N/A	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	843,163	0.98%	N/A	N/A	-	-	-	-	-
Xu, Xiu-Mei	838,000	0.98%	-	-	-	-	-	-	-

X. Number of Shares Held and Combined Shareholding Ratio on the Same Investee by the Company, Directors, Supervisors, and Managers of the Company, and Entities Directly or Indirectly Controlled by the Company:

December 31, 2022; Unit: Shares

Name of Investment Company	Reinvestment	Company Investment		Investments of Directors and Managers and (In)directly Controlled Businesses		Portfolio Investment	
		Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
The Company	Bowlin Biotech Corp.(USA)	2,305	100%	0	0	2,305	100%
The Company	Bowlin Holding CO.,Ltd.(Cayman)	4,250,000	100%	0	0	4,250,000	100%
The Company	Bowlin Holding CO.,Ltd.(Seychelles)	2,500,000	53.19%	2,200,000	46.81	4,700,000	100%
The Company	Cheng Fong Chemical Co., Ltd.	42,132,000	100%	0	0	42,132,000	100%
The Company	Weigao Panion Biotech Holding Co., Ltd. (HK)	33,567,071	44%	0	0	33,567,071	44%
Bowlin Holding CO.,Ltd.(Cayman)	Bowlin Holding (HK) Co., Ltd.	3,770,000	100%	0	0	3,770,000	100%
Bowlin Holding CO.,Ltd.(Cayman)	Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada.	Note 1	100%	0	0	Note 1	100%
Bowlin Holding CO.,Ltd.(Seychelles)	Zhuhai Baozhan Trade Co., Ltd. (China)	Note 1	100%	0	0	Note 1	100%
Bowlin Holding (HK) Co., Ltd.	Zhuhai Panion & BF Biotech Inc. (China)	Note 1	100%	0	0	Note 1	100%
Bowlin Holding (HK) Co., Ltd.	Zhuhai Panion Innovation Biotech Co., Ltd. (China)	Note 1	100%	0	0	Note 1	100%
Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada.	Zhuhai Baoyi Biotech Co., Ltd. (China)	Note 1	100%	0	0	Note 1	100%
Weigao Panion Biotech Holding Co., Ltd. (HK)	Shandong Weigao Panion Pharmaceutical Co. Ltd.(China)	Note 1	44%	0	0	Note 1	44%
Shandong Weigao Panion Pharmaceutical Co. Ltd.(China)	Shanghai Weigao Panion Pharmaceutical Co., Ltd. (China)	Note 1	100%	0	0	Note 1	100%

Note 1. There is no stock issued in the form of a limited company, so there is no number of shares.

Chapter 4. Funding Status

I. Capital and Shares

(I) Total Types of Shares:

May 1, 2023; Unit: Shares

Type of Shares	Authorized Capital			Note
	Issued Shares	Un-issued Shares	Total	
Registered Common Shares	85,739,013	14,260,987	100,000,000	Listed Shares

(II) Sources of Capital:

Unit: thousand shares; NT\$ thousand

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
2000.08	10	13,200	132,000	13,200	132,000	Capitalization of earnings in the amount of NT\$12,000 thousand	None	Note 1
2001.07	10	14,520	145,200	14,520	145,200	Capitalization of earnings in the amount of NT\$7,920 thousand Capitalization of capital reserves in the amount of NT\$5,280 thousand	None	Note 2
2001.11	10	19,420	194,200	19,420	194,200	Cash increase by cash in the amount of NT\$49,000 thousand	None	Note 3
2002.07	10	20,585	20,585	20,585	205,852	Capitalization of earnings in the amount of NT\$6,797 thousand Capitalization of capital reserves in the amount of NT\$4,855 thousand	None	Note 4
2003.07	10	28,000	280,000	22,644	226,437	Capitalization of earnings in the amount of NT\$15,439 thousand Capitalization of capital reserves in the amount of NT\$5,146 thousand	None	Note 5
2004.06	10	36,000	360,000	26,040	260,403	Capitalization of earnings in the amount of NT\$22,644 thousand Capitalization of capital reserves in the amount of NT\$11,322 thousand	None	Note 6
2004.06	10	36,000	360,000	30,540	305,403	Cash increase by cash in the amount of NT\$45,000 thousand	None	Note 7
2009.12	10	36,000	360,000	33,940	339,403	Cash increase by cash in the amount of NT\$34,000 thousand	None	Note 8
2012.12	10	36,000	360,000	34,257	342,568	Employee stock option convertible into shares in the amount of NT\$3,165 thousand	None	Note 9

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
2013.03	10	36,000	360,000	34,589	345,888	Employee stock option convertible into shares in the amount of NT\$3,320 thousand	None	Note 10
2013.04	10	100,000	1,000,000	38,351	383,509	Capital increase in the amount of NT\$37,621 thousand by merger	None	Note 11
2013.06	10	100,000	1,000,000	38,379	383,789	Employee stock option convertible into shares in the amount of NT\$280 thousand	None	Note 12
2013.10	10	100,000	1,000,000	43,305	433,054	Cash increase by cash in the amount of NT\$49,000 thousand Employee stock option convertible into shares in the amount of NT\$265 thousand	None	Note 13
2014.01	10	100,000	1,000,000	43,491	434,914	Employee stock option convertible into shares in the amount of NT\$1,860 thousand	None	Note 14
2014.05	10	100,000	1,000,000	43,647	436,471	Employee stock option convertible into shares in the amount of NT\$1,557.5 thousand	None	Note 15
2014.09	10	100,000	1,000,000	48,019	480,192	Capitalization of capital reserves in the amount of NT\$43,491 thousand Employee stock option convertible into shares in the amount of NT\$230 thousand	None	Note 16
2015.03	10	100,000	1,000,000	48,440	484,407	Employee stock option convertible into shares in the amount of NT\$4,215 thousand	None	Note 17
2015.06	10	100,000	1,000,000	48,461	484,615	Employee stock option convertible into shares in the amount of NT\$207.5 thousand	None	Note 18
2015.10	10	100,000	1,000,000	56,215	562,153	Capitalization of capital reserves in the amount of NT\$48,461 thousand Capitalization of earnings in the amount of NT\$29,077 thousand	None	Note 19
2016.01	10	100,000	1,000,000	56,250	562,498	Employee stock option convertible into shares in the amount of NT\$345 thousand	None	Note 20
2016.08	10	100,000	1,000,000	61,945	619,446	Capitalization of capital reserves in the amount of NT\$39,374.88 thousand Capitalization of earnings in the amount of NT\$16,874.95 thousand Employee stock option convertible into shares in the amount of NT\$697.5 thousand	None	Note 21
2017.08	10	100,000	1,000,000	68,139	681,390	Capitalization of capital reserves in the amount of NT\$43,361 thousand Capitalization of earnings in the amount of NT\$18,583 thousand	None	Note 22
2018.01	10	100,000	1,000,000	76,739	767,390	Cash increase by cash in the amount of NT\$86,000 thousand	None	Note 23

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
2021.09	10	100,000	1,000,000	85,739	857,390	Cash increase by cash in the amount of NT\$90,000 thousand	None	Note 24

Note 1. 2000.8.18(89) Shang No. 089129366.

Note 2. 2001.7.9(90) Tai-Cai-Zheng (1) No. 144107.

Note 3. 2001.11.13(90) Tai-Cai-Zheng (1) No. 169901.

Note 4. 2002.7.2Tai-Cai-Zheng (1) No. 0910136133.

Note 5. 2003.7.7Tai-Cai-Zheng (1) No. 0920130163.

Note 6. 2004.6.7Tai-Cai-Zheng (1) No. 0930125180.

Note 7. 2004.6.15Tai-Cai-Zheng (1) No. 0930125181.

Note 8. 2009.12.30Jin-Guan-Zheng-Fa-Zi No. 0980069376.

Note 9. 2013.02.05Fu-Chan-Ye-Shang-Zi No. 10280517010.

Note 10.2013.05.01Fu-Chan-Ye-Shang-Zi No. 10283073210.

Note 11.2013.04.08Jin-Guan-Zheng-Fa-Zi No. 1020009450.

Note 12.2013.06.19Fu-Chan-Ye-Shang-Zi No. 10284997600.

Note 13.2013.07.30Jin-Guan-Zheng-Fa-Zi No. 1020029700; 2013.10.16Fu-Chan-Ye-Shang-Zi No. 102888379910.

Note 14.2014.01.15Fu-Chan-Ye-Shang-Zi No. 10380059400.

Note 15.2014.05.07Fu-Chan-Ye-Shang-Zi No. 10383495900.

Note 16.2014.09.18Fu-Chan-Ye-Shang-Zi No. 10388045300.

Note 17.2015.03.18Fu-Chan-Ye-Shang-Zi No. 10481523910.

Note 18.2015.06.30Fu-Chan-Ye-Shang-Zi No. 10485431800.

Note 19.2015.10.19Jing-Shou-Shang-Zi No. 10401220750.

Note 20.2016.01.15Jing-Shou-Shang-Zi No. 10501005160.

Note 21.2016.09.20Jing-Shou-Shang-Zi No. 10501228980.

Note 22.2017.08.02Jing-Shou-Shang-Zi No. 1061109150.

Note 23.2018.02.12Jing-Shou-Shang-Zi No. 10701016470.

Note 24.2021.10.08Jing-Shou-Shang-Zi No. 11001186580.

(III) Shareholding Structure:

May 1, 2023

Shareholding Structure Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Individuals	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	1	253	29920	69	30,243
Number of Shares Held	0	58,000	22,837,302	50,494,642	12,349,069	85,739,013
Shareholding Ratio (%)	0	0.07%	26.64%	58.89%	14.40%	100.00%

(IV) Shareholding Dispersion:

May 1, 2023

Range of Shares	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1–999	20,494	501,407	0.59%
1,000–5,000	8,596	14,152,758	16.51%
5,001–10,000	572	4,450,715	5.19%
10,001–15,000	172	2,191,660	2.56%
15,001–20,000	95	1,750,080	2.04%
20,001–30,000	79	2,046,624	2.39%
30,001–40,000	43	1,516,755	1.77%
40,001–50,000	35	1,619,992	1.88%
50,001–100,000	76	5,560,380	6.49%
100,001–200,000	39	5,664,852	6.61%
200,001–400,000	21	5,805,176	6.76%
400,001–600,000	8	3,746,679	4.37%
600,001–800,000	3	2,082,333	2.43%
800,001–1,000,000	2	1,681,163	1.96%
1,000,001 or over, graded according to the actual situation	8	32,968,439	38.45%
Total	30,243	85,739,013	100.00%

Note: The Company does not issue any preferred shares.

(V) List of Major Shareholders:

The names, shares, and percentages of the top 10 shareholders with shareholding ratios of 5% or more:

May 1, 2023; Unit: Shares; %

Shareholding Shareholder's Name	Number of Shares Held	Shareholding Ratio (%)
Representative of Panion Investment Co., Ltd.	15,844,336	18.48%
Citibank Custodianship of UOB Kay Hian (Hong Kong)—Client Account Dedicated Account	6,738,000	7.86%
Li, Kuo-Feng	3,312,000	3.86%
Chen, Si-Han	1,881,000	2.19%
Chiang, Su-Lan	1,550,000	1.81%
Huang, Hsiu-Chen	1,327,157	1.55%
Cheng, Wen-Hsien	1,200,946	1.40%
Public Service Pension Fund Management Board (PSPFMB)	1,115,000	1.30%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	843,163	0.98%
Xu, Xiu-Mei	838,000	0.98%

(VI) Market Price, Net Worth, Earnings, Dividends per Share, and Relevant Information for the Most Recent Two Years:

Unit: NT\$ thousand. thousand shares

Item		Year	2021	2022	January 1 to March 31, 2023
Market Price per Share	Highest		130	195	183.5
	Lowest		63.1	71.8	158.0
	Average		97.03	140.18	170.93
Net Worth per Share	Before Distribution		22.55	23.41	N/A
	After Distribution		21.05	-	
Earnings per Share	Weighted Average Shares		79,180	85,739	
	Earnings per Share		1.32	2.13	
Dividends per Share	Cash Dividends		1.50	2.00	
	Stock Dividends	Dividends from Retained Earnings	-	-	
		Dividends from Capital Reverses	-	-	
	Accumulated Undistributed Dividends		-	-	
Return on Investment	Price: Earnings Ratio		61.36	58.85	
	Price: Dividend Ratio		53.99	62.68	
	Cash Dividend Yield Rate		1.85%	1.60%	

Note: In accordance with Article 26-1 of the Company's Articles of Incorporation, the proposal for the appropriation of the Company' 2022 earnings and the proposal for the distribution of capital surplus to cash were approved by a special resolution of the Board of Directors on March 30, 2023 and are pending submission to the Shareholders' Meeting.

(VII) Dividend Policy and Implementations:

1. Dividend Policy:

In accordance with Article 26-1 of the Company's Articles of Incorporation, the following is stipulated:

If there is any surplus in the Company's annual final accounts, the Company shall first pay tax and make up for previous losses and then set aside 10% of the legal reserve, except when the legal reserve has reached the Company's paid-in capital; in addition, special reserve shall be set aside in accordance with the Company's operating needs and laws and regulations. In the case of distribution in cash, the Board of Directors shall approve the distribution with the approval of one-half of the directors at a meeting with at least two-thirds of the directors present and report the distribution to the shareholders' meeting.

The Company's dividend policy is based on a prudent and balanced approach, taking into account factors such as profitability, financial structure, and the Company's future development, distributing at least 40% of accumulated distributable earnings to shareholders, with at least 10% of the dividends distributed to shareholders to be paid in cash. However, the Board of Directors shall adjust the ratio according to the overall operating conditions at the time.

2. Implementation:

Unit: NT\$. Share

Item \ Year	2021	2022
	2021	2022
Cash Dividends	1.5	2.00(Note)
Stock Dividends (incl. Capital Reserve Allotment)	-	-

Note: In accordance with Article 26-1 of the Company's Articles of Incorporation, the proposal for the appropriation of the Company's 2022 earnings and the proposal for the distribution of capital surplus to cash were approved by a special resolution of the Board of Directors on March 30, 2023.

(VIII) Impact of Stock Dividend Issuance on Business Performance and Earnings per Share:

The Shareholders' Meeting proposed to appropriate a cash dividend of NT\$167,191,075 from the distributable earnings for 2022 and a cash dividend of NT\$4,286,951 from the capital reserve, which has no impact on the Company's operating results and earnings per share.

(IX) Remuneration for Employees and Directors:

1. Percentage and Scope of Remuneration Paid to Employees and Directors Stated in the Articles of Incorporation:

In accordance with Article 26 of the Company's Articles of Incorporation, if the Company makes a profit in a year, it shall first set aside not less than 2% of the net income before taxation for employee compensation and not more than 5% for director's compensation. However, if the Company still has accumulated losses, it should retain the indemnification amount in advance. Employee compensation shall be in the form of stock or cash, and shall be paid to employees of

subordinate companies who meet the conditions set by the Board of Directors. Directors are paid in cash only. The remuneration of employees and directors shall be resolved by the Board of Directors and reported to the Shareholders' Meeting.

2. Basis for Estimating the Amount of Employee and Director Compensation and Calculating the Number of Shares for Employee Compensation Distributed by Stock, and the Accounting Treatment in the Event that Actual Distribution Differs from the Estimated Amount:

Based on the Company's profitability in the current year, management estimates the amount of employee bonus and directors' compensation based on the Articles of Incorporation and recognizes the estimated amount of employee bonus and directors' compensation as a salary expense in the current period. If there is a significant change in the amount resolved by the Board of Directors in a subsequent period, the profit or loss for that period is adjusted. If the actual allotment amount resolved by the shareholders in the following year differs from the estimated amount, it is recorded as profit or loss in the following year.

3. The Board of Directors Approved the Distribution of Remuneration:

- (1) The amount of employee and director remuneration distributed in cash or stock. If there is any discrepancy between the amount recognized and the amount estimated in the year of expense recognition, the amount of the discrepancy, the reason for the discrepancy, and the treatment therefore should be disclosed:

The Board of Directors has resolved to distribute cash compensation to employees in the amount of NT\$14,586,840 and to directors in the amount of NT\$18,233,550 for the year 2022, totaling NT\$32,820,390, to be paid after the report of the 2023 Shareholders' Meeting, and any difference will be adjusted in the following year. In accordance with Article 26 of the Company's Articles of Incorporation, NT\$2,085,000 from NT\$14,586,840 was paid to employees of the subsidiary companies.

- (2) Amount of Employee Compensation Distributed in Stock and its Proportion to the Aggregate Amount of Net Income After Tax and Total Employee Compensation in the Parent Company Only or Individual Financial Statements for the Period: All employee compensation resolved by the Board of Directors is paid in full in cash.

4. The actual distribution of employees' and directors' remuneration (including the number of shares distributed, the amount, and the share price) in the previous year and the difference between the distribution and the recognition of employees' and directors' remuneration should be stated, along with the reasons for and treatment of the difference; there was no difference.

(X) Repurchase of Shares by the Company: None.

- II. Issuance of Corporate Bonds: None.
- III. Issuance of Preferred Shares: None.
- IV. Issuance of Depository Receipts: None.
- V. Issuance of Employee Stock Options: None.
- VI. Employee Restricted Stock Awards: None.
- VII. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.
- VIII. Implementation of the Capital Utilization Plan: None.

Chapter 5. Operational Highlights

I. Business Contents:

(I) Business Scope:

1. Content of Major Business of Company:

Panion & BF is committed to bringing the spirit of professional pharmaceutical manufacturing and innovation into the lives of all people. Through our excellent product development capabilities and international PIC/S GMP manufacturing quality standards, we are able to achieve our corporate vision of enabling everyone to enjoy the beauty of life to the fullest. The Company's business group includes pharmaceuticals, APIs, medical cosmetics, nutritional care, infection control (cleaning and disinfection), animal treatments, testing and diagnostics, and more. The Company has an expansive product line and continues to introduce new technologies, deepen its R&D capabilities, integrate upstream and downstream industries, and actively expand into domestic and international markets.

The Company's registered business activities are as follows:

C802041	Manufacture of Drugs and Medicines
F108021	Wholesale of Western Pharmaceutical
F208021	Retail Sale of Western Pharmaceutical
F208050	Retail Over-the-Counter Drugs Class B
CF01011	Medical Devices Manufacturing
F108031	Wholesale of Medical Apparatus
F208031	Retail Sale of Medical Apparatus
C802100	Cosmetics Manufacturing
F108040	Wholesale of Cosmetics
F208040	Retail Sale of Cosmetics
C801010	Basic Chemical Industrial
C801990	Other Chemical Materials Manufacturing
F107200	Wholesale of Chemical Feedstock
F207200	Retail Sale of Chemical Feedstock
C802990	Other Chemical Products Manufacturing
F107990	Wholesale of Other Chemical Products
F207990	Retail Sale of Other Chemical Products
C802080	Environmental Agents Manufacturing
F107080	Wholesale of Environmental Agents
F207080	Retail Sale of Environmental Agents
F401010	International Trade
C199990	Manufacture of Other Food Products Not Elsewhere Classified
F102170	Wholesale of Foods and Groceries
F203010	Retail sale of Food Products and Groceries
F121010	Wholesale of Food Additives
F221010	Retail of Food Additives

C103050	Manufacturing of Canning, Freezing, Dehydration, Pickled of Food
C106010	Grain Husking, Manufacture of Grain Mill Products, Starches and Starch Products
C110010	Beverage Manufacturing
I101090	Food Consulting
C802090	Manufacture of Cleaning Preparations
F107030	Wholesale of Cleaning Supplies
F207030	Retail Sale of Cleaning Supplies
C201010	Animal Feeds Manufacturing
F103010	Wholesale of Animal Feeds
F202010	Retail Sale of Animal Feeds
C802060	Veterinary Drug Manufacturing
F107070	Wholesale of Veterinary Drugs
F207070	Retail Sale of Veterinary Drugs
C201020	Pet Food Processing
F106060	Wholesale of Pet Food and Supplies
F206050	Retail Sale of Pet Food and Supplies
J101020	Pest Control
IG01010	Biotechnology Services
IC01010	Medicine Inspection
F199990	Other Wholesale Trade
F299990	Retail Sale of Other Products
F399040	Retail Sale No Storefront
IZ06010	Tally Packaging
F601010	Intellectual Property Rights
ZZ99999	All business activities that are not prohibited or restricted by law, except those that are subject to special approval

2. Business Proportion:

Unit: NT\$ thousands

Product Type	2022 (Consolidated)	
	Amount	Proportion (%)
Pharmaceuticals	724,221	30.19
Supplement	183,929	7.67
Cosmeceutical	161,267	6.72
Diagnostic	724,634	30.21
Medical Device	4,769	0.20
APIs	189,909	7.92
Milestone	8,831	0.37
Sales Royalty Fee	401,088	16.72
Total	2,398,648	100

3. The Company's Current Product Lineup and Planned New Product Development:

With a mission of health, care, and sharing which is built around improving health and quality of life, the Company is focused on development in the **health business** and continues to innovate and develop sales channels. Based on product attributes, channel characteristics, and corporate integration, the Company is divided into six major business groups: Taiwan BU , China BU, Innovative Medical, Innovative Cosmeceutics, Innovative Diagnostics and API BU :

(1) Taiwan Panion:

Based in Taiwan, the Company develops business groups in four core business areas (disease treatment, disease prevention, disease diagnosis, and aging prevention), including pharmaceuticals (pain relief, skincare, nephrologics, angiopathy, psychiatry, and urologics), medical cosmetics, nutrition, infection control, diagnostic testing, and API development and manufacturing. Our main channels are medical institutions, long-term care centers, dermatology clinics, pharmacies, medical aesthetic clinics, hairdressing channels, physical cosmetic channels, virtual channels, special group purchase channels, and niche OEMs throughout Taiwan. Taiwan Panion is defined as a sales entity that sells products from each of the Company's R&D business groups (Innovative Medical, Innovative Cosmeceutics, Innovative Diagnostics, and API BU), as well as serving the role of agent for overseas brands. The Company takes Taiwan Panion as its main sales entity and carries out strategy formulation and product marketing execution through it, replicating its successful sales model in Taiwan to overseas markets and utilizing the advantages of being a producer and manufacturer to create product advantages and differentiation while pursuing maximal profit.

Since its establishment in 1976, the Company has specialized in the fields of pain relief, skincare, nutritional supplements, and nephrological and urological medicine. It has obtained more than 240 licenses for Western pharmaceutical preparations and provides dosage forms including capsules, granules, ointments, powders, syrups, tablets, and topical liquids. In terms of core R&D technologies, we specialize in controlled release dosage forms and regulatory science, rapid release technology, and intraoral disintegration technology, and in recent years, we have devoted ourselves to the technological development platform of controlled release dosage forms to create more niche products within the market.

According to the National Development Council (NDC), it is estimated that by 2025, the proportion of elderly people over 65 years old in Taiwan will exceed 20%. With the increase in the elderly population, the demand for long-term care and cleaning for the elderly who are bedridden will also become a major market concern. The Company is actively entering the long-term care market by developing new dosage forms of medical materials (Aqua and Alcohol Base), which have been prepared for clinical trials, and are expected to bring new revenue and profit items to the Company after certification. The Company will continue to focus on infection-related products and promote research and development, focusing on market opportunities around long-term care for the elderly and developing infection control products for everyday use, as well as building on our success in Taiwan by actively developing markets such as China and Japan.

(2) China Panion:

The Company's factory in Zhuhai, China, is the base of China Panion, but the business has expanded its operations and sales network across China over the years. China Panion is also defined as a sales entity, mainly selling medical aesthetics-related products, using a system of proprietary and agency-based distribution and niche OEM, the main channels include medical aesthetics hospitals, dermatological hospitals, skincare and haircare salons, and e-commerce (including mall operation). China Panion utilizes Taiwan Panion's product marketing experience to develop merchandising, marketing, and pricing strategies that meet customer and product. price needs in local markets and channels and to control unnecessary business and marketing expenses.

(3) Innovative Medical:

In order to break through the bottleneck of traditional pharmaceutical companies and actively seek a new blue ocean for development in the pharmaceutical industry, the Company has invested in the development of global patented new drugs since 2001. The first example is the new indicator drug Nephoxil[®], a new aluminum- and calcium-free phosphorus binding agent for the treatment of high blood phosphate in patients with chronic renal failure. Currently, we have successfully obtained drug certificates and marketing approval for this new drug from Taiwan, the U.S., Japan, the European Union and South Korea. Since the launch of Nephoxil[®] by various license partners in 2015, sales have continued to reach record highs, with total sales exceeding US\$700 million, a remarkable achievement. To effectively extend the product life cycle, the Company and its partners are actively developing Nephoxil[®] for iron deficiency anemia, which has obtained drug license and marketing approval for the expanded indication in the United States and Japan. It is expected to bring the Company more sources of revenue and profit. On November 14, 2022, the Nephoxil[®] patent for the use of ferric citrate for the treatment of hyperphosphatemia indication in dialysis patients expired in Taiwan, the United States and Japan. As a result, the contract between the Company and the original inventor, Professor Hsu, Chen-Hsing was terminated, and the Company no longer has any obligation to pay royalties to him. With the expiration of the above-mentioned patent, the Company can increase its profitability from the sales of Nephoxil[®].

In terms of new market development, Kyowa Hakko Kirin Korea Company, our exclusive distribution partner in Korea, is actively applying for health insurance coverage after successfully passing NDA. It is expected to expand the revenue base of Nephoxil[®]. With respect to Thai market, DKSH, our exclusive distribution partner in Thailand, has submitted an application for marketing authorization to the competent authorities. Based on the statistics, Thailand had a dialysis population of approximately 100,000 in 2022, and its compound annual growth rate of 18.1% was the highest in the world. Therefore, the Company is optimistic about the potential of the dialysis market in Thailand and the revenue gains it will bring to the Company. Taiwan also has a large dialysis population. On March 3, 2023, the Company successfully conducted Phase III clinical trials for the new indication

(iron deficiency anemia) of Nephoxil®. After obtaining the drug certificate, the Company will apply for health insurance coverage in Taiwan, which facilitates the self-pay market for the hyperphosphatemia indication.

According to the data from Fortune Business Insight in 2020, the global market value of hyperphosphatemia indication amounted to US\$2.036 billion, with a compound annual growth rate of 5.3%, and was expected to reach US\$3.53 billion in 2028. North America has an estimated 610,000 patients with end-stage renal disease, while Asia is expected to witness a significant increase in the market value of aluminum-free and calcium-free phosphorus binders in 2021~2028 due to changes in medication habits (following the introduction of calcium-free phosphorus binders in advanced countries) and a significant increase in dialysis population. The Company's regional presence in the U.S., Japan, Korea, China and Thailand is in line with this trend, and the Company is cautious and optimistic about the future sales of Nephoxil®.

With more than 10 years of experience in new drug development, the Company has a wealth of successful practical experience and has established a pharmaceutical R&D platform and international cooperation team with various development aspects. We have professional development and control capabilities and successful experience in the selection of drug candidates, formulation of development strategy, development of processes, validation of quality, placement of intellectual property patents, planning and execution of clinical trials, and even commercialization and management of product life cycle. We have the experience and ability to evaluate, develop (clinical, regulatory, patent, process manufacturing), and commercialize technologies and products to achieve a steady flow of global deployment results.

(4) Innovative Cosmeceutics:

The Company specializes in the field of anti-aging and splits the concept of cosmeceutics into external health (medical cosmetics) and internal health (health food). According to the estimation of Medical Insight, the global aesthetic medicine industry has been growing at an average annual compound rate of 10.9% in the past decade. The medical report also pointed out that the global market value of microsurgery was as high as NT\$1.62 trillion in 2021, and will grow at a rate of 13.8% in the next decade. In Taiwan, the non-invasive aesthetic medicine market is worth about NT \$60 billion. The market size is the focus of major aesthetic medicine companies. With our long years of professional experience in the field of dermatology and leading R&D technology, we have made full use of the advantages of our pharmaceutical plants and successfully developed a series of cosmetic brands, specializing in the development of medical-grade active ingredients and dosage forms with an emphasis on efficacious mechanisms and pre-operative prevention/post-operative treatment for medical micropigmentation/hair transplant surgery.

Aivia, a new micro-needle brand, was launched. The brand's goal is to continue launching products using micro-needles to break through the shortcomings of the inefficient delivery of ordinary cosmetic products by using technology, and to effectively inject the ingredients needed by the skin after precision micro-needles break through the stratum corneum. The product uses a unique pyramid-shaped two-stage micro-needle to solve the problem of melanin accumulation under the skin. The Company intends to continue developing similar micro-needle patch products to address other skin problems. In the future, we expect to use a unique micro-needle structure and needle production technology to deliver different effective ingredients for different applications, such as smoothing wrinkles, reducing acne spots and dark circles, and even adding pharmaceutical ingredients into the microneedle body to achieve transdermal transmission to prevent hair loss or relieve pain, creating a new generation of safe and effective high-tech micro-needle patch products. Additionally, we expand our products to the market quickly and effectively through exclusive physical distribution and online sales.

In the field of health food, the Company produces and develops a full range of functional nutraceuticals with pharmaceutical specifications, using the most advanced and natural nutritional ingredients, selecting clinically effective and patented special formulas, carefully designed by the R&D team, and strictly controlled during the manufacturing process to provide all-round, high-quality nutritional care for everyone, helping modern people address their health issues through maintaining optimal physiological health and balance. With the stringent quality control required by major international pharmaceutical companies, we will market our products in Taiwan and China in the future, introducing new impetus to our operations.

In addition to the ongoing development of cosmeceutics and nutraceuticals, the Company has been actively developing its business in anti-aging products in recent years by developing cosmeceutics dermal fillers. This type of product is very popular in the market because of its short treatment time, virtual absence of a recovery period, and natural results. We will use Taiwan as our base for dermal filler R&D, from product manufacturing process, patent placement, preclinical testing, and clinical testing, to approval for marketing, utilizing the business platform we have built to set down our foundations in Taiwan with an eye to the world.

(5) Innovative Diagnostics:

Biotechnology is an emerging part of the tech industry in the 21st century, and the development of testing reagents is a vital aspect of its commercial application. In 2014, we established our Diagnostic and Testing Business Unit. With our internal core team and R&D platform, we have created Taiwan's first company to develop immunoassay reagents with an ISO and GMP compliant design and control system and have successfully developed eight rapid diagnostic products for infectious diseases, including gastrointestinal and respiratory disease detection. We have also obtained 510(k) approval from the US FDA for our rapid test kits for H. pylori, and have also invested in the development of personalized

cancer diagnostic reagents. In addition, the simple, all-in-one H. pylori antigen test has been licensed by the Food and Drug Administration of Taiwan, which is a major step forward in at-home disease detection and may help prevent and reduce the possibility of stomach cancer. With COVID-19 ravaging the world in 2020, the Company has been using its special skills to give back to society by developing COVID-19 antigen rapid test kits and obtaining marketing licenses in many countries, seeing remarkable sales figures in Taiwan between 2020 and 2022. In the future, the Company will continue to work on clinical and regulatory applications in other key strategic countries and regions. At present, we focus on the development of the rapid test kits for FluA/B & COVID and dengue fever. On the business side, the Company is also actively engaged in commercial negotiations with distributors, agents to commercialize its R&D results. In medicine and clinical treatment, prevention is always better than cure. The Company's ultimate goal is to become the world's number one in bringing infectious disease prevention and diagnosis to home testing, maximizing business opportunities and enabling the general public can be diagnosed and treated at the earliest stages of disease.

(6) API BU:

In order to integrate the upstream, midstream, and downstream of the biotech pharmaceutical industry, obtain a stable source of APIs, optimize manufacturing processes, reduce production costs, and expand supply to Asian and global markets, the Company formally completed an equity purchase and sale transaction on November 30, 2020, acquiring Cheng Fong Chemical Co., Ltd. as a 100% subsidiary. As a GMP API manufacturer, Cheng Fong Chemical Co., Ltd. is the manufacturer of ferric citrate, the API for our new renal drug Nephoxil[®], and other products have obtained licenses in Taiwan FDA, the U.S. FDA, the E.U. CEP, and Japan. In the future, the Company will improve and optimize the manufacturing process of Cheng Fong Chemical Co., Ltd.'s existing products in order to boost its client base, increase its competitiveness in the international API market, reduce its dependence on the initial raw materials from China and India, and increase its gross margin, achieving self-sufficiency in some of its products and creating greater value and profit for the Company. In addition, the Company is actively expanding its production capacity to meet the high demand for ferric citrate in the U.S., Japan, EU, South Korea, China, Thailand and Taiwan, to submit DMF to the USFDA for approval and supply ferric citrate to its U.S. partner (AKEBIA), thus achieving profit diversification.

(II) Industry Overview:

1. Current status and development of the industry:

According to ReportLinker's report on the global pharmaceutical market in 2022, the market is estimated to be worth nearly US\$1.5 trillion with a compound annual growth rate (CAGR) of 9.1%. It is expected to reach US\$2.14 trillion (CAGR of 7.7%) by 2026, indicating the huge size of the market. The biotechnological pharmaceutical industry is a high value-added industry that combines innovation and R&D with value creation and is the largest high-tech industry in the world. Due to population growth, increasing national income, improving quality of life, and an

aging population, it is inevitable that the pharmaceutical market in Taiwan will continue to grow. In addition, with the implementation of national health insurance, the demand for drugs will further expand due to the convenience of access to medical resources. In addition to actively establishing and utilizing software and hardware facilities and resources for new drug development, the local pharmaceutical industry has combined the efforts of the government, industry, and academic research and development sectors to select topics with development niches for long-term investment. In recent years, the government has been actively promoting the development of biotechnology and pharmaceuticals by formulating and promoting numerous policies on the development of biotechnology products. As early as 1995, the Executive Yuan passed the Strengthening Biotechnology Industry Promotion Program, an important government policy for comprehensively promoting the development of the biotechnology industry, with a view to building Taiwan as an important link in the industry internationally as the gateway to Asia. With the Act for the Development of Biotech and New Pharmaceutical Industry in 2008 and the Biotech Take Off Diamond Action Plan in 2009, the biotech industry was listed as one of Taiwan's six emerging industries and the development of various major projects was fully promoted. The focus of R&D has been on drug development, with the development of local and important disease treatments strengthened to accelerate commercialization and industrialization. In 2013, the Taiwan Biotechnology Industry Take Off Action Plan was proposed, with pharmaceuticals, medical devices, and medical services the key areas of development and global market development. This plan would help Taiwan's biotechnology industry respond to global biotechnology development trends and further energize Taiwanese biotechnology's R&D and industrialization. In 2016, in response to global trends in industry development, the Biomedical Industry Innovation Promotion Program was launched to promote the development of Taiwan's biotechnology industry. The three main axes of the program are of "linking locally," "linking internationally," and "linking to the future," with four action plans of improving the ecosystem, integrating innovation clusters, linking with international market resources, and promoting special key industries. At the same time, through integration with the international market, we can increase our biotechnology industry's share of the global market. We expect to create successful cases in the fields of pharmaceuticals, medical devices, and medical management services.

In the analysis of the cosmeceutics materials industry, as we age, the symptoms of skin aging, including wrinkles and sagging, gradually appear. As aestheticians seek rapid anti-aging treatments, dermal fillers have become a mainstay in the market as they can effectively address the signs of skin aging. According to global biotechnology data, the global medicine aesthetic market reached US\$63.5 billion in 2021, and is expected to grow at a compound annual growth rate (CAGR) of 9.6% to reach US\$145.7 billion by 2030. According to the United Nations, there will be 1.5 billion people over the age of 65 by 2050. This will create a huge market demand for dermal fillers in the foreseeable future. Dermal fillers can improve facial defects and are preferred over other cosmetic treatments because of their painlessness, lack of recovery period, high safety, and quick results. According to the International Society for Aesthetic Plastic Surgery (ISAPS), the number of dermal filler treatments worldwide in 2018 was 3,729,833 doses. With the

availability of cost-effective dermal filler products in Asian countries driving market growth in the region, international market research firm Market Research Future[®] reports that the market for dermal fillers will grow at a compound annual growth rate of 13.2% and is expected to reach nearly US\$69 trillion in output value by 2025. Asia Pacific is considered to show the fastest market growth between 2019 and 2025 due to its rapidly growing elderly population, increasing per capita disposable income, growing demand for facial aesthetic products, and increasing awareness of the available non-invasive medical aesthetic treatments.

In the analysis of the beauty care industry, the cosmetic care industry has been growing steadily in recent years both in Taiwan and globally, with not only many traditional brands, but also many new or crossover brands entering the field. The overall market continues to expand and the range of products has become more diverse. However, while the brand is expanding its market or new customers, we have found that existing customer loyalty is not strong enough and customers are being lost fast, mainly because of limited product differentiation. Although brands frequently use new ingredients or formula changes to maintain a sense of freshness, overall, the results are still limited. Competition between brands is still mostly in advertising, endorsement popularity, and price and discount competition. As such, the cosmetics sector is always looking for innovative products. Micro-needle patch technology was first applied to cosmetic care products about five years ago. They are mainly made into micro-needle patches for wrinkle reduction. We do not have any other types of products except for our spot patches. Most brands focus on size or shape changes. However, the obvious advantages of micro-needle technology have led to the industry anticipating the emergence of different products. At present, the upstream, midstream, and downstream of the industry can be broadly divided into three levels: raw material production, micro-needle manufacturing, and product distribution. Since the raw materials used in micro-needle patches are not special, they can be the same as the active ingredients or carrier ingredients used in general cosmetics and care products, medical devices, and pharmaceuticals. As such, there are many upstream raw material manufacturers, and the only difference is the quality. For example, the carrier ingredients of Japanese raw material manufacturers are generally of better quality, which is conducive to the production of better needle bodies. The midstream micro-needle manufacturers are the core of this industry. Since it is not easy to manufacture micro-needles, each manufacturer has its own production technology and equipment, and the strength and structure of the manufactured micro-needles vary greatly. The earliest developed metal micro-needles were made with a computerized cutting process which is relatively difficult, but the amount of active ingredients was low, insoluble in the human body, and could easily harm human tissue. Later, polymer dissolvable micro-needles were developed, which are characterized by carrying active ingredients and dissolving in the skin. This new generation of micro-needles is also the more promising micro-needle specification in the cosmetic care field. The Company has created a unique two-stage pyramidal micro-needle which can effectively penetrate the stratum corneum and inject the active ingredients into the skin, overcoming the shortcomings of applicator-type products and creating a more professional image in contrast with our competitors. Since pharmaceuticals are vital to human health and safety, a large amount of R&D technology and capital are required from the time of new discovery, through feasibility studies, and

preclinical and clinical trial periods, to the time when the new drug is approved and marketed. This involves a large amount of time and risk. Compared with other general industries, it is characterized by the following:

(1) Strict management and regulatory control by government authorities:

Since pharmaceuticals are directly related to the safety and health of human lives, they require a high degree of quality, safety, efficacy, and regulatory control. Therefore, in the process of research and development, production, import, and sale of pharmaceuticals, the competent governmental authorities exercise strict control through inspection and registration regulations to ensure people can use them safely. The inspection and registration of pharmaceutical products on the market is dependent on the laws and regulations of each individual nation.

(2) High technical threshold and market specialization:

Pharmaceuticals are subject to a high degree of quality and regulatory control, high barriers to entry, and are technology intensive, with a complex industrial chain structure and a fine division of labor. In addition, the users of pharmaceutical products are the general public, so out of considerations of safety and efficacy, pharmaceutical products must be prescribed by a professional physician and the retail sale of pharmaceutical products must be practiced by professional pharmacists, with the exception of the safer proprietary drugs.

(3) Time-consuming, costly, and risky R&D:

The biotech pharmaceutical industry is highly dependent on research and development, a process which requires tremendous investments of capital and time and is subject to strict regulations and rules. On average, it takes 10 to 15 years to develop a new drug. According to the Tufts Center for the Study of Drug Development, the average R&D cost of a new drug is at least US\$802 million, making the investment in research and development very high and very risky.

(4) Cross-technology integrated industries:

The development of drugs is usually aimed at diseases that are not currently easily treated or at improving on the shortcomings of existing drugs. Regardless of whether it is a new drug or a new application, from theory to clinical application, it is necessary to integrate basic science (such as chemistry, physiology, pharmacology, pathology, and medicine), product design (the ability to design drugs and dosage forms), product evaluation (the ability to develop drugs, such as pharmacology, toxicology, safety, clinical trials, etc.), and process manufacturing development and mass production across multiple fields. Since the biotechnology pharmaceutical industry involves a high degree of innovative R&D, mastering the placement and use of proprietary intellectual property in the process of establishing core technologies and product development is particularly important to maintaining a competitive advantage and leading position and to protecting the Company's core interests.

(5) Large product market, long life cycle, high profitability:

Biotech pharmaceuticals are processed at a high level and are part of a technology-intensive industry with high investment in research and development. As such, patents are the lifeline of the industry. The patent protection period of pharmaceutical products ranges from 15 to 20 years, and once the products are successfully marketed, they can enjoy patent protection and rich profits, and can still occupy a certain amount of the market even after the patent expires. Thus the product life cycle of pharmaceutical products is quite long and their added value is relatively higher than that of other industries. The size of the pharmaceutical market is determined by factors such as population composition, government health care system, region, lifestyle, and economic status.

2. Upstream, midstream, and downstream industry linkages:

The pharmaceutical industry includes raw materials and pharmaceutical related industries and products. The structure can be divided into upstream, midstream, and downstream, with the upstream and midstream being drug R&D and the sourcing and manufacturing of raw materials (APIs), with the downstream being the manufacturing of pharmaceuticals and various sales channels.

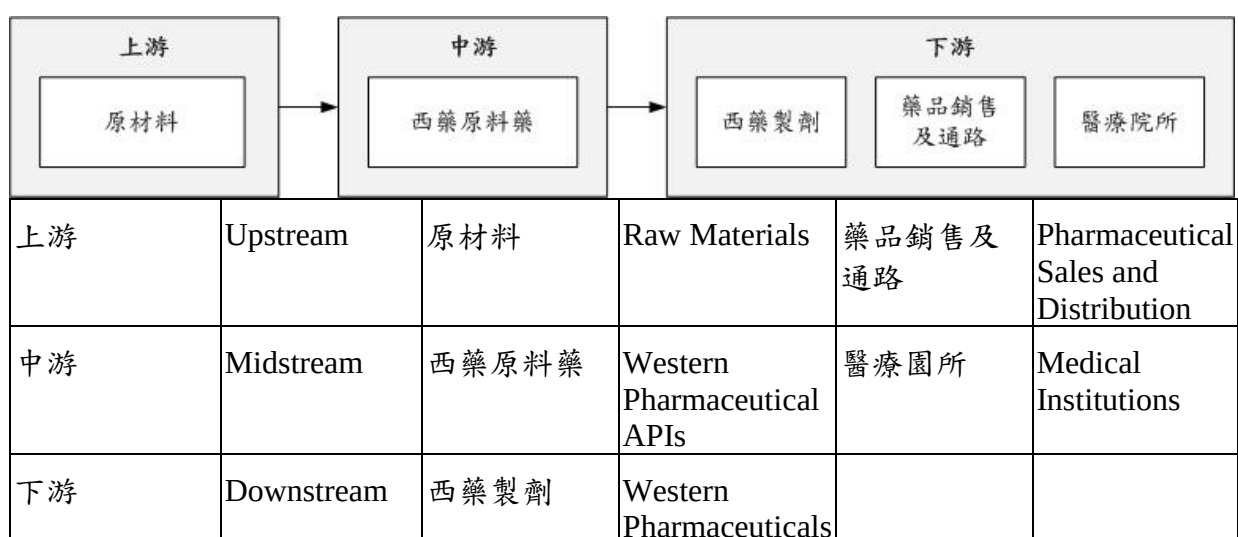


Figure: The upstream, midstream, and downstream industrial chain of the pharmaceutical industry

(Reference: Industry Value Chain Information Platform, Taipei Exchange)

(1) Upstream:

The upstream of the pharmaceutical industry chain is engaged in the raw materials stage of the preparation of pharmaceuticals and the development of new drugs. The raw materials of pharmaceuticals include general chemicals, natural plant and animal extracts, microbial strains, fermentation, and protein-related tissue cells from genetic engineering or cell fusion. Among them, general chemicals account for the largest proportion of raw materials.

(2) Midstream:

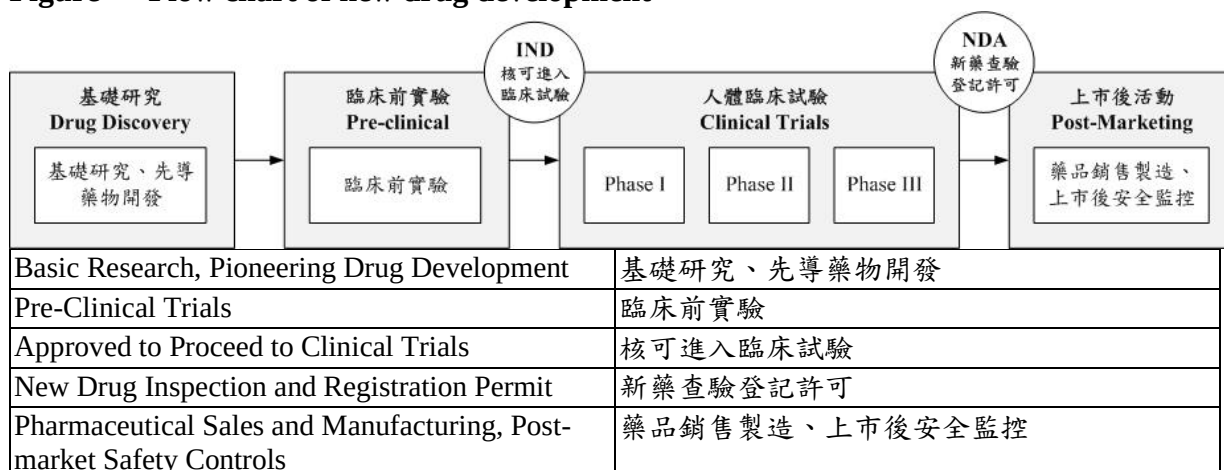
The midstream of the pharmaceutical manufacturing chain is engaged in the API industry, i.e., the active pharmaceutical ingredients. The API industry consists of organic chemical synthesis, natural substance extraction and purification, and microbial fermentation or post-fermentation semi-synthesis. The main processing technologies are recovery, extraction, separation, purification, and formulation. For those who prepare chemicals in general, the main process technology is complex organic synthesis and isolation and purification.

(3) Downstream:

Downstream of the pharmaceutical industry chain is the production of pharmaceutical preparations and the distribution of pharmaceutical products. The pharmaceutical industry is mainly engaged in the design and processing of APIs and pharmaceutical excipients, adhesives, and emulsifiers into convenient dosage forms. At this stage of production, domestic production must comply with the requirements of the PIC/S GMP international pharmaceutical manufacturing regulations, and the drug must be sold to patients or end-consumers through hospitals, clinics, doctors' prescriptions or instructions, and pharmacy marketing channels. Pharmaceutical agents and distributors are mainly engaged in the import and sale of foreign pharmaceutical products and the distribution of local pharmaceutical manufacturers' products.

In addition, in order to enhance our long-term international competitiveness, we have invested in the R&D of proprietary new drugs. The new drug development industry chain can be divided into basic research, applied research, and lead drug development from upstream academic research institutions, and then into pre-clinical experiments including animal testing and toxicology testing. After obtaining an Investigational New Drug (IND) license, the Company can conduct Phase I, Phase II, and Phase III human clinical trials, and if successfully completed, it can apply to the health authorities for New Drug Application (NDA) registration, and then market the product after obtaining a new drug license. The company will then be handed over to downstream manufacturers, pharmaceutical distribution companies, and international pharmaceutical companies for manufacturing, marketing, and licensing to establish a complete industrial chain.

Figure : Flow chart of new drug development



As mentioned above, the new drug development industry is characterized by high capital requirements, a high technological level, long development times, high risk, high product profitability, and long payback period. The overall development process is vertically divided into detailed tasks, and the value chain of the industry is long and cuttable. The commercialization process is highly regulated and requires very complex and detailed research activities in terms of safety and efficacy. Therefore, based on the Company's past development experience and future development direction, we will focus on strategic new drug development in the midstream and downstream stages, and cooperate with upstream domestic and foreign academic and research institutions to authorize the introduction of projects that are still in the early stages of academic research and refine them into medium-term products with commercial value in the most efficient and effective way. We then form strategic alliances with international biotech companies to jointly conduct later-stage R&D and regional market development, establishing a tight industrial chain to share risks and reduce costs, thereby rapidly increasing the value of the Company.

The cosmeceutics industry is composed of upstream raw material suppliers, midstream OEMs, and downstream brand owners. Large brands often have their own GMP plants, well-developed marketing strategies, and channel management. Frequently, they will directly negotiate with raw material suppliers to select materials and test the safety and efficacy of their formulas in their own laboratories and then produce their own products or have them manufactured by OEMs according to their regions. However, because the sale of dermal fillers involves medical regulations in many countries, small- and medium-sized brand owners or OEMs are expanding the market in the form of authorized agents or OEMs to improve the crop rate of their factories. The expansion of coverage and influence through partnerships, joint ventures, or other strategic alliances between companies to increase corporate revenue is also beneficial to the continued expansion of the dermal filler market.

3. Product development trends and competition:

According to IQVIA, which collects data from pharmaceutical wholesalers and end-use medical institutions in hundreds of countries around the world, and ReportLinker's report on the global pharmaceutical market in 2022, the market is estimated to be worth nearly US\$1.5 trillion with a compound annual growth rate (CAGR) of 9.1%, without taking into account discounts and rebates. It is expected to reach US\$2.14 trillion (CAGR of 7.7%) by 2026, indicating the stable growth of the overall pharmaceutical market. A U.S. study found that as insurance plan costs increased, consumers' drug costs decreased as a result of switching to lower-cost drugs and tightening drug spending. In view of the aforementioned market situation, the past reality where a single pharmaceutical company would be the sole operator from basic research, development, and manufacturing to marketing and sales has changed. In recent years, all major pharmaceutical companies have been striving to seek out new potential drugs from outside to meet the demand of their product lines and have been expanding their licensing alliances to enrich their products and technologies and strengthen their channels.

Analyzing the global cosmeceutics market, the dermal filler market can be categorized on the basis of type and application. According to the type, dermal fillers around the world can be divided into hyaluronic acid, polylactic acid, calcium hydroxylapatite, and collagen types. Among them, hyaluronic acid is estimated to be the fastest growing and the one that most developers are invested in. The market share of dermal fillers in Taiwan is also dominated by hyaluronic acid, which accounts for about an 80% share of the market. At present, the approved hyaluronic acid product brands numbering almost 10, including Restylane, Juvederm, Hya-Dermis, and Princess; the second place by market share is polylactic acid, which accounts for about 10% of the market, with only two brands, Sculptra and Aesthefill, have been approved; the share of hydroxyapatite and collagen fillers, meanwhile, is decreasing year by year. Depending on the scope of application, dermal fillers can be classified as facial wrinkle improvement, facial contouring, lip treatment, or skin tightening and lifting. Facial wrinkle improvement dominated the global dermal filler market in 2016, with revenues expected to reach US\$4.3 billion by the end of 2023, while skin tightening and lifting applications are also expected to show significant growth, with an estimated compound annual growth rate (CAGR) of 12.8%.

API is the root of pharmaceuticals. According to the global pharmaceutical market analysis report released by IQVIA in 2020, global pharmaceutical spending will grow at an annual rate of 2–5% and is estimated to exceed US\$1.1 trillion by 2024. In terms of global API market potential, if we calculate that APIs account for an average of 10% of the finished product price, the market size should be around US\$12 billion. However, if we consider that the proportion of APIs in the price of drugs will be higher given drug price competition, the scale of APIs will be larger than US\$12 billion, promising a huge market.

Future trends in the pharmaceutical market are as follows:

- (1) The urbanized lifestyle, refined diet, and rapid growth of the elderly population have led to an increase in high blood pressure, high cholesterol, diabetes, depression, and other chronic diseases that particularly trouble urban and elderly people, which in turn also stimulates demand for pharmaceuticals.
- (2) With the flexible use of outsourcing strategy creating competitive pressure, pharmaceutical companies need to quickly get their drugs to market globally to rapidly generate revenue. To meet the needs of various markets, we need to synchronize research and development, so we have commissioned contract research organizations (CROs) to establish a global presence and become a multinational enterprise. This flexible use of outsourced R&D can also accelerate the global launch of new drugs.
- (3) A globalized industrial chain is gradually taking shape. In recent years, the globalized division of labor and cooperation in the biotech pharmaceutical industry has gradually begun to be constructed, with pharmaceutical companies linking their global marketing networks through mergers and acquisitions, technology licensing, and outsourcing, and a global network from R&D and production to marketing slowly taking shape.

(III) Technology and R&D Overview:

1. Technical level and R&D overview of the business:

In response to industry trends, the Company not only obtained cGMP stage 3 validation for its plants and equipment at an early stage but also received PIC/S GMP inspection certification from the competent authorities of the Department of Health as early as April 2012, significantly improving overall pharmaceutical manufacturing standards and establishing the ability to line up with international standards. In recent years, the market for traditional pharmaceuticals has become marginally profitable due to competition from major international manufacturers and the tightening of health insurance prices. To break through this bottleneck and seek an opportunity for corporate transformation, we invested in the development of new drugs to build up our R&D strength, and then thoroughly integrated the industrial chain by acquiring an upstream API plant (Cheng Fong Chemical) to enhance our corporate image and core competitiveness, present the core value of new drug development, and, in parallel, enhance our capability for multi-faceted R&D and operations.

In addition, since 2001, we have been developing proprietary new drugs around the world. Our first drug, Nephoxil[®], has been in development for more than a decade, and we have been working with major international companies in Europe, the U.S. and Japan. Currently, this new drug is now available in the United States (Auryxia[™]), Japan (Riona[®]) and Taiwan (Nephoxil[®]). In EU, Akebia granted the license to Averoa SAS in December 2022; in South Korea, Kyowa Hakko Kirin passed NDA; in Thailand, DKSH is waiting for the approval of NDA; in February 2022, China successfully conducted Phase III clinical trials for the new renal failure drug Nephoxil[®] ferric citrate 500 mg capsule (for the treatment of hyperphosphatemia in dialysis patients with chronic renal failure). It is expected to actively seek to apply for a drug certificate to the CFDA in the near future. In March, 2023, Taiwan successfully conducted Phase III clinical trials for the new indication of Nephoxil[®]. In the future, it will apply to the competent authorities in Taiwan for relevant drug certificates and health insurance coverage. The above R&D results indicate that the Company has gradually improved its planning for the profit life cycle of its main product Nephoxil[®] and its global market layout. In the future, the Company will integrate ferric citrate and look forward to diversifying product profits.

Over the past ten years, the Company has gone through the entire process of developing a development strategy, setting clear R&D milestones, implementation and control, discussing R&D results, and managing and setting out R&D results. We have successfully mastered the core know-how of new drug design in the chemical manufacture and control (CMC), clinical, patent, regulatory, and commercial areas and have established our core technical capabilities in the field of new drug development. These core technologies related to new drug development will enable our core R&D management team to plan the most appropriate R&D strategies and processes and the characteristics and application environment of individual lead compounds, to conduct multi-faceted simultaneous R&D and cross-border collaboration, and to effectively manage and monitor outsourced R&D. This new drug development core knowledge and team has propelled the Company to a position as a world-class biotech R&D center.

In addition to the aforementioned key strengths of our new drug development platform (including development strategy development, clinical trial design and execution monitoring, patent placement, specialty ingredients/technology evaluation and introduction capabilities, prescription design and dosage form development, controlled release technologies, and regulatory science), other core technologies we have established include non-solid formulations—microlipid encapsulation technology, preservative with no additives technology, temperature-controlled release technology, anhydrous emulsification technology, rapid dissolution emulsification technology, transparent emulsification technology; solid formulations—long-lasting release technology, rapid release technology, intra-oral rapid dissolution technology. Through these, we develop pharmaceuticals (global patented new drugs and generic drugs), medical cosmetics, nutraceuticals, infection control, and other products.

2. Research and development personnel and their academic experience:

Unit: person

Item		December 31, 2022	March 31, 2023
Distribution of qualifications	Doctor	6	6
	Master	34	38
	Bachelor	20	20
	Associate	2	2
	Senior High School/Vocational School	1	1
	Total	63	67
Average Age		36.28	36.4
Average Service Years (Year)		5.21	5.17

3. Research and development expenses for the most recent year and up to the date of publication of this report:

Unit: NT\$ thousands

Item	Year	2022	March 31, 2023
Research and Development Expenses		248,496	68,651

Note: The information for Q1 2022 is from the Company's own figures.

4. Technology or products successfully developed in the most recent year and up to the date of publication of this report:

R&D Results
➤ Duo-Release controlled-release technology platform. ➤ Aqua Easy—Infection control and disinfection series of products. ➤ L-Glutathione Skin Booster Ultra Whitening & Antioxidation Formulation. ➤ Vitamin D3 drops series of products. ➤ Vitamin A+Lutein Eye Drops. ➤ Boysenberry Lung Protection Drink. ➤ Collagen Powder. ➤ Golden Shape No. 2 Cream. ➤ B12 Multiple Functional Dressing Facial Mask. ➤ Anti-Aging Essence Cream. ➤ Dr. Science Moisturizing Cream. ➤ Easy Acne Oil Control Product (Easy Cleanser, Easy Gel). ➤ Neo Living Intense Hydration Essence (B12). ➤ Biohair Cleansing Products (Anti-oil Shampoo, Balancing Shampoo). ➤ HairGene Nutri Scalp Treatment Products. ➤ Vitamin C Infused Beverage Series: Phyto-Extracts for Beauty White Phyto-Extracts for Beauty White—Peach Flavor ➤ Stomach health tablets: Stomach Health Daily Care (護衛寶) ➤ Collagen Powder Pack: Premium Collagen for Beauty ➤ Liquid Vitamin D&E Series: Liquid Vitamin D+Q10 Liquid Vitamin E+Omega Liquid Vitamin D+E ➤ L-Glutathione Skin Booster: Korean Glutathione for Beauty White CMC Glutathione for Beauty White ➤ Dietary Fiber Infused Beverage: Slimming S Beverage ➤ Zinc C Healing Pellets ➤ Double C Beauty Pellet ➤ Imperial Male Genetics Botanical Capsules ➤ Female Genetics Botanical Capsules ➤ Double Speed Caffeine Dual Layer Tablets ➤ Nephro Skin Cream (Cooling Formula). ➤ HairGene Scalp Soothing Centella Shampoo (Sensitive Cleansing). ➤ HairGene Nutri Scalp Treatment Shampoo (Oil Control Cleaning). ➤ HairGene Scalp Relief Essential Oils Shampoo (Stress Relief and Cleansing). ➤ HairGene Nutrient Solution

- HairGene Scalp Nutri Replenish Solution
- HairGene Environmental Defence Pollen Shampoo.
- Lantern Oil Control & Relax Shampoo
- Lantern Damage Repair & Silk Shampoo
- Lantern Magic White Serum.
- Lantern Hydro-Moisturizing Essence.
- Lantern Hydro-Moisturizing Lotion Light
- Lantern Magic Color Sunscreen-85 SPF50+ PA+++
- Aivia Ultra-Brightening Toner
- Aivia Ultra-Whitening Serum.
- Aivia B5 Purely Hydration Repair Serum
- Dr. Science Complete Amino Acid Facial Cleanser.
- Dr. Science Easy Acne Easy Cleanser (Upgrade)
- Dr. Science Skin Care Sunscreen SPF50+ PA+++
- Dr. Science 1033 Body Firming Cream.
- Neo Living Tender Cleansing Mousse.
- Neo Living D-NA Repair Serum Spray.
- Neo Living 3D Electro-Lift Whitening Serum Plus
- NutriPet Otic Freshclean.
- Black Diamond Repair Solution - Nanosized Ganoderma cell wall glycoconjugate technology platform.
- Argan Rich Oil Treatment
- High Impact Lash Amplifying Serum
- D-NA Repair Spray
- Dr.Science Ceratech
- Biohair Oil Control & Cleaning Shampoo (oily scalp)
- Biohair Anti-Dandruff & Hypoallergenic Shampoo (normal and dry scalp)
- Biohair Strong & Nutritious Shampoo (Fine & Soft Hair Treatment)
- Lantern Fluffy & Oil Control Relax Shampoo
- b'L bio LIVING Sachitin® Barrier Repair Mask (Refreshing)
- Sodium Hyaluronate Copper Tripeptide-1 Ganoderma Lucidum Extract
- Neo Living Oil Control Gel
- Neo Living Moisturizing Dressing
- Sodium Hyaluronate Copper Tripeptide-1 Ganoderma Lucidum Extract
- Sodium Hyaluronate Copper Tripeptide-1 Ganoderma Lucidum Extract (II)
- Moisturizing Dressing
- Calcium Capsules

- Meishumian
- Belle Plus Capsule
- Bosenberry tablets
- Probiotics Complex Plus
- Probiotics 33
- 衛舒樂
- Race On Oxymal Iron B Complex Dual Layer Tablets
- Race On Liquid Shield VitD3+K2
- Premium collagen for Beauty distributed in China
- Eye Bright 2.0 Drops distributed in China
- Omega-3 distributed in China
- YES-Z Cap. 《Sominex》
- 3+R Fitness Probiotics
- Magnesium Amino Acid Chelate
- Bild Propolis Oral Tablets
- The new patented renal failure drug Nephoxil® has received new drug marketing approval in Taiwan and Europe.
- Nephoxil® License Partner, Keryx Biopharmaceuticals, Announces Positive Phase III Clinical Data for the Treatment of Iron Deficiency Anemia in Adult Non-Dialytic Chronic Kidney Patients in the United States.
- Keryx Biopharmaceuticals, a Nephoxil® license partner, filed with the U.S. FDA in January 2017 for an expanded indication for iron deficiency anemia (sNDA) in adult non-dialytic chronic kidney patients.
- Signed a license and exclusive distribution agreement with our Korean partner, Kyowa Hakko Kirin Korea Co., Ltd., on February 20, 2017.
- Nephoxil® Korean partner Kyowa Hakko Kirin Korea Co., Ltd. submitted an application to the Ministry Of Food And Drug Safety (MFDS) in Korea for a New Drug Marketing Authorization (NDA) in July 2017, which was accepted.
- API patent application was completed in September 2017.
- Nephoxil® license partner Keryx received FDA approval on November 7, 2017 for expanded indications of iron deficiency anemia (sNDA) in adult non-dialytic chronic kidney patients.
- MFDS undertook a GMP inspection of Nephoxil® at Panion Pharmaceuticals in Korea on January 11, 2018.
- Nephoxil® received a Clinical Trial Approval (CTA) from the Chinese Food and Drug Administration (CFDA) on February 14, 2018.
- A patent for Nephoxil® was granted by the Japan Patent Office (JPO) on August 9, 2018.
- A patent for Nephoxil® was granted by the European Patent Office (EPO) on August 10, 2018.

- Nephoxil® received approval from the Ministry of Health and Welfare of Taiwan on August 22, 2018 for an expansion of the indication variation of Nephoxil® capsules.
- Vstrip H. pylori Antigen Rapid Test received formal 510(k) premarket notification from the U.S. Food and Drug Administration (USFDA).
- On March 15, 2019, the U.S. Food and Drug Administration (USFDA) officially approved the Company's Vstrip H. pylori Antigen Rapid Test 510(k) application.
- On March 29, 2019, a clinical trial program for ferric citrate 1000 mg tablets for the treatment of iron deficiency anemia in patients with non-dialytic chronic renal failure was submitted to the Ministry of Health and Welfare of Taiwan.
- On June 25, 2019, the Food and Drug Administration (TFDA) of Taiwan's Ministry of Health and Welfare officially granted approval to conduct a clinical trial of ferric citrate 1000 mg tablets for the treatment of iron deficiency anemia in patients with non-dialytic chronic renal failure for testing and registration.
- On July 9, 2019, Japanese licensee partner JT-Torii announced the completion of the Phase III clinical trial of Nephoxil® for general anemia with good trial data.
- On August 5, 2019, we announced the clinical progress of Nephoxil® in China—we officially launched the Phase III human clinical trial of our new renal drug Nephoxil® (Chinese pharmaceutical name: citrate capsule) at The First Affiliated Hospital of Guangdong Pharmaceutical University in China and completed the first patient intake.
- In February 2020, the Zhuhai Panion Plant obtained China's Disinfection Product Number certification.
- In February 2020, the Company obtained a patent for anti-microbial kits and supplies.
- In May 2020, JT-Torii, the Japanese license partner for Nephoxil®, filed an application with the Japanese PMDA for sNDA (expanded indications) for adult iron deficiency anemia (IDA).
- In July 2020, the Company obtained a drug license for Protectier Otic Drops (for animals).
- In August 2020, the Company received approval from the Food and Drug Administration of the Ministry of Health and Welfare of Taiwan for the manufacture of Vstrip COVID-19 Antigen Rapid Tests.
- In September 2020, our Vstrip COVID-19 Antigen Rapid Test was certified by ICMR in India and received a local marketing license.
- In October 2020, the Company obtained a drug license for its Pencivir cream.
- In December 2020, the Company obtained CE-IVD certification for the Vstrip COVID-19 Antigen Rapid Test.
- In December 2020, the Company obtained Singaporean HAS provisional authorization for the Vstrip COVID-19 Antigen Rapid Test.
- In December 2020, the Company obtained a patent for an anti-microbial compound and a method of equipping it.
- In January 2021, the Food and Drug Administration of Taiwan's Ministry of Health and Welfare of Taiwan granted approval in principle to conduct a clinical trial of Aqua (chlorhexidine gluconate) Antiseptic Cloth 2% w/v for drug testing and registration.
- In February 2021, we obtained the Belgian Free Sale Certificate for our Vstrip COVID-19 Antigen Rapid Test.

- In March 2021, the Company obtained an import license for Vstrip COVID-19 Antigen Rapid Tests from India, which are available for purchase in India (License No.: IMP/IVD/2021/000128).
- In March 2021, JT-Torii, the Company's Japanese license partner for its new renal drug Riona[®], was successful in obtaining an expanded indication drug license (sNDA) for iron deficiency anemia (IDA) in adults and was able to begin manufacturing and marketing the drug.
- In March 2021, the company applied for the following patent: US17.219/219,179 Polylactic Acid Microsphere, Polylactic-Co-Glycolic Acid Microsphere and Method of Preparing the Same.
- In May 2021, the Company obtained the approval of the Food and Drug Administration, Ministry of Health and Welfare, in Taiwan for the manufacture of the Vstrip COVID-19 Antigen Rapid Test—Cassette.
- In June 2021, the Company submitted an application to the Food and Drug Administration, Ministry of Health and Welfare, in Taiwan for a license to manufacture Vstrip RV2 COVID-19 Antigen Rapid Tests (Home Use).
- In July 2021, the Company obtained approval from the Food and Drug Administration, Ministry of Health and Welfare, in Taiwan for the manufacture of Vstrip RV2 COVID-19 Antigen Rapid Test (Home Use).
- In December 2021, the Company set up the Longtan R&D Center and built a new research platform for oral dissolving films.
- The Company applied for the following patent : PCT/CN2021/109543 Controlled Release Oral Preparation and its Preparation Method.
- The Company has obtained the following drug licenses: Lidocaine Hydrochloride Monohydrate, Chlorhexidine Gluconate.
- In February 2022, the Company announced the analysis of Phase III clinical trial data in China for its new renal failure drug Nephoxil[®] (achieved).
- In March 2022, the Company entered into a contract with Company M in Taiwan to introduce a collaborative development program for 3D printing for migraine relief.
- In March, 2022, the Company obtained a manufacturing license for producing Trichloroacetic acid for topical use.
- In May 2022, the Company's Korean license partner for the new renal failure drug, Nephoxil[®], passed NDA.
- In September 2022, the Company completed a joint development project with a Taiwan-based research institute for diabetes drugs.
- In November 2022, the Company led the newly established polymer implant production line, which complied with the requirements of Taiwan's Class III medical material quality management system and obtained the approval of QMS (license No.: QMS0893).
- In November 2022, the Company obtained a patent: TW 1783428; Patent name: polylactic acid microspheres, polylactic acid-glycolic acid microspheres and their preparation methods.
- In December 2022, the Company's U.S. license partner, Akebia, granted the license the new renal failure drug, Nephoxil[®], to Averoa SAS in the EU.
- In December 2022, the Company started the construction of the Longtan Food Factory that comply with GMP, and established production lines for oral-dissolving films and liquid capsules.
- In December 2022, the Company signed a contract with Company P in Japan to introduce the technology of oral-dissolving films.

- In March 2022, the Company announced the analysis of Phase III clinical trial data in China for the new indication of renal failure drug Nephoxil[®] (achieved).

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

1. Short-term business development plan:

- (1) The new drug Nephoxil[®] has been successfully marketed in Taiwan, the U.S., and Japan, creating a cumulative sales of more than US\$700 million since its inception in 2016. It is the first phosphate binder with dual indications, having obtained expanded indications for renal iron deficiency anemia (sNDA) in the U.S. and Japan, successfully achieving market differentiation. In terms of Taiwan market, the Company successfully conducted Phase III clinical trials for the new indication (iron deficiency anemia in chronic renal patients) of Nephoxil[®] in March, 2022. Since the patient base of iron deficiency anemia among those with chronic renal failure is much larger than that of dialysis patients, the Company expects to increase its profit stream on top of the existing revenue of Nephoxil. In terms of new market development, Kyowa Hakko Kirin Korea Company, our exclusive distribution partner in Korea, passed NDA in 2022, and is applying for health insurance coverage. In February 2022, China successfully conducted Phase III clinical trials for the new renal failure drug Nephoxil[®] ferric citrate 500 mg capsule (for the treatment of hyperphosphatemia in dialysis patients with chronic renal failure), with primary efficacy indicators and all secondary efficacy indicators comparable to those of carbonic acid, and plan the application for NDA. Thailand, through the joint efforts of the Company and exclusive distributor DKSH, has successfully entered the NDA phase. With record sales of Nephoxil[®] in both the U.S. and Japan, as well as new indications and new markets to be developed and harvested, the Company is poised to play a significant role in the global renal failure treatment arena.

The Company has been working hard to develop the full potential of new drugs. In September 2017, we completed a patent application for API. This new and improved API can significantly simplify the production process and reduce the defect rate caused by the complicated production process, thus reducing the production cost and achieving higher profitability. In order to accelerate industrial upstream and downstream integration, the Company completed the acquisition of Cheng Fong Chemical Co. Ltd., a GMP API manufacturer and the sole API registrant for ferric citrate, the main ingredient of the Company's new renal failure drug Nephoxil[®]. In the future, we will actively build out our Nephoxil API Global Supply Plan, and after the Nephoxil[®] product is approved for marketing in China and Korea, Cheng Fong Chemical will become the exclusive supplier of ferric citrate, the main ingredient. After obtaining regulatory approval for ferric citrate in the U.S. and Japan, the Company will be able to replace its existing API suppliers and gain price and technical advantages, with conservatively expectations looking at starting exporting to the U.S. in the next few years. In the future, the Company will continue to be oriented around human health as its central idea, sharing the results of new drugs and striving to participate in the international arena and bring the light of Taiwan's R&D skills.

- (2) Modern people are increasingly concerned about quality of life, and their awareness of the fight against aging has increased dramatically. Their requirements and standards for their

external image, personal health care awareness, and environmental hygiene have also grown. As such, we will continue to strengthen our R&D into new products in cosmetics, health care, and infection control characterized by high quality and market differentiation. Through this, we will improve the quality of our customer service and deepen our roots in our target market while adopting flexible sales strategies for different channels and maintaining the profitability and market expansion of our products with a steady and pragmatic approach. Based on the above, the Company continues to invest in medical and healthcare related product R&D, recently successfully launching a new brand of micro-needles, Aivia, with the debut of its Micro-needle Patch. This patch is an innovative cosmetic product, and consumers' understanding of its characteristics is still lacking; furthermore, there are already different quality micro-needle cosmetic products in the market, causing consumers to take a conservative, wait-and-see attitude and hampering the effective development of the overall market for micro-needle-related products. The Company's short-term business goal is to sign exclusive distribution contracts with well-known pharmaceutical chains through physical channels, supplemented by self-operated online sales, leveraging our specialty and image as a pharmaceutical company to fully explain the characteristics and advantages of the micro-needle patch product, highlighting the difference between it and existing cosmetic products, and even micro-needle patch products, on the market. At the same time, we will make use of online promotion to quickly reach a large number of potential consumers and precisely deliver testimonials from opinion leaders and experts to strengthen consumer intention and generate initial business results. In addition, the Company has been cultivating its dermatological, medical and aesthetic clinic, and salon channels for many years, so we expect to be able to enter these areas quickly and, with the advantage of having no competing products, further expand our market territory and drive the sales of other supporting products. In addition, the Company has successfully leveraged its strengths in dosage form development and clinical evidence to develop a new brand of sports medicine called Race On, which targets the sports community and provides a competitive advantage based on clinical evidence.

2. Long-term business development plan:

- (1) Introducing a product lifecycle R&D management strategy to expand the application of the new drug Nephoxil® in the field of nephrology.

Using a product lifecycle R&D management strategy, we are actively developing new indications for Nephoxil® products in addition to the existing indications for the treatment of hyperphosphatemia in patients with chronic renal failure, thus expanding the range of applications in the field of renal failure. Additionally, we actively develop an expansion plan for ferric citrate, in response to the goal of improving API GLOBAL SUPPORT CHAIN. In the future, the Company will make efforts in the development of new indications, new markets and the supply of APIs, to achieve the strategy of product life cycle management.

- (2) Expanding the "anti-aging" landscape:

The Company has deep expertise and many years of experience in dermatology, and is

actively developing its medical cosmetics and nutritional supplements business through the core concept of anti-aging in all aspects of appearance and physical age. The Company is actively developing age-defying and age-reversing aesthetic treatments with its new non-invasive and age-reversing technology, Beauty-in-Depth, and its micro-needle patch technology, which will be applied to OEM and extended medical applications, based on its advantage of breaking through the stratum corneum barrier. We have mastered the key technology of micro-needle manufacturing and will continue to develop beauty products that target skin problems and create business through the establishment of diverse channels. We also expect to be able to take orders from domestic and foreign customers for the manufacture of micro-needle patches, particularly as international cosmetics manufacturers are facing bottlenecks in product innovation sufficient to arouse consumer interest. The technology of micro-needle patches was developed for medical applications, including the delivery of small amounts of active pharmaceutical ingredients or vaccine carriers and microsampling of body fluids. To further extract the commercial value from micro-needle manufacturing technology in the long term, medical micro-needle patch products such as micro-needle pain patches, smoking cessation patches, or micro-needle patches for hair follicle growth could be developed. Although medical applications will require significant investment, we expect a high degree of effectiveness, and the demand and price of the product is not comparable to that of cosmetic care products; these will bring great benefits to the Company. At the same time, medical-grade micro-needle patch manufacturing technology is expected to attract the attention of other international pharmaceutical companies which may also accept consignment manufacturing, revitalize the value of needle manufacturing equipment, reduce production costs, and expand sales benefits. Such new products will offer more choices for beauty seekers and develop new revenue for the Company. In terms of hair growth acceleration and hair loss prevention technology, the Company has conducted clinical trials with medical institutions and academic research institutes in Taiwan and China. Comparing trial data, the Company's technology is clearly superior, and we expect that the Company will be able to provide another reliable choice for consumers in the market, backed with clinical evidence, given the vast demand for hair growth acceleration and hair loss prevention.

(3) Development of infection control business:

The Company is actively developing a full range of "infection control" products and has established its brand authority in the professional medical channel in Taiwan, with plans to expand its applications to the livestock and pet markets. In addition, the Company is also actively entering the long-term care market by developing a new dosage form of medical material product, which has undergone clinical trial and is expected to bring new revenue and profit items to the Company after obtaining approval. The Company will continue to focus on infection-related products and promote research and development, with an eye on the huge market opportunities of long-term care of the aging and continuous development of infection control in everyday environments, along with actively developing markets such as mainland China and Japan.

(4) Establishing an international professional nephrology brand and expanding globally:

With Nephoxil® as its core drug, the Company will work with its international nephrology partners to establish a global professional network and continue to develop a portfolio of nephrology-related product lines to develop the product potential of Nephoxil® for new indications and the supply of the API (ferric citrate) to significantly enhance the effectiveness of new drug development and the Company's competitive advantage in the international market. In addition to investing in the continued development of market access and additional therapeutic advantages of derivative indications. products, the Company also plans to combine domestic manufacturing and technological advantages to invest in API process optimization and production line construction to build a global new drug supply hub.

(5) Investing in testing and diagnostic business, developing forward-looking technologies and products:

We are the first company in Taiwan to develop immunoassay reagents with an ISO- and GMP-compliant design control system. By the end of the year, we had successfully developed eight rapid tests for infectious diseases, including gastrointestinal and respiratory disease tests, and have also invested in the development of personalized cancer diagnostic reagents. With COVID-19 ravaging the world in 2020, the Company has been developing COVID-19 antigen fast-screening reagents and obtaining marketing licenses in many countries. In the future, the Company will continue to work on clinical and drug certification applications in other key strategic countries and regions. On the business side, the Company is also actively engaged in commercial negotiations with distributors. agents to commercialize its R&D results. Additionally, the Company is committed the R&D of new products. Its short-term goal is to develop the rapid test kits for FluA/B & COVID and dengue fever. In medicine and clinical treatment, prevention is always better than cure. The Company's ultimate goal is to become the world's number one in bringing infectious disease prevention and diagnosis to home testing, maximizing business opportunities and enabling the general public can be diagnosed and treated at the earliest stages of disease.

(6) Vertical integration of the upstream, midstream, and downstream of biotech pharmaceuticals to develop the raw materials business

In order to integrate the upstream, midstream, and downstream of the biotech pharmaceutical industry, obtain a stable source of APIs, optimize manufacturing processes, reduce production costs, and expand supply to Asian and global markets, the Company formally completed an equity purchase and sale transaction on November 30, 2020, acquiring Cheng Fong Chemical Co., Ltd. as a 100% subsidiary. As a GMP API manufacturer, Cheng Fong Chemical Co., Ltd. is the manufacturer of ferric citrate, the API for our new renal drug Nephoxil®, and other related products have obtained licenses in Taiwan FDA, the U.S. FDA, the E.U. CEP, and Japan. In the future, the Company will improve and optimize the manufacturing process of Cheng Fong Chemical Co., Ltd.'s existing products in order to boost its client base, increase its competitiveness in the international API market, reduce its dependence on the initial raw materials from China and India, and increase its gross margin,

achieving self-sufficiency in some of its products and creating greater value and profit for the Company.

II. Market and Production Overview:

(I) Market Analysis:

1. Analysis of the Company's major product sales regions:

Unit: NT\$ thousands

Region \ Year	2021		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Taiwan	1,374,947	72.32	1,878,863	78.33
United States	320,000	16.83	401,088	16.72
China, Hong Kong, and Macau	185,619	9.76	109,790	4.58
Others	20,645	1.09	8,907	0.37
Total	1,901,211	100	2,398,648	100

2. Market share, future supply and demand, and growth:

In the future, the pharmaceutical market will continue to grow by more than 6% annually due to the aging population, population growth, and universal health insurance policies. PIC/S GMP certification is currently the most stringent pharmaceutical manufacturing standard in the world and is a complete GMP quality control system that starts from the early stage of product development. It not only requires detailed information such as laboratory records of pharmaceutical products, but also on-site quality control visits to raw materials and pharmaceutical plants. At the same time, comprehensive and periodic environmental monitoring and risk assessment are carried out to ensure the effectiveness and safety of pharmaceutical products. The government's policy of requiring pharmaceutical companies to upgrade their PIC/S GMP certifications will accelerate the consolidation of domestic pharmaceutical companies, making the big companies ever larger and prompting them to move into more specialist fields. The Company obtained PIC/S GMP certification in 2012 and renewed it in 2014, 2016, 2019, and 2022. The standard of pharmaceutical manufacturing is in line with global standards, with everything from raw materials, suppliers, and management to manufacturing in line with international safety standards, demonstrating the Company's pursuit and guarantee of quality. The Company's main products are new drugs for skin care, pain relief, infection control, and kidney treatment. In the future, the Company will strengthen its manufacturing standards and R&D capabilities with regard to the use of various drugs. The Company has set down a firm foundation after years of development and its excellent R&D talents, established product development platform, good operation ability, and thorough product production and sales structure. In addition, the Company successfully acquired 100% of Cheng Fong Chemical Co., Ltd. as a subsidiary in November 2020, facilitating upstream and downstream integration of products. Cheng Fong Chemical is a GMP API factory, so its scale of operation continues to

expand. Therefore, the Company's business has great potential for growth as the global pharmaceutical market continues to grow and small domestic pharmaceutical companies are gradually eliminated.

3. Competitive niche:

The PIC/S GMP certification is currently the most stringent pharmaceutical manufacturing standard in the world and is a complete GMP quality control system that starts from the early stage of product development. It strictly requires detailed information such as laboratory records of pharmaceutical products—not only the quality and specifications of raw materials from the source, but also on-site quality control visits to pharmaceutical companies by the competent authorities. At the same time, comprehensive and periodic environmental monitoring and risk assessment is carried out to ensure the effectiveness and safety of pharmaceutical products. With government policy requiring pharmaceutical companies to upgrade their PIC/S GMP certifications, the threshold of entry for the pharmaceutical industry is rising year by year, which will accelerate the consolidation of domestic pharmaceutical companies and make the big ones bigger, thus prompting each pharmaceutical company to move into more specialist areas. The Company obtained PIC/S GMP certification in 2012, and the standard of pharmaceutical manufacturing is in line with global standards, with everything from raw materials, suppliers, and management to manufacturing in line with international safety standards, demonstrating our pursuit and guarantee of quality. Currently, our main products are skin care, pain relief, infection control, health food for medical and aesthetic care, diagnostic products, and new renal drugs. In the future, we will strengthen our manufacturing standards and R&D capabilities for each product.

The Company's competitive niche for future development is as follows:

- (1) Core R&D team and incubation platform: Focusing on marketed products with high added value, we improve dosage form, dosage, and packaging, and invest in the development of related patents and other intellectual assets to extend the life cycle of protected products and create optimal development benefits. In addition, we continue to develop new technologies and dosage forms and select and introduce niche products, strengthen internal R&D and external cooperation, and seek domestic and foreign technical cooperation or sales agents to increase our competitiveness in the market.
- (2) Complete business marketing system with plans to expand overseas: The Company maintains good relationships with regional hospitals, district hospitals, and primary medical institutions and has its own professional team to market to major hospitals and clinics, along with an integrated national distribution network to consolidate the channel market. In addition, the Company is actively promoting its overseas presence and has established a subsidiary in mainland China with a complete sales team and high-quality production plants.
- (3) With the advent of the aging society and the improvement of people's living standards, the concept of delaying aging has become widely accepted by the public and the market potential of anti-aging products is virtually limitless. Anti-aging products can be divided into nutritional supplements for combating physiological aging and medical cosmetics for combating external aging (skin, accelerated hair growth and prevention of hair loss, hair maintenance). The Company has high-end R&D capabilities and is engaged in the development and manufacture of cosmetics and nutritional supplements according to the specifications of pharmaceutical companies. Furthermore, our products have cosmetics manufacturing GMP certification and are tested and proven to be more competitive in terms of quality than ordinary pharmaceutical or chemical manufacturers.
- (4) Through the completion of the first new drug developed and marketed in Taiwan and marketed worldwide, we will strengthen our R&D capabilities, continue to plan the most appropriate R&D strategy and process for the functions, features, and application environment of innovative products, launch simultaneous R&D and cross-border collaborations in multiple directions (CMC, Clinical, Patent, Regulatory, and Commercial), and effectively manage and monitor outsourced R&D. We will also strive to continue to replicate our successful experience and build our international competitiveness.
- (5) Through vertical integration of the newly acquired API plant Cheng Fong Chemical, we will also develop our API business. In addition, we will improve and optimize the manufacturing processes of Cheng Fong Chemical's existing products to boost our competitiveness in the international API market, reduce our dependence on materials from China and India, and increase our gross profit margin to achieve partial self-sufficiency of our products. At the same time, it can create greater value and profit for the Company.

4. Favorable and unfavorable factors of development prospects and countermeasures:

Favorable factors

- (1) (1) Nephoxil[®], a new renal drug, has been successfully developed and is highly competitive in the market.

Phosphate binders are a fast-growing emerging market. According to Fortune Business Insights, about 850 million people worldwide have chronic kidney disease, about one in ten adults have chronic kidney disease, and about 15% of Americans (37 million) have chronic kidney disease. The global market value of hyperphosphatemia indication amounted to US\$2.036 billion, with a compound annual growth rate of 5.3% in 2020, and was expected to reach US\$2.046 billion and US\$3.53 billion in 2021 and 2028. The Company is strategically positioned in the world's most popular dialysis market to achieve sustainable results in the future. Although the medical quality of dialysis has greatly improved in recent years, the treatment of long-term complications in dialysis patients is still a major challenge for the renal medical profession, with the treatment of calcium and phosphorus metabolism abnormalities particularly difficult—up to 80% of dialysis patients are suffering from high blood phosphate disorders. If not effectively controlled, it will lead to hyperfunction of the parathyroid gland, produce renal bone lesions and other problems, and will cause calcification of blood vessels and soft tissues, leading to cardiovascular disease. A number of studies have reported that the higher the blood phosphate level of kidney patients, the higher the rate of disease and mortality.

Through the continuous efforts of our R&D team, we have successfully developed Nephoxil[®], a new generation of aluminum-free and calcium-free iron-based phosphate binding agent that does not leave calcium or heavy metal deposits in the body. Nephoxil[®] has been proven safe and effective in controlling and maintaining the calcium and phosphate balance in patients with end-stage renal failure through several rigorous clinical trials. It has also been approved by the National Kidney Foundation (NKF) Kidney Disease Outcomes Quality Initiative (K/DOQI), which recommended a target of 3.5-5.5 mg/dL for hemodialysis patients, and has been successfully approved for marketing in Japan, the United States, Taiwan, and the European Union.

New drug Nephoxil® is approved for marketing in the region

Region	Product Name	Date Permit Obtained	Indications
Japan	Riona®	January 2014	Chronic kidney disease hyperphosphatemia
		March 2021	Adult iron deficiency anemia
United States	Auryxia™	September 2014	Chronic kidney disease hyperphosphatemia
		November 2017	Iron deficiency anemia in chronic kidney (non-dialysis) patients
Taiwan	Nephoxil®	January 2015	Dialysis treatment of hyperphosphatemia in adults with chronic renal failure
Europe (Note 1)	Fexeric®	September 2015	Hyperphosphatemia in patients with chronic renal failure (including dialytic and non-dialytic patients)

Note 1. Fexeric was licensed by American partner Akebia to Averos SAS in December 2022.

(2) Expanded application of Nephoxil® in new drugs

Iron is a key component of hemoglobin, which helps red blood cells store and transport oxygen. In the absence of sufficient iron, red blood cells will have less oxygen to deliver to the tissues and organs of the body. According to the World Health Organization¹, iron deficiency is the most common and widespread nutritional problem in the world. In addition to deeply affecting the populations of non-industrialized countries, it is also prevalent in almost all industrialized countries. It is estimated that 30-40% of preschool children and pregnant women in industrialized countries are iron deficient, and even more in non-industrialized countries. The World Health Organization's global anemia database for 1993–2005 shows that nearly half of anemia is iron deficiency anemia. As such, therefore, effectively, safely, and conveniently replenishing iron and treating anemia is an important challenge for global health security.

Iron deficiency anemia affects a wide range of people and is more common in women, people with gastrointestinal disease, cancer patients, and people who have suffered heart failure, in addition to people with chronic renal failure, both on hemodialysis and not. The relevant populations and the occurrence of iron deficiency anemia therein are summarized below:

¹ WHO/NHD/01.3 Iron Deficiency Anemia. Assessment, Prevention and Control.

Non-dialysis dependent chronic kidney disease patients(NDD- CKD)	● In an observational trial of chronic renal failure, approximately 26% of non-dialysis dependent chronic renal failure patients suffered from iron deficiency anemia²
General Women	● In the United States, about 3.3 million women suffer from iron deficiency anemia³ ● About 4.2% of American women aged 20–40 have iron deficiency anemia at 0–6 months postpartum⁴
People with Gastrointestinal Diseases	● About 36%–76% of patients with inflammatory bowel disease suffer from iron deficiency anemia⁵ ● About 24% of gastric bypass patients will suffer from iron deficiency anemia within 18 months after surgery⁶ ● In a retrospective study, about 46% of patients with subclinical celiac disease suffered from iron deficiency anemia⁷
Cancer Patients	● About 7%–42% of cancer patients suffer from iron deficiency anemia⁸
People who Suffer Heart Failure	● Studies show that 17% of people who suffer heart failure have iron deficiency anemia⁹

According to the World Health Organization (WHO), the definition of anemia is hemoglobin less than 13 g/dL for men and 12 g/dL for women. When chronic renal failure enters stage III, renal function decreases significantly and the incidence of anemia increases dramatically. More than 40% of patients with chronic kidney failure have hemoglobin equal to or below the 12 g/dL threshold¹⁰, but only 1/4 of these patients are treated for anemia². Chronic kidney disease (CKD) is a condition in which the kidneys are damaged for more than three months, causing them to fail to return to normal structure or function. According to the U.S. National Kidney Foundation, 10% of the world's population is affected by CKD, and millions of people die each year due to lack of access to proper treatment. There are approximately 26 million people with CKD in the United States, of which 16 million are in stages III–V. Of these 16 million, 2.2 million are receiving medical care, including approximately 450,000 dialysis patients and approximately 1.7 million non-dialysis dependent chronic kidney disease (NDD-CKD) patients¹¹. It is estimated that the total market value of iron deficiency anemia in the treatment of NDD-CKD in the United States is approximately US\$2.8 billion¹².

² Talib SH, Kulkarni SG, Gulwe VS, Mogal V. Role of iron deficiency anemia in patients with chronic kidney disease. J Dental Med Sci. 2015;14(5):102-105.

³ Looker AC, Dallman PR, Carroll MD, Gunter EW, Johnson CL. Prevalence of iron deficiency in the United States. JAMA. 1997;277(12):973-976

⁴ Bodnar LM, Cogswell ME, Scanlon KS. Low income postpartum women are at risk of iron deficiency. J Nutr. 2002;132(8):2298-2302.

⁵ Stein J, Hartmann F, Dignass AU. Diagnosis and management of iron deficiency anemia in patients with IBD. Nat Rev Gastroenterol Hepatol. 2010;7(11):599-610.

⁶ Ruz M, Carrasco F, Rojas P, et al. Iron absorption and iron status are reduced after Roux-en-Y gastric bypass. Am J Clin Nutr. 2009;90(3):527-532.

⁷ Bottaro G, Cataldo F, Rotolo N, Spina M, Corazza GR. The clinical pattern of subclinical/silent celiac disease: an analysis on 1026 consecutive cases. Am J Gastroenterol. 1999;94(3):691-696.

⁸ Aapro M, Österborg A, Gascón P, Ludwig H, Beguin Y. Prevalence and management of cancer-related anaemia, iron deficiency and the specific role of i.v. iron. Ann Oncol. 2012;23(8):1954-1962

⁹ Okonko DO, Mandal AKJ, Missouris CG, Poole-Wilson PA. Disordered iron homeostasis in chronic heart failure. J Am Coll Cardiol. 2011;58(12):1241-1251.

¹⁰ McClellan, W., et al., *The prevalence of anemia in patients with chronic kidney disease*. Current Medical Research and Opinion, 2004. 20(9): p. 1501-1510.

¹¹ Q1 2017 Keryx Biopharmaceuticals, Inc. Earnings Conference Call Presentation. P.15

¹² Madison, G., *Building a Leading Renal Company*, in Cowen & Co 37th Annual Health Care Conference. 2017, Keryx Biopharmaceuticals, Inc.

Nephoxil[®] is a new oral iron-phosphorus-containing combination with a pharmaceutical-grade ferric citrate coordination complex to help control hyperphosphatemia in adults with chronic renal failure receiving hemodialysis treatment. According to the results of clinical trials¹³, in addition to lowering blood phosphate levels in renal patients and reducing the risk of cardiovascular disease and death, it can also raise hemoglobin levels and iron levels in the body to treat iron deficiency anemia. Nephoxil[®] has the unique pharmacoeconomic advantage of controlling blood phosphate and increasing iron levels without the side effects of gastrointestinal discomfort associated with oral iron, the inconvenience of intravenous drips for injectable iron, and the risk of serious allergic reactions.

Therefore, in terms of the expansion of the indications, in addition to the original application for hyperphosphatemia in dialysis patients with end-stage renal failure, the Company and its partners have conducted further clinical research and development for iron deficiency anemia. The U.S. and Japanese license partners successfully obtained marketing approval of an expanded indication for iron deficiency anemia (sNDA) in chronic non-dialytic renal patients, making Nephoxil[®] the only product in the world that can treat both hyperphosphatemia and iron deficiency anemia in renal patients and differentiating it from competing products in the market. In March 2023, Taiwan successfully conducted Phase III clinical trials for the new indication (iron deficiency anemia) of Nephoxil[®], highlighting the tremendous market potential for Nephoxil[®] to enter the new therapeutic area of iron deficiency anemia with promising future growth prospects.

(3) Patent Protection:

The biomedical industry is a typical knowledge-based industry, and the mastery of strong intellectual capital is equivalent to the mastery of an absolute advantage. Therefore, the deployment and application of patent intellectual property is particularly important to maintaining the Company's competitive advantage and leading position, and to protecting the Company's interests. In the development of our new drug for renal failure Nephoxil[®], we started to conduct global patent research on the related technologies, analyzing and identifying the status of key patents and domestic and foreign competitors, and continuing to refine our R&D in the process of new drug development. We applied for patents around the world and deployed our innovative R&D results from various angles. In this way, we can actively and effectively protect our core intellectual property, extend the life cycle of our products, and create the maximum benefit of patent protection to extend the fundamental value of the Company.

(4) The advent of an aging society and the promotion of anti-aging concepts:

Due to the advent of the aging society, the proportion of elderly people over 65 years old in the total population is increasing year by year. These people have a high chance of developing diseases due to physical aging and functional decline, so the demand for pharmaceutical products has also increased greatly. In addition, the national living standard has improved, and the concept of anti-aging is more widely accepted by the public. Anti-

¹³ Am J Kidney Dis. 2015;65(5):728-736

aging products can be divided into two kinds, one which combats physiological aging (nutritional supplements), and one which combats the aging of the appearance (medical cosmetics). As such, the demand for anti-aging health care and cosmetic products has shown a mainstream trend of significant increase.

(5) The future of the industry is promising with government incentives:

In view of the long research and development periods and high levels of investment involved in the biotechnology industry, the establishment of sound regulations, technologies, capital, human resources, and infrastructure are essential for the industry to grow and develop. As early as August 1995, the Executive Yuan proposed the Strengthening Biotechnology Industry Promotion Program. Subsequently, in October 2009, it approved the Biotech Take Off Diamond Action Plan for the carrying out of various major projects, focusing R&D on areas like drug development and strengthening the development of drugs for local and important diseases in order to accelerate the commercialization and industrialization of biotechnological achievements. In 2013, the Taiwan Biotechnology Industry Take Off Action Plan was proposed, with the aim of creating successful cases in the fields of pharmaceuticals, medical devices, and medical management services. In 2016, the Biomedical Industry Innovation Promotion Plan was adopted, focusing on three main aspects—linking locally, linking internationally, and linking to the future—and four action plans of improving the ecosystem, integrating innovation clusters, linking with international market resources, and promoting special key industries” in an effort to drive the development of Taiwan’s biotechnology industry.

Unfavorable factors and countermeasures

(1) New drug development requires significant time and capital investment

According to a study conducted by the Tufts Center for the Study of Drug Development in the United States, a new drug requires an average of US\$802 million in R&D expenses before it can reach the market. Large international companies are able to meet the capital and time pressures required for such R&D because of their manufacturing and sale of previously approved of patented drugs, along with their massive capital. However, most of the biotech companies in Taiwan have little capital and are not supported by well-funded consortia, so without stable revenue and continuous injections of external funds, they may find difficult to cover those huge R&D expenses.

(2) Small domestic demand, difficult international market:

Most domestic pharmaceutical manufacturers are small- and medium-sized enterprises, so their process equipment and scale are not on par with those of large foreign manufacturers. This makes foreign consumers doubt the quality of products made by Taiwanese pharmaceutical manufacturers, which in turn makes expansion into the international market challenging.

Specific measures

(1) In order to shorten the development time of new drugs, the initial phase focused on R&D into already completed pilot drugs both domestically and internationally. Thus, while expending capital, the Company will also strengthen the development of its own pharmaceutical, cosmetic, and health food markets and increase its sources of capital. In addition, the company has established its own niche position, and after introducing new pilot drugs with potential for development, it has completed the development of processes, mass production, regulatory applications, clinical trials, and other value-added development, as well as having applied for sound patent protection, boosting product differentiation after market launch and increasing the efficiency of future development. In addition, we are actively partnering with major international pharmaceutical companies in the mid- and late-stages of development to cooperate in the final development and commercial market distribution phases and accelerate the distribution of products in the global market through leveraging the market advantages and channel resources of our partners. The Company has mastered the core value and technologies of development with innovative results, and this can effectively reduce the cost and risk of future R&D, while also accelerating it and getting maximum benefit from R&D investment. In addition, the Company has invested many years in R&D for new drugs which have already reached markets in the U.S., Japan, and Taiwan, and we anticipate expanding this list by adding Korea, China, Thailand, and the EU. In the future, the Company will focus more on the development of new indications for Nephoxil[®] in order to strategically extend the product life cycle and develop a predictable revenue stream.

(2) We continue to strengthen new product R&D, particularly new patented drugs, new dosage forms, and new functional cosmetics, in order to market our products domestically and internationally with differentiated products and high added value while also bolstering our international reputation and boosting customer satisfaction. In addition, we have completed PIC/S GMP certification in accordance with government policy to elevate the international standard of pharmaceutical manufacturing, and are actively pursuing greater quality and quality assurance to create a robust international export market.

(II) Important applications and production process of major products:

1. Important applications of major products:

Major products include pharmaceuticals, cosmetics, functional health foods, and animal drug and testing reagents, all of which are approved and used in accordance with the relevant current laws and regulations.

2. Major products production process:

Major products include pharmaceuticals, cosmetics, functional health foods, and animal drug and testing reagents, all of which are approved and used in accordance with the relevant laws and regulations:

A. Capsules

Raw material→Mixing→Semi-finished goods inspection→Capsule filling→Sorting & polishing→Finished product examination→Separate packaging→Packaging

B. Creams

Raw material→Stirring→Emulsifying→Semi-finished goods examination→Filling→Finished product examination→Separate packaging→Packaging

C. Powders

Raw material→Mixing→Semi-finished goods examination→Filling→Finished product examination→Packaging

D. Liquids

Raw material→Stirring, mixing, and dissolving→Filtering→Semi-finished goods examination→Filling→Finished product examination→Packaging

E. Tablets

Raw material→Mixing→Granulation→Granular finishing→Mixing→Semi-finished goods examination→Tableting→Finished product examination→Separate packaging→Packaging

F. Film coatings

Raw material→Mixing→Granulation→Granular finishing→Mixing→Semi-finished goods examination→Tableting→Film coating→Finished product examination→Separate packaging→Packaging

G. Diagnostic

Raw material→Semi-finished product production→Testing→Inspection→Packaging of finished product

(III) Supply of major raw materials:

1. To improve the quality of pharmaceutical products in Taiwan and establish a safe and effective environment for their use, the domestic authorities refer to the API quality management regulations used in advanced countries and continue to promote GMP for API quality management and improve GDP for smooth transport of pharmaceuticals. The Company's raw materials for products currently in production are all in compliance with regulations for API quality.
2. The sources of supply of our raw materials are divided into domestic and foreign purchases. Domestic purchases are mainly through Taiwanese agents or distributors who import raw materials from abroad, while foreign purchases are mainly through foreign traders who import raw materials from abroad.
3. Procurement is not concentrated on a single supplier, but rather decentralized according to the availability of materials, the quality of suppliers' materials, trading conditions, supply stability, and sales service, all of which are used to evaluate and decide on procurement options. Throughout, we have always maintained good relationships with our suppliers. We continue to work with two or more suppliers for our major raw material purchases and are actively seeking out and evaluating additional sources to ensure there are no significant problems of supply interruption.

4. The impact of the COVID-19 pandemic, Ukrainian-Russian War, and energy supply has seen reductions or suspensions of production at a number of API manufacturing plants, as well as increased variability in shipping methods, costs, and timing, resulting in a global imbalance in the supply and demand of APIs and an ongoing increase in prices. In light of this, the Company promptly initiated measures to seek alternative sources of supply and increase safe stockpile capacity to maintain normal supply conditions.

(IV) Major Suppliers and Clients

- Suppliers who have accounted for more than 10% of the total purchase amounts in the last two years the value of such purchases, and the reasons for any increase or decrease:

Unit: NT\$ thousands

Item	2021				2022			
	Name	Amount	Ratio to Net Purchase (%)	Relationship	Name	Amount	Ratio to Net Purchase (%)	Relationship
1	Kingyorker Enterprise	6,954	1.4	None	Kingyorker Enterprise	42,574	7.0	None
2	Others	475,071	98.6	-	Others	564,470	93.0	-
3	Net Purchase	482,025	100	-	Net Purchase	607,044	100	-

Note 1. Kingyorker Enterprise is a supplier of pharmaceutical raw materials and accounted for 1.4% and 7.0% of net purchases in 2021 and 2022, respectively, which makes it not yet a risk for over-concentration of purchasing.

Note 2. As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

- Clients who have accounted for more than 10% of the total amount of sales in the last two years, the value of such sales, and the reasons for any increase or decrease:

Unit: NT\$ thousands

Item	2021				2022			
	Name	Amount	Ratio to Net Sales (%)	Relationship	Name	Amount	Ratio to Net Sales (%)	Relationship
1	Keryx	319,789	16.8	None	Keryx	401,088	16.7	None
2	Taiwan Centers for Disease Control	-	-		Taiwan Centers for Disease Control	341,550	14.2	-
3	Others	1,581,422	83.2	-	Others	1,656,010	69.1	-
4	Net Sales	1,901,211	100	-	Net Sales	2,398,648	100	-

Note 1. Keryx Biopharmaceuticals is a licensing partner for the Company's new drugs for renal failure. As sales of our new renal failure drug continue to grow in the U.S. and Japan, royalties from this company accounted for 16.8% and 16.7% of net revenue in 2021 and 2022, respectively.

Note 2. Taiwan Centers for Disease Control is the sales customer of COVID-19 antigen fast-screening reagents. Due to the impact of the COVID-19 outbreak, the sales revenue obtained from Taiwan Centers for Disease Control accounted for 14.2% of the net revenue in 2022.

Note 3. As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

(V) Production Volume and Value for the Last Two Years:

Unit: Volume and Value: NT\$ thousands

Production Volume and Production Value Major Product	Year	2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Pharmaceuticals:							
Capsules (thousand)		100,000	48,061	33,870	100,000	70,933	45,200
Ointment (kg)		300,000	249,110	113,405	300,000	193,402	90,429
Liquids (liter)		1,500,000	1,374,785	169,154	1,500,000	1,244,690	154,039
Tablets (thousand)		300,000	78,678	39,750	300,000	143,730	56,539
Others		-	-	-	-	-	-
Subtotal		-	-	356,179	-	-	346,207
Supplement:							
Capsules (thousand)		15,000	7,093	13,871	15,000	11,866	24,917
Tablets (thousand)		10,000	16,343	23,238	20,000	17,481	22,567
Liquids (liter)		100,000	15,747	10,165	100,000	9,887	10,821
Granules (kg)		20,000	3,461	4,216	20,000	6,421	9,005
Powder kg		10,000	3,755	4,054	10,000	2,434	2,526
Subtotal		-	-	55,544	-	-	69,836
Cosmeceutical							
Liquids (liter)		300,000	125,627	47,033	300,000	111,239	49,488
Ointment (kg)		200,000	12,933	23,945	200,000	10,069	15,838
Others		-	-	1,176	-	-	555
Subtotal		-	-	72,154	-	-	65,881
Diagnostic		-	-	87,508	-	-	234,012
Medical Device		-	-	4,169	-	-	4,424
API—kg		-	113,887	156,662	-	122,701	164,619
Total		-	-	732,216	-	-	884,979

(VI) Sales Volume and Value in the Last Two Years

Unit: Volume and Value: NT\$ thousands

Year Sales Volume and Sales Value Major Product	2021				2022			
	Domestic		Exports		Domestic		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Pharmaceuticals:								
Capsules (thousand)	48,958	49,700	-	-	71,925	73,550	-	-
Ointment (kg)	229,012	225,221	143	301	174,274	181,837	591	763
Liquids (liter)	1,481,442	334,927	-	-	1,363,536	333,262	-	-
Tablets (thousand)	122,066	93,323	-	-	159,749	117,396	-	-
Others	-	16,188	-	-	-	17,413	-	-
Subtotal	-	719,359	-	301	-	723,458	-	763
Supplement:								
Capsules (thousand)	4,403	18,150	-	-	4,720	27,686	-	-
Granules (kg)	3,868	10,656	-	-	5,307	14,899	-	-
Tablets (thousand)	7,990	30,647	-	-	12,503	36,729	-	-
Powder kg	3,219	6,529	-	-	2,561	5,750	-	-
Liquids (liter)	3,059	15,258	-	-	4,991	22,608	-	-
Others	-	82,670	-	-	-	76,257	-	-
Subtotal	-	163,910	-	-	-	183,929	-	-
Cosmeceutical								
Liquids (liter)	59,517	34,503	129,281	90,419	46,899	22,652	63,218	59,898
Ointment (kg)	3,748	7,236	2,638	28,914	5,407	16,690	1,914	11,720
Others	-	39,880	-	62,439	-	19,577	-	30,730
Subtotal	-	81,619	-	181,772	-	58,919	-	102,348
Diagnostic	-	288,742	-	24,402	-	717,879	-	6,755
Medical Device	-	4,515	-	-	-	4,769	-	-
API—kg	104,702	116,802	-	-	128,319	189,909	-	-
Milestone/Sakes								
Milestone	-	-	-	-	-	-	-	8,831
Sakes Royalty	-	-	-	319,789	-	-	-	401,088
Subtotal	-	-	-	319,789	-	-	-	409,919
Total	-	1,374,947	-	526,264	-	1,878,863	-	519,785
Overall Total	1,901,211				2,398,648			

III. The number of employees, average length of service, average age, and level of education of employees in the industry over the last two years and as of the publication date of this annual report:

Unit: people; %

Year		2021	2022	March 31, 2023
Number of Employees	Direct Employees	114	114	115
	Indirect Employees	101	108	111
	Marketing	136	137	143
	Research and Development	51	63	67
	Administration	115	112	107
	Total	517	534	542
Average Age		40.85	39.89	40.2
Average Service Years		6.61	6.76	6.76
Distribution of Qualifications	Doctor	0.8%	1.5%	1.3%
	Master	18.4%	17.6%	18.6%
	Associate	55.9%	56.0%	55.7%
	Senior High School	20.7%	21.2%	20.7%
	Lower than Senior High School	4.2%	3.7%	3.7%

IV. Environmental Expenditure:

- (I) Losses suffered as a result of environmental pollution in the most recent year and up to the publication date of this annual report (including compensation and violations of environmental protection laws and regulations found in environmental protection audits, with the date of penalty, penalty number, provisions of the laws/regulations violated, contents of the laws/regulations violated, and contents of the penalty): None

- (II) Estimated current and potential future amounts and countermeasures:

1. Future countermeasures:

- (1) Water pollution control measures and permit-related matters

A. Xizhi Plant:

There is no wastewater generated from the Xizhi plant's manufacturing process, and general sewage is discharged from the building together.

B. Pingzhen Plant :

- (a) In order to cooperate with the company's future business development, the 150CMD full-function small sewage (sewage) water treatment plant project planned for construction in 2020 has been officially completed and put into use after obtaining the water pollution prevention and control license in December 2022. The total engineering cost of the computer room construction and processing facilities is approximately NT\$19.34 million.

- (b) In accordance with the provisions of the Regulations for the Establishment and Management of Specialized Units or Personnel for Environmental Protection, the Company has set up one specialized personnel position and one agent for Class B wastewater treatment according to the scale of wastewater (sewage) treatment as mentioned above.
- (c) A water pollution control fee was levied on May 1, 2015, with the Company is a first stage target of the fee. As such, we have started regular reporting and payment operations since July 1, 2015 in accordance with the regulations of the water pollution control fee. Soil and groundwater pollution control fees have been subject to regular reporting and payment since January 1, 2017.

(2) Air pollution prevention and control measures and permit-related matters

A. Xizhi Plant:

In accordance with Article 21 of the Air Pollution Control Act, the Regulations for Reporting and Management of Emissions from Fixed Sources of Air Pollution in Public and Private Places and the Method for Calculating Emissions from Fixed Sources of Air Pollutions in Public and Private Places, the Xizhi Plant does not emit air pollutants specified by the competent authority and as such is exempt from reporting to said authority the annual emissions of air pollutants emitted from fixed sources in the previous year.

B. Pingzhen Plant:

- (a) The air pollutants emitted by the Company's fixed processing sources of pollution are in compliance with emission standards and do not reach the scale announced by the central authority, and are thus exempt from permitting and reporting operations as required by the regulations.
- (b) In accordance with the provisions of The Employment Management Regulations of Environmental Dedicated Units or Personnel, the Company is exempted from establishing dedicated units or personnel as its fixed sources of pollution do not pass the announced threshold.
- (c) An air pollution control fee has been levied for regular reporting and payment since July 1, 2015 in accordance with the Regulations Governing the Collection of Air Pollution Prevention Fee.

(3) Toxic chemical substance management and permit-related matters

A. Xizhi Plant:

According to the list of reportable toxic chemical substances in the List of Toxic Chemical Substances and their Operational Management, the Xizhi Plant has no listed chemicals, and is thus exempted from registration of toxic chemical substances in the reporting system.

B. Pingzhen Plant:

- (a) The Pingzhen Plant is a site where minor (Class 4) toxic chemical substances are used, and in accordance with the provisions of The Employment Management Regulations of Environmental Dedicated Units or Personnel, it is thus exempted from the establishment of dedicated units or personnel.
- (b) Pingzhen Plant operation and emissions records are reported in accordance with the provisions of the Toxic and Concerned Chemical Substances Control Act.

(4) Waste management and permit-related matters

- A. Both Pingzhen Plant and Xizhi Plant have, in accordance with the provisions of the Waste Disposal Act, examined and submitted their business waste disposal plans to the agencies commissioned by the competent authorities for examination and approval, and entrusted the removal and disposal of such waste to the civil waste disposal organizations authorized by the competent authorities to remove and dispose of it.
- B. The production, removal, and temporary storage of business waste are reported in accordance with the relevant regulations of the Waste Disposal Act.

2. Estimated future capital expenditures of investment

Unit: NT\$ thousands

Capital expenditure items	Period	Amount	Usage
Scrubbing Towers	2023.01~2023.12	4,800	Air Pollution Control Facilities
Improvement Project for Dust Collecting Systems	2023.07~2023.12	1,800	Air Pollution Control Facilities
Construction of waste water treatment facility	2020.12~2023.03	837	Water Pollution Control Facilities
Planting and Greening Projects	2023.10~2023.12	600	Air Pollution Control Facilities
Total		8,037	

3. Expected effectiveness

The above-mentioned investment in pollution prevention and control equipment can help the Company effectively respond to amendments to environmental protection laws and regulations, and treat and reduce environmental pollution through waste water and gas more efficiently, ensuring that the emissions quality meets national standards.

V. Labor Relations:

- (I) The Company's various employee welfare measures, further education, training, and retirement systems and their implementation, as well as employer-employee agreements and measures to protect the rights and interests of employees:

Since the establishment of the Company, we have always valued our employees and giving back to society. We practice this through cooperation, innovation, integrity, and performance, and strive to develop harmonious labor relations on this basis.

1. Employee welfare measures, further education, and training:

On November 24, 1987, the Company received approval through Taoyuan County She-Lao-Zi No. 184545 to establish an Employee Welfare Committee, which moved to the Taipei Head Office for coordination and management on September 28, 2017. Welfare items under this committee include:

Item	Description	Note
Group Insurance	Fixed-term, accidental injury, injury medical insurance Inpatient medical limit, outpatient surgery limit subsidies	-
Festival Gifts	NT\$1,000 for each of Labor Day, Dragon Boat Festival, and Mid-Autumn Festival	-
Birthday Gifts	NT\$1,200 gift (cash/voucher)	-
Allowances	Including marriage allowances, funeral allowances, maternity allowances, injury and sickness compensation, and orphans and widows compensation; amount depends on years of service	Payments according to the standard set by the Employee Benefit Rules
Overseas Education and Training Subsidy	The Company may assign staff to go abroad for education and training based on the needs of their work.	For details, please refer to the staff overseas education and training program
Other welfare activities	Annual staff trip and year-end activities.	-

2. Retirement system and its implementation:

In order to provide a stable post-retirement life for employees, the Company has established the Labor Retirement Plan in accordance with the law and set up a Labor Retirement Reserve Fund Supervisory Committee. The retirement reserve fund is provided at a rate of 2% of total monthly salary and deposited in a special account at the Central Trust of China to protect employees' rights and interests. Since July 1, 2005, the government has put in place a new pension system, whereby 6% of employees' gross salary is contributed to their personal pension accounts. For those who voluntarily contribute to the pension fund, the voluntary contribution rate will be deducted from the employee's monthly salary to the individual pension account with the Bureau of Labor Insurance.

(1) Voluntary retirement:

- A. Aged 55 or older with at least 15 years of service.
- B. Aged 60 or older with at least 10 years of service.
- C. At least 25 years of service.

(2) Mandatory retirement:

- A. Aged 65 or older.
- B. Mental or physical deterioration or disability such that they are incapable of continuing their work.

3. Agreements between labor and management and various measures to protect employees' rights and interests:

The Company's various systems are handled in accordance with the relevant provisions of the Labor Standards Act. Based on the spirit of mutual benefit and creating win-win situations for employers and employees, the Human Resources Department has organized an Employee Welfare Committee and promotes various labor agreements to maintain robust labor relations and improve quality of life at work.

- (II) For the most recent year and as of the publication of this annual report, the losses suffered from labor disputes (including violations of the Labor Standards Act found through inspections, the date of any penalties, the penalty numbers, the provisions of the law violated, the content of the law violated, and the content of the penalties) should be listed, and the estimated amount of current and potential future losses and measures to be taken should be disclosed; if the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: The Company has not suffered any losses due to labor disputes in 2022 or as of the publication of this annual report.

VI. Information Security Management

(I) Information Security Risk Management Organizational Framework

1. Enterprise Information Security Governance Organization

To strengthen the information security management of the Company and ensure the security of data, system and network, the Sustainable Development Committee has established the Information Security Team. The Team is led by the head of the information unit. It is responsible for coordinating, planning, implementing and analyzing information security events and reporting regularly to the Sustainable Management Committee and the Board of Directors on information security related-issues and implementation direction. The last report to the Board of Directors was made on November 14, 2022.

(II) Information security policy and management plan involves six aspects:

1. Computer Security Management:

- (1) The Company's host server and other equipment are in dedicated server rooms, and the access to server rooms shall be registered to keep the entry and exit records.
- (2) Server rooms are equipped with independent air conditioners to keep computers operating at an appropriate temperature environment. The automatic fire extinguishing system is built in server rooms, and the manufacturer is required to maintain, test and maintain it regularly.
- (3) The host server in server room is configured with a power-off system to prevent system downtime caused by an unexpected power failure.

2. Network Security Management:

- (1) Firewall setup: Connect to the outside network, set the firewall connection rules, enable the intrusion prevention mechanism, and block illegal intrusion by hackers.
- (2) If a colleague accesses the core host system through remote access to the Company's intranet, he/she has to apply for a VPN account and use the enhanced authentication mechanism through the VPN before logging in and using the system.

3. Virus Prevention and Management:

- (1) To protect personal computers and servers from virus infections and malicious attacks, the Company has installed licensed protection software and enabled automatic updates.
- (2) The email server is equipped with the automatic defense system, and the defense rules are regularly updated to scan unsafe attachments, phishing emails, threatening emails, malicious links and spams before users receive emails, to prevent information security incidents caused by email attacks.

4. System Access Control:

- (1) The Company has performed account and password management settings, mandatory password setting rules and mandatory user password changes on a regular basis. The verification of accounts shall be enhanced for external connection, and the validity of accounts shall be checked regularly.
- (2) The use of each application system by colleagues shall go through the system authority application procedures stipulated by the Company. After being approved by the supervisor, the information unit shall create a system account and set the applied authority to access system information, and regularly check the appropriateness of authority.
- (3) When colleagues go through the resignation (retirement) procedures, they shall contact the information unit to delete their system accounts.
- (4) The management and control of computer information security at computer endpoints can record and control the use of computers by employees to avoid data loss or leakage.

5. Ensuring the sustainable operation of the system:

- (1) Data backup mechanism: All important information system databases shall be backed up on a daily basis, and the backup data shall be stored off-site.
- (2) Disaster recovery drill: The core operation system carries out a drill once a year, prepares well for disaster situation, saves backup media in the system host, and then the user conducts drill operation, and confirms the correctness of the recovery data in writing to ensure the correctness and effectiveness of backup media.
- (3) Apart from the dedicated line, the subsidiaries and factories have rented the data line of the telecom company as a backup to prevent the interruption of network communication.

6. Information Security Publicity and Education Training:

- (1) Regular information security publicity: Regular education training and publicity on information security include information security policies, information security laws and regulations, information security operation procedures, which help employees understand the importance of information security, various potential security risks, thus improving their awareness of information security and making them comply with information security regulations.
- (2) Information education case publicity: Conduct irregular publicity on information security cases and related information.
- (3) Join Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC) to access consultation channels for information security incidents and to collect information security information for internal publicity.

(III) Information Security Management Resources :

1. Network hardware equipment: Firewall, anti-virus software, anti-spam filtering, tape backup hosts and cabinets, automatic fire suppression systems for server rooms, etc.
2. Software system: Backup management software, VPN secondary verification mechanism, computer endpoint information security control, etc.
3. Telecommunications and other services: Backup data lines, rental of a safe deposit box to store backup media, etc.
4. Manpower input: Daily status check of host server and each system, regular backup and implementation of off-site storage of backup media, regular information security publicity, disaster recovery drill, authority review, annual internal audit of information cycle, audit by accountant, etc.
5. Information security personnel: The Information Security Team is led by the head of the information unit and two information security personnel. They are responsible for coordinating, planning, implementing and analyzing information security events and reporting regularly to the Sustainable Management Committee on information security related-issues and implementation direction.

(IV) Major Information Security Incidents:

1. Emergency notification procedure: When an information security incident occurs, the relevant unit reports to the Information Security Team, determines the type of the incident and figures out the issue, and immediately handles it and leaves a record.
2. There were no major information security incidents during the year.

VII. Important Contracts

May 1, 2023

Type of Contract	Party	Commencement Date	Main Content	Restrictions
Patent Licensing	Hsu, Chen-Hsing	From: July 24, 2001 (Amendment signed on August 29, 2005) To: Including the supplementary provisions, all relevant contracts were terminated in accordance with the contract on November 15, 2022	The Company obtained a license for the development and sale of the original patent for the new drug Nephoxil®. (Note 1)	-
Patent Licensing	Keryx Biopharmaceuticals, Inc.	From: November 7, 2005 (Amended and restated the	Licensing the rights to develop and market Nephoxil® in Europe, the U.S., and Japan to Keryx Biopharmaceuticals. (Note 2)	Confidentiality Agreement

Type of Contract	Party	Commencement Date	Main Content	Restrictions
		Licensing Agreement signed on March 17, 2008; and revised this amended and restated Licensing Agreement for the first time on November 14, 2008) (Revised the amended and restated Licensing Agreement for the second time on April 17, 2019) To: Until the date of termination of the contract between the parties		
Co-investment Contracts	Shandong Weigao Pharmaceutical Co., Ltd.	From: February 24, 2015 To: Until the date of termination of the contract between the parties	The Company established a subsidiary joint venture with Shandong Weigao Pharmaceutical Co., Ltd., with a ratio of 49% for Panion and 51% for Weigao. Panion licenses the patented technology to the joint venture to develop, manufacture, and sell Panion's new drug for renal failure, Nephoxil [®] , in China (Note 3).	Confidentiality Agreement
Supplementary Agreement	Shandong Weigao Pharmaceutical Co., Ltd.	Contract Date: May 23, 2017	Agreement to adjust the number of Board of Directors and the threshold for convening, attending and voting at board meetings of Weigao Panion Biotech Holding Co., Ltd. and Shandong Weigao Panion Pharmaceutical Co., Ltd.	Confidentiality Agreement
Licensing Agreement	Shandong Weigao Pharmaceutical Co., Ltd. Weigao Panion Biotech Holding Co., Ltd.	From: November 20, 2015 To: Until the date of termination of the contract between the parties	The Company has exclusively licensed to Weigao Panion Biotech Holding Co., Ltd. the intellectual property rights related to the patent and trademark for Nephoxil [®] , a new drug for renal failure, in China.	Confidentiality Agreement

Type of Contract	Party	Commencement Date	Main Content	Restrictions
Sub-licensing Agreement	Shandong Weigao Pharmaceutical Co., Ltd. Weigao Panion Biotech Holding Co., Ltd. Shandong Weigao Panion Pharmaceutical Co., Ltd.	From: April 11, 2016 To: Until the date of termination of the contract between the parties	Weigao Panion Biotech Holding Co., Ltd. has sublicensed the rights to develop, manufacture, and sell Nephoxil® in China to its wholly-owned subsidiary in China, Shandong Weigao Panion Pharmaceutical Co., Ltd., under a Licensing Agreement.	Confidentiality Agreement
Supplementary Agreement	Shandong Weigao Pharmaceutical Co., Ltd. Weigao Panion Biotech Holding Co., Ltd. Shandong Weigao Panion Pharmaceutical Co., Ltd.	From: March 21, 2017 To: Until the date of termination of the contract between the parties	The schedule of payment for the adjustment of joint venture contracts, license agreements, and sublicense agreements.	Confidentiality Agreement
Supplementary Agreement II	Shandong Weigao Pharmaceutical Co., Ltd.	2018.05.08	Supplementing the methods of capital contribution from both parties to the joint venture company in the second installment of the Co-investment Contracts.	-
Supplementary Agreement III	Shandong Weigao Pharmaceutical Co., Ltd. Top Vision Ltd. (later renamed Wego International Capital Holding Co. Ltd.)	From: September 4, 2020	Top Vision Ltd. fulfills the outstanding portion of the second installment of the capital increase obligation of Shandong Weigao Pharmaceutical Co., Ltd. pursuant to Article 4.2(1) of the Co-investment Contracts.	Confidentiality Agreement
Advisory Contract	Mr./Ms. Tseng	From: April 16, 2015 To: Until the date of termination of the contract between the parties	To act as an advisor to the Company to facilitate the Letter of Intent and related formal cooperation agreement between the Company and Weigao.	Confidentiality Agreement
Consulting Contract	HS Company	From: September 1, 2015 To: December 31, 2029	Provide consulting and professional technical services for our APIs. On January 15, 2016, we also entered into a supplemental agreement for consulting and	Confidentiality Agreement

Type of Contract	Party	Commencement Date	Main Content	Restrictions
		(Supplemental Agreement II was signed on March 26, 2019)	professional technical services for dosage form development. A supplemental contract for process development was also signed on March 26, 2019.	
Authorized Distribution Agreement	KYOWA HAKKO KIRIN KOREA CO.,LTD. (abbreviated as KKCR)	From: February 1, 2017 To: Until the date of termination of the contract between the parties	Licensed the rights to develop and sell Nephoxil® in the Korean market to KKCR.	Confidentiality Agreement
Licensing Agreement	YG Company	From: May 1, 2017 To: April 30, 2027	Technology transfer and consultation for the preparation and application of nanoscale polysaccharides.	Confidentiality Agreement
Distribution Agreement	Zuellig Pharma, Inc.	From: October 16, 2018 To: December 31, 2023	Licensed the rights to promote and sell the new drug Nephoxil® in Taiwan through contracted channels to Zuellig.	Confidentiality Agreement
Commissioned Development Contract	YG Company	From: March 20, 2019 To: Until the date of termination of the contract between the parties	Provide industrial process development and consulting services for the Company.	Confidentiality Agreement
Distribution Agreement	Shining Biomedical Co., Ltd.	From: January 1, 2019 To: December 31, 2024	Authorizes such company to be distributor/exclusive distributor of the Company's products.	-
Investment Agreement	Neolink Capital Corp.	From: April 16, 2019	The Company participates in the capital financing of said company.	-
Lease Agreement	Sun Zing Enterprises Co., Ltd.	From: June 1, 2020 To: July 31, 2021 (On July 27, 2021, both parties agreed to renew the lease until December 31, 2021) (On December 28, 2021, both parties agreed to renew the lease until January 31, 2022)	Xizhi Plant Property Rental.	-
Loan Agreement	Wugu Branch, Hua Nan Commercial Bank	From: August 15, 2019 To: August 15, 2022	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a medium-term (three-year)	-

Type of Contract	Party	Commencement Date	Main Content	Restrictions
		(Terminated on March 30, 2022)	guaranteed loan in the amount of NT\$50 million from the Bank.	
Distribution Agreement	DKSH (Thailand) Limited	From: December 1, 2019 To: November 30, 2031	The Company has entrusted Nephoxil [®] , a new drug for renal failure, to said company to obtain a local sales license in Thailand and authorized such company to market and sell the product after obtaining the local sales license.	-
Procurement Project	YC Co., Ltd.	From: June 8, 2020 To: January 8, 2026	Equipment procurement and installation construction contract for the Company.	Confidentiality Agreement
Cooperative Contract	TP University	From: July 1, 2020 To: June 30, 2023	Industry-academic cooperative research project contract.	Confidentiality Agreement
Trust Agreement	Chang Hwa Bank	From: November 11, 2020 To: November 30, 2025	The Company entered into a joint account for the custody of equity interests with three representatives of the shareholders of Cheng Fong and the bank.	Confidentiality Agreement
Loan Agreement	Wugu Branch, Hua Nan Commercial Bank	From: November 11, 2020 To: November 11, 2027 (Terminated on March 30, 2022)	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a medium-term (seven-year) guaranteed loan of NT\$100 million from the bank.	-
Engineering Contract	Chong Yu Co., Ltd.	From: November 10, 2020	Electrical and mechanical equipment for plant construction.	-
Lease Agreement	WD Technology Co., Ltd.	From: December 1, 2020 To: November 30, 2023	Xizhi Plant rental lease.	Confidentiality Agreement
Loan Agreement	Banqiao Branch, First Commercial Bank	From: January 20, 2022 To: January 20, 2023 (Terminated on March 22, 2022)	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a short-term guaranteed loan of NT\$15 million from the bank.	-
Loan Agreement	Wugu Branch, Hua Nan Commercial Bank	From: December 17, 2021 To: December 17, 2022 (Terminated on March 30, 2022)	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a short-term guarantee loan of NT\$200 million from the bank.	-

Type of Contract	Party	Commencement Date	Main Content	Restrictions
Engineering Contract	Hong Chiao Construction Engineering Co., Ltd.	From: December 11, 2020	New construction for Pingzhen Plant.	-
Lease Agreement	Ever Bridge International Co., Ltd.	From: February 1, 2021 To: January 31, 2023 (On December 1, 2022, both parties agreed to renew the lease until January 31, 2024)	Xizhi Plant building and parking space rental.	-
Lease Agreement	Risecom Corp.	From: February 1, 2021 To: January 31, 2022 (On January 11, 2022, both parties agreed to renew the lease until July 31, 2022) (On June 10, 2022, both parties agreed to renew the lease until July 31, 2023)	Xizhi Plant Property Rental.	-
Loan Agreement	Wugu Branch, Hua Nan Commercial Bank	From: February 5, 2021 To: March 30, 2026 (Terminated on March 30, 2022)	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a medium-term (five-year) guaranteed loan in the amount of NT\$50 million from the Bank.	-
Loan Agreement	Wugu Branch, Hua Nan Commercial Bank	From: February 5, 2021 To: March 30, 2022	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a medium-term (five-year) guaranteed loan in the amount of NT\$70 million from the Bank.	-
Loan Agreement	Taiwan Cooperative Bank	From: March 12, 2021 To: March 12, 2022	The Company applied for a consolidated corporate credit line of NT\$200 million from the bank.	-
Loan Agreement	Chang Hwa Bank	From: June 1, 2021 To: June 30, 2022	The Company applied for a consolidated corporate credit line of NT\$300 million from the bank.	-
Lease Agreement	JiYi Technology	From: June 21, 2022 To: June 20, 2027	Lease Agreement of Longtan R&D Center	-
Engineering Contract	JFS Company	From: July 30, 2021 To: March 31, 2023	The Company's Longtan R&D Center interior decoration project.	Confidentiality Agreement

Type of Contract	Party	Commencement Date	Main Content	Restrictions
Lease Agreement	Lian-Son Enterprise Co., Ltd.	From: August 10, 2021 To: August 9, 2026	Lease of Longtan R&D Center	-
Technology Licensing Agreement	TP University Professor L	From: October 5, 2021 To: Until the expiration date of the licensed patent rights	Asian Foxtail Technology License.	Confidentiality Agreement
Management Service Contracts	Bowlin Holding Co., Ltd., (Seychelles)	From: January 1, 2022 To: October 31, 2022	The Company is engaged to provide corporate management services.	-
Management Service Contracts	Cheng Fong Chemical Co., Ltd.	From: January 1, 2022 To: December 31, 2022	The Company is entrusted with the provision of subsidiary management services.	-
Sale and Purchase Agreement	Mr./Ms. Tseng	From: January 15, 2022 (The subject matter of this agreement was transferred on March 22, 2022)	Cheng Fong, a wholly-owned subsidiary of the Company, sells real estate in Banqiao.	-
Sale and Purchase Agreement	Mr./Ms. Huang	From: January 15, 2022 (The subject matter of this agreement was transferred on March 22, 2022)	Cheng Fong, a wholly-owned subsidiary of the Company, sells real estate in Banqiao.	-
Lease Agreement	Sun Zing Enterprises Co., Ltd.	From: February 1, 2022 To: June 30, 2022	Xizhi Plant Property Rental.	-
Contract for Joint Supplement	Taiwan Centers for Disease Control	From: February 21, 2022 To: February 20, 2024	Jointly supplied COVID-19 household antigen rapid test kits	-
Loan Agreement	Taiwan Cooperative Bank	From: March 15, 2022 To: March 11, 2023	The Company applied for a consolidated corporate credit line of NT\$200 million from the bank.	-
Loan Agreement	Zhonglun Branch, Chang Hwa Bank	From: March 15, 2022 To: December 31, 2022	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a short-term guarantee loan of NT\$200 million from the bank.	-

Type of Contract	Party	Commencement Date	Main Content	Restrictions
Loan Agreement	Zhonglun Branch, Chang Hwa Bank	From: January 3, 2023 To: December 31, 2023	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a short-term guarantee loan of NT\$200 million from the bank.	
Loan Agreement	Zhonglun Branch, Chang Hwa Bank	From: March 15, 2022 To: March 15, 2027 This Contract shall terminate on the commencement of a new covenant between the parties on December 1, 2022.	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a medium-term (five-year) guaranteed loan in the amount of NT\$250 million from the Bank.	-
Loan Agreement	Zhonglun Branch, Chang Hwa Bank	From: December 1, 2022 To: December 1, 2027	Cheng Fong, a wholly-owned subsidiary of the Company, applied for a medium-term (five-year) guaranteed loan in the amount of NT\$250 million from the Bank.	-
Purchase Agreement	Prisma Biotech	From: May 4, 2022 To: August 15, 2023	Machinery and Equipment Purchase Agreement	-
Lease Agreement	C.H. LUBLEADER LTD.	From: June 1, 2022 To: May 31, 2025	Xizhi Plant Lease Agreement.	-
Loan Agreement	Chang Hwa Bank	From: June 30, 2022 To: June 30, 2023	The Company applies for a short - and medium-term corporate credit line of NT\$600 million from the bank.	-
Loan Agreement	Chang Hwa Bank	From: June 30, 2022 To: June 30, 2023	The Company applies for a short-term corporate credit line of NT\$300 million from the bank.	-
Transfer Agreement Technology and Intellectual Property Rights	Mr./Ms. Su,	From: July 5, 2022	The Company acquired the technology and related intellectual property rights from inventors for product development.	Confidentiality Agreement
Engineering Contract	CS Creative Design Studio	From: August 19, 2022 To: November 30, 2023	Renovation of Xizhi Plant Office.	Confidentiality Agreement

Note 1.

- The terms of the payment obligations associated with Professor Hsu are summarized below:
 - Contract fee: US\$350 thousand.

- (2) If the Company sells the product:
 - A. Royalty on product sales: 7.5% of net sales after the product is marketed and sold; reduced to 2% after the patent expires.
 - B. The minimum royalty payable per year after the product is marketed and sold: US\$50,000.
- (3) In the event that the company receives milestone payments or royalties from a sublicensee:
 - A. Milestone payment for sublicense: The Company is required to pay 33.4% of the milestone payment received from the sublicensee to Dr. Hsu.
 - B. Sublicense royalties: After the products are marketed and sold, the Company shall pay 50% of the sales royalties received from the sublicensees to Dr. Hsu.
2. Professor Hsu has registered patents in the United States, Canada, Mexico, the European Union, Norway, Israel, Japan, Taiwan, Korea, and Australia (Dr. Hsu has no patent rights outside of the above countries, and as such the related proceeds from other countries (such as China) are not required to be paid to them).
3. The Company terminated the contract with Professor Hsu on November 15, 2022 as agreed.

Note 2. Keryx Biopharmaceuticals, Inc. (hereinafter referred to as Keryx), the Company's U.S. licensee partner, and Akebia Therapeutics (hereinafter referred to as Akebia) announced a merger on December 13, 2018, before market hours (EST). In the merger, Keryx Biopharmaceuticals will exchange 1 share for 0.37433 shares of Akebia Therapeutics®. Keryx will acquire 50.6% of the surviving company after the merger and Akebia will acquire 49.4% of the surviving company after the merger. As a result of the merger, Keryx became a wholly-owned subsidiary of Akebia, and therefore the aforementioned merger has no impact on the Company's rights and obligations under the original license agreement.

Note 3. The Company is required to pay the contractual fees and milestone payments obtained under the license contract to the counterparties in accordance with the relevant terms and conditions of the commission and consulting contracts, and the counterparties to the commission and consulting contracts are allowed to subscribe for 2.5% of each of the Company's original investment unit cost, respectively, as of December 31, 2016.

Chapter 6. Financial Overview

I. Condensed balance sheet, consolidated income statement, name of the CPA, and audit opinion for the most recent five years:

(I) Balance Sheet for the Most Recent Five Fiscal Years:

1. Condensed Consolidated Balance Sheet (Adopting IFRS)

Unit: NT\$ thousands

Year Item		Financial Summary (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,349,450	1,230,331	1,454,370	1,274,531	1,399,289
Property, Plant, and Equipment		449,179	473,545	1,309,574	1,440,446	1,496,625
Intangible Assets		7,892	7,240	23,800	19,645	15,967
Other Assets		28,354	201,394	286,210	218,473	181,658
Total Assets		1,834,875	1,912,510	3,073,954	2,953,095	3,093,539
Current Liabilities	Before Distribution	422,231	392,165	946,008	740,493	921,581
	After Distribution	560,361	530,295	999,725	869,102	Note 2
Non-current Liabilities		62,154	160,777	887,979	279,588	164,845
Total Liabilities	Before Distribution	484,385	552,942	1,833,987	1,020,081	1,086,426
	After Distribution	622,515	691,072	1,887,704	1,148,690	Note 2
Equity Attributable to Owners of Parent Company		1,350,490	1,359,568	1,239,967	1,933,014	2,007,113
Common Stock		767,391	767,391	767,391	857,391	857,391
Capital Surplus		401,192	398,122	391,983	903,755	871,174
Retained Earnings	Before Distribution	197,285	222,932	117,876	209,239	300,387
	After Distribution	62,225	90,941	102,528	113,211	Note 2
Other Equity		(15,378)	(28,877)	(37,283)	(37,371)	(21,839)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	1,350,490	1,359,568	1,239,967	1,933,014	2,007,113
	After Distribution	1,212,360	1,221,438	1,186,250	1,804,405	Note 2

Note 1. The financial statements for 2018 to 2022 had been audited by the CPAs.

Note 2. The earnings distribution for 2022 is to be reported to the Shareholders' Meeting.

Note 3. As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

2. Condensed Parent Company Only Balance Sheet (Adopting IFRS)

Unit: NT\$ thousands

Year Item		Financial Summary (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		959,442	890,550	1,015,335	910,386	984,571
Property, Plant, and Equipment		417,642	414,885	444,342	600,028	664,743
Intangible Assets		3,685	3,125	2,565	2,004	1,444
Other Assets		21,358	91,102	164,973	120,098	100,682
Total Assets		1,724,548	1,765,121	2,526,260	2,405,923	2,766,361
Current Liabilities	Before Distribution	315,981	328,838	613,019	407,228	694,718
	After Distribution	454,111	466,968	666,736	535,837	Note 2
Non-current Liabilities		58,077	76,715	673,274	65,681	64,530
Total Liabilities	Before Distribution	374,058	405,553	1,286,293	472,909	759,248
	After Distribution	512,188	543,683	1,340,010	601,518	Note 2
Common Stock		767,391	767,391	767,391	857,391	857,391
Capital Surplus		401,192	398,122	391,983	903,755	871,174
Retained Earnings	Before Distribution	197,285	222,932	117,876	209,239	300,387
	After Distribution	62,225	90,941	64,159	113,211	Note 2
Other Equity		(15,378)	(28,877)	(37,283)	(37,371)	(21,839)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	1,350,490	1,359,568	1,239,967	1,933,014	2,007,113
	After Distribution	1,212,360	1,221,438	1,186,250	1,804,405	Note 2

Note 1. The financial statements for 2018 to 2022 had been audited by the CPAs.

Note 2. The earnings distribution for 2022 is to be reported to the Shareholders' Meeting.

Note 3. As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

(II) Comprehensive Income for the Most Recent Five Fiscal Years:

1. Condensed Consolidated Comprehensive Income (Adopting IFRS)

Unit: NT\$ thousands

Item \ Year	Financial Summary				
	2018	2019	2020	2021	2022
Operating Revenue	1,408,741	1,573,944	1,568,637	1,901,211	2,398,648
Gross Profit	793,175	844,776	795,123	912,138	1,318,596
Operating Income	212,538	223,933	104,500	165,342	413,964
Non-operating Income and Expenses	31,840	2,361	(15,094)	17,310	(80,555)
Net Income Before Tax	244,378	226,294	89,406	182,652	333,409
Profit from Continuing Operations	159,171	161,329	27,901	104,402	182,345
Loss from Discontinued Operations	-	-	-	-	-
Net Income	159,171	161,329	27,901	104,402	182,345
Other Comprehensive Income (Loss)	(7,612)	(14,121)	(9,372)	2,221	20,363
Total Comprehensive Income	151,559	147,208	18,529	106,623	202,708
Net Income Attributable to Owners of Parent	159,171	161,329	27,901	104,402	182,345
Net Income Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive Income Attributable to Owners of the Parent	151,559	147,208	18,529	106,623	202,708
Total Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
Earnings per Share (NT\$)	2.09	2.10	0.36	1.32	2.13

Note 1. The financial statements for 2018 to 2022 had been audited by the CPAs.

Note 2. As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

2. Condensed Parent Company Only Comprehensive Income (Adopting IFRS)

Unit: NT\$ thousands

Item \ Year	Financial Summary				
	2018	2019	2020	2021	2022
Operating Revenue	1,015,993	1,228,647	1,389,920	1,612,973	2,112,014
Gross Profit	520,893	651,040	753,562	895,094	1,302,111
Operating Income	51,875	152,211	183,754	272,699	531,129
Non-operating Income and Expenses	147,978	65,648	(94,371)	(89,969)	(199,278)
Net Income Before Tax	199,853	217,859	89,383	182,730	331,851
Profit from Continuing Operations	159,171	161,329	27,901	104,402	182,345
Loss from Discontinued Operations	-	-	-	-	-
Net Income	159,171	161,329	27,901	104,402	182,345
Other Comprehensive Income (Loss)	(7,612)	(14,121)	(9,372)	2,221	20,363
Total Comprehensive Income	151,559	147,208	18,529	106,623	202,708
Earnings per Share (NT\$)	2.09	2.10	0.36	1.32	2.13

Note 1. The financial statements for 2018 to 2022 had been audited by the CPAs.

Note 2. As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

(III) Name and Auditing Opinions of CPAs for the Most Recent Five Years

1. Name and Auditing Opinions of CPAs for the Most Recent Five Years

May 1, 2023

Year	Accounting Firm	Name of CPA	Opinion
2018	KPMG Taiwan	Huang, Po-Shu; Yu, An-Tien	Unmodified Opinion
2019	KPMG Taiwan	Lu, Li-Li; Chao, Min-Ju	Unmodified Opinion
2020	KPMG Taiwan	Lu, Li-Li; Chao, Min-Ju	Unmodified Opinion
2021	KPMG Taiwan	Lu, Li-Li; Chao, Min-Ju	Unmodified Opinion
2022	KPMG Taiwan	Lu, Li-Li; Chao, Min-Ju	Unmodified Opinion

2. Reasons for Change of CPAs in the Most Recent Five Years:

Year	Change	Accounting Firm	Name of CPA	Reasons for Change
2019	Former	KPMG Taiwan	Huang, Po-Shu; Yu, An-Tien	In line with internal personnel adjustments at KPMG Taiwan, the Company's Board of Directors resolved on December 18, 2018, to change the consolidated financial reporting verification to Lu, Li-Li, CPA and Chao, Min-Ju, CPA from 2019.
	Successor	KPMG Taiwan	Lu, Li-Li; Chao, Min-Ju	

II. Financial Analysis for the Most Recent Five Fiscal Years

(I) Financial Analysis—Adopting IFRS:

Analysis Items \ Year		Financial Analysis—Consolidated				
		2018	2019	2020	2021	2022
Financial Structure	Debt Ratio (%)	26	29	60	35	35
	Long-term Fund to Property, Plant, and Equipment (%)	314	321	162	154	145
Solvency	Current Ratio (%)	320	314	154	172	152
	Quick Ratio (%)	235	212	87	92	89
	Times Interest Earned (Times)	3,880	125	21	13	45
Operating Ability	Average Collection Turnover (Times)	4.5	4.6	4.3	5.4	7.0
	Days Sales Outstanding	81	80	85	67	52
	Average Inventory Turnover (Times)	2.3	2.1	1.7	1.8	2.0
	Average Payment Turnover (Times)	5.6	5.5	5.2	6.8	8.5
	Average Inventory Turnover Days	158	171	217	201	182
	Property, Plant and Equipment Turnover (Times)	3.1	3.4	1.8	1.4	1.6
	Total Assets Turnover (Times)	0.9	0.8	0.6	0.6	0.8
Profitability	Return on Total Assets (%)	10.3	8.7	1.3	3.9	6.2
	Return on Equity (%)	14.6	11.9	2.1	6.6	9.3
	Pre-tax Income to Paid-in Capital Ratio (%)	31.8	29.5	11.7	21.3	38.9
	Net Margin (%)	11.3	10.2	1.8	5.5	7.6
	Basic Earnings per Share (NT\$)	2.09	2.10	0.36	1.32	2.13
	Diluted Earnings per Share (NT\$)	2.08	2.10	0.36	1.32	2.12
Cash Flows	Cash Flow Ratio (%)	18.7	23.2	-1.5	54.2	53.2
	Cash Flow Adequacy Ratio (%)	77.3	61.4	41.2	56.0	73.0
	Cash Flow Reinvestment Ratio (%)	-2.3	-2.8	-5.2	11.2	13.3
Leverage	Operating Leverage	2.8	2.8	6.0	4.7	2.7
	Financial Leverage	1.0	1.0	1.0	1.1	1.0

Analysis of deviation of 2022 vs. 2021 over 20%:

1. Increase in times interest earned:

Although net income before tax in 2022 increased compared to 2021, the interest expense in 2022 decreased compared to 2021, effecting an increase in the time interest-earned.

2. Increase in average collection turnover and decrease in days sales outstanding:

In 2022, the collection policy was adjusted to improve the cash turnover rate, resulting in an increase in the average collection turnover in 2022 compared to 2021 and a decrease in the days sales outstanding in 2022 compared to 2021.

3. Increase in average payment turnover:

The increase in the cost of goods sold in 2022 compared to 2021, resulting in an increase in the average payment turnover rate in 2022 compared to 2021.

4. Increase in return on total assets:

Net income increased in 2022 compared to 2021, resulting in an increase in return on assets in 2022 compared to 2021.

5. Increase in return on equity:

Net income increased in 2022 compared to 2021, resulting in an increase in return on equity in 2022 compared to 2021.

6. Increase in pre-tax income to paid-in capital ratio:

Net income before tax increased in 2022 compared to 2021, resulting in an increase in pre-tax income to paid-in capital ratio in 2022 compared to 2021.

7. Increase in net margin:

After-tax net income increased in 2022 compared to 2021, resulting in an increase in net pre-tax income to paid-in capital ratio net profit margin in 2022 compared to 2021.

8. Increase in earnings per share:

After-tax net income increased in 2022 compared to 2021, resulting in an increase in earnings per share in 2022 compared to 2021.

9. Increase in cash flow adequacy ratio:

The net cash inflow from operating activities in 2022 increased compared to 2021, resulting in an increase in the cash flow adequacy ratio in 2022 compared to 2021.

10. Decrease in operating leverage:

Operating income increased in 2022 compared to 2021, resulting in a decrease in operating leverage in 2022 compared to 2021.

Note: As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

(II) Financial Analysis—Adopting IFRS:

Analysis Items \ Year		Financial Analysis—Parent Company Only				
		2018	2019	2020	2021	2022
Financial Structure	Debt Ratio (%)	22	23	51	20	27
	Long-term Fund to Property, Plant, and Equipment (%)	337	346	431	333	312
Solvency	Current Ratio (%)	304	271	166	224	142
	Quick Ratio (%)	237	200	100	129	90
	Times Interest Earned (Times)	3,173	928	45	26	88
Operating Ability	Average Collection Turnover (Times)	4.8	5.0	5.0	5.9	7.6
	Days Sales Outstanding	76	72	72	62	48
	Average Inventory Turnover (Times)	2.8	3.0	2.3	2.1	2.4
	Average Payment Turnover (Times)	4.7	4.4	4.4	5.1	6.6
	Average Inventory Turnover Days	130	124	158	178	155
	Property, Plant and Equipment Turnover (Times)	2.4	3.0	3.2	3.1	3.3
	Total Assets Turnover (Times)	0.7	0.7	0.7	0.7	0.8
Profitability	Return on Total Assets (%)	11.0	9.3	1.4	4.5	7.2
	Return on Equity (%)	14.6	11.9	2.1	6.6	9.3
	Pre-tax Income to Paid-in Capital Ratio (%)	26.0	28.4	11.6	21.3	38.7
	Net Margin (%)	15.7	13.1	2.0	6.5	8.6
	Basic Earnings per Share (NT\$)	2.09	2.10	0.36	1.32	2.13
	Diluted Earnings per Share (NT\$)	2.08	2.10	0.36	1.32	2.12
Cash Flows	Cash Flow Ratio (%)	14.8	24.0	0.7	106.1	79.4
	Cash Flow Adequacy Ratio (%)	86.0	57.6	34.2	59.9	91.0
	Cash Flow Reinvestment Ratio (%)	-4.4	-3.7	-6.3	17.0	17.9
Leverage	Operating Leverage	6.8	3.2	3.3	2.6	2.0
	Financial Leverage	1.0	1.0	1.0	1.0	1.0
Analysis of deviation of 2022 vs. 2021 over 20%:						
1. Increase in debt ratio:						

	In 2022, the Company used short-term bank loans to maintain its line of credit, causing an increase in the ratio of liabilities to assets.
2.	Decrease in current ratio: In 2022, the Company's short-term loans and current liabilities increased, causing the decrease in current ratio.
3.	Decrease in quick ratio: In 2022, the Company's short-term loans and current liabilities increased, causing the decrease in quick ratio.
4.	Increase in times interest earned: Although net income before tax in 2022 increased compared to 2021, the interest expense in 2022 decreased compared to 2021, effecting an increase in the time interest-earned.
5.	Increase in average collection turnover and decrease in days sales outstanding: In 2022, the collection policy was adjusted to improve the cash turnover rate, resulting in an increase in the average collection turnover in 2022 compared to 2021 and a decrease in the days sales outstanding in 2022 compared to 2021.
6.	Increase in average payment turnover: The increase in the cost of goods sold in 2022 compared to 2021, resulting in an increase in the average payment turnover rate in 2022 compared to 2021.
7.	Increase in return on total assets: Net income increased in 2022 compared to 2021, resulting in an increase in return on assets in 2022 compared to 2021.
8.	Increase in return on equity: Net income after tax increased in 2022 compared to 2021, resulting in an increase in return on equity in 2022 compared to 2021.
9.	Increase in pre-tax income to paid-in capital ratio: Net income before tax increased in 2022 compared to 2021, resulting in an increase in pre-tax income to paid-in capital ratio in 2022 compared to 2021.
10.	Increase in net margin: After-tax net income increased in 2022 compared to 2021, resulting in an increase in net pre-tax income to paid-in capital ratio net profit margin in 2022 compared to 2021.
11.	Increase in earnings per share: After-tax net income increased in 2022 compared to 2021, resulting in an increase in earnings per share in 2022 compared to 2021.
12.	Decrease in cash flow ratio: Net cash inflows from operating activities in 2022 increased compared to 2021 and current liabilities increased compared to 2021, resulting in a decrease in the cash flow ratio in 2022 compared decreased to 2021.
13.	Increase in cash flow adequacy ratio: The net cash inflow from operating activities in 2022 increased compared to 2021, resulting in an increase in the cash flow adequacy ratio in 2022 compared to 2021.
14.	Decrease in operating leverage: Operating income increased in 2022 compared to 2021, resulting in a decrease in operating leverage in 2022 compared to 2021.

Note: As of the publication date of this annual report, the financial statements for Q1 2023 that have not been reviewed by the CPAs.

The financial ratio calculation formula is as follows:

1. Financial Structure
 - (1) Debt Ratio = Total Liabilities / Total Assets
 - (2) Long-term fund to Property, Plant, and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant, and Equipment.
2. Solvency
 - (1) Current ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
 - (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Ability
 - (1) Average Collection Turnover = Net Sales / Average Trade Receivables (including Accounts Receivable and Notes Receivable originated from operation)
 - (2) Days Sales Outstanding = 365 / Average Collection Turnover
 - (3) Average Inventory Turnover = Cost of Sales / Average Inventory
 - (4) Average Payment Turnover = Cost of Sales / Average Trade Payables (including Accounts Payable and Notes Payable originated from operation)
 - (5) Average inventory turnover days = 365 / Inventory turnover ratio.
 - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
 - (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability
 - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
 - (2) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
 - (3) Net income to sales ratio = Post-tax profit or loss / Net sales.
 - (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flows
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
 - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
6. Leverage:
 - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

III. The Audit Committee's Review Report for the Most Recent Fiscal Year

Panion & BF Biotech Inc.

Audit Committee Review Report

The Board of Directors has submitted the Company's parent company only and consolidated financial statements, business report, and proposal on the earnings distribution for the year 2022, of which first two have been audited by KPMG Taiwan and an unmodified audit report issued. The above-mentioned parent company only and consolidated financial statements, business report, and proposal for earnings distribution have been examined by the Audit Committee and found to be in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and a report is hereby issued in accordance with such.

To the

Panion & BF Biotech Inc. 2023 Annual General Shareholders' Meeting

Convener of the Audit Committee: Chang, Ryh-Yan

Printed on March 30, 2023

- IV. Please refer to Appendix 1 for the latest annual audited consolidated financial statements (including the CPA's report, two-year comparative balance sheets, consolidated statements of income, changes in equity, cash flows, and notes or schedules) of the parent and subsidiaries.

Representation Letter

The entities that are required to be included in the combined financial statements of PANION & BF BIOTECH INC. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PANION & BF BIOTECH INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Panion & BF Biotech Inc.

Chairman: Chang, Li-Chiou

Date: March 30, 2023

- V. Please refer to Appendix 2 for the latest annual audited financial statements of the Company (excluding the schedule of significant accounting items).
- VI. Financial Difficulties Suffered by the Company and Subsidiaries in the Most Recent Fiscal Year and the Current Fiscal Year Up to the Publication Date of this Annual Report, and the Effects on the Company's Financial Position: None.

Chapter 7. Financial Status and Performance Review, Analysis, and Risks

I. Financial Position:

The main reasons for significant changes in assets, liabilities, and equity in the most recent two years and their effects are described as follows:

Unit: NT\$ thousands

Item \ Year	2021 (Consolidated)		2022 (Consolidated)		Change	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	279,103	10	464,257	15	185,154	66
Financial asset measured at fair value through profit & loss-Current	69,787	2	-	-	(69,787)	-
Short-term loans	265,000	9	395,000	13	130,000	49
Current portion of long-term loans	36,526	1	-	-	(36,526)	-
Other payables	219,433	7	292,795	9	(73,362)	(33)
Long-term loans	116,068	4	22,900	1	(93,168)	(80)
Unappropriated earnings	108,108	4	188,497	6	80,389	74
• Where the change in the second year is 10% or more and the amount of change reaches 1% or more of total assets, analysis of the reasons for this change is as follows: 1. Increase in cash and cash equivalents: Revenue and profit increased significantly in 2022 compared to 2021, resulting in an increase in cash and cash equivalents. 2. Financial asset measured at fair value through profit & loss-Current reduction: In 2022, the Company redeemed the beneficiary certificate Spectra SPC-Powerfund from Ayers Alliance Group Limited in accordance with the contract. However, the Company did not receive the redemption amount from the Fund before the payment date stipulated in the contract. In addition, considering all the factors including whether Ayers Alliance Group Limited and Spectra SPC Powerfund will continue to operate, the existence of the company and the fair value of the assets of Spectra SPC Powerfund, the financial asset losses of \$99,751 thousand have been recorded on December 31, 2022. 3. Increase in short-term loans: In 2022, the Company used short-term bank loans to maintain its line of credit, causing an increase in short-term loans. 4. Decrease in current portion of long-term loans: In 2022, the net cash inflow from operating activities increased and was used to repay long-term loans, resulting in a decrease in current portion of long-term loans. 5. Increase in other payables:						

The revenue and profit in 2022 increased significantly compared to 2021, causing an increase in payable expenses such as salaries, bonuses, directors' and employees' remuneration, as well as an increase in R&D expenses invested in product development and clinical trials. All of these led to an increase in other payables. 6. Decrease in long-term loans: In 2022, the net cash inflow from operating activities increased and was used to repay long-term loans, resulting in a decrease in long-term loans. 7. Increase in unappropriated earnings: The increase in net income after tax in 2022 compared to 2022 resulted in an increase in unappropriated earnings. • Significant effect of changes in financial position in the recent two years: No significant effect on financial position. • Future contingency plan: N/A.

II. Financial performance:

- (I) The main reasons for the significant changes in operating revenues, net operating income, and net income before income taxes for the most recent two years are described as follows:

Unit: NT\$ thousands

Year Item	2021 (Consolidated)	2022 (Consolidated)	Change	
			Amount	%
Operating Revenue	1,901,211	2,398,648	497,437	26
Operating Cost	989,073	1,080,052	90,979	9
Gross Profit	912,138	1,318,596	406,458	45
Operating Expenses	746,796	904,632	157,836	21
Operating Income	165,342	413,964	248,622	150
Non-operating Income and	17,310	(80,555)	(97,865)	(565)
Net Income Before Tax	182,652	333,409	150,757	83
Net Income	104,402	182,345	77,943	75

Description of items of significant change:

1. Operating Revenue:

The increase in consolidated operating revenue of NT\$497,434 thousand in 2022 compared to 2021 is mainly due to the record high revenue from COVID-19 antigen rapid test kits developed by the Taiwan BU and stable growth of API revenues, which led to an increase in operating revenue of NT\$486,518.

2. Gross Profit:

The increase in consolidated gross profit of NT\$406,458 thousand in 2022 compared to 2021 is mainly due to the significant increase in Taiwan BU's operating revenue of COVID-19 antigen rapid test kits and the royalty income obtained from the new drug for renal failure, which led to an increase in gross profit of NT\$433,183 thousand.

3. Operating Expenses:

The increase of NT\$157,836 thousand in consolidated operating expenses in 2022 compared to 2021 is mainly due to the growth in revenue from the Taiwan BU, the increase in various staffing costs, bonuses, business promotion, warehousing and shipping expenses, and continued investment in R&D expenses for COVID-19 antigen rapid test kits, new indications of Nephoxil[®], medical aesthetic micro-needling, and minimally invasive products.

4. Operating Income:

Consolidated operating revenues and gross operating profit significant increased in 2022 compared to 2021, resulting in an increase in consolidated net operating profit of NT\$248,622 thousand.

5. Net Income Before Tax and Income:

The increase in consolidated operating revenues, gross profit, net operating income, and non-operating revenues in 2022 compared to 2021 resulted in an increase in consolidated net income before tax of NT\$150,757 thousand and an increase in net income for the period of NT\$77,943 thousand.

- (II) Expected Sales Volume and its Basis and Possible Impact on the Company's Future Financial Operations and Contingent Plans:

Based on market conditions, the Company's development strategy, and the Board of Directors' expectations, the Group's consolidated operating and profitability targets for 2022 have been set. In addition to the gradual realization of the development of revenues in the new drug business, in the development of channel management and enterprise resource integration, we are committed to the sales mix of major customers, major products, and high-margin products in order to increase operating and gross profit margins and create operating income. We also continue to implement the control of operating expenses and introduce production cost reduction solutions in the hope of establishing a competitive advantage for the Company and creating higher profitability.

III. Cash Flows:

(I) Analysis of changes in cash flows for the most recent year is described below:

Year Item	2021 (Consolidated)	2022 (Consolidated)	Increase (Decrease) %
Cash flow ratio	54.2%	53.2%	(1.8)%
Cash flow adequacy ratio	56.0%	73.0%	30.3%
Cash flow reinvestment ratio	11.2%	13.3%	18.8%
Analysis of Changes in the Percentage: 1. Decrease in cash flow ratio: Net cash inflows from operating activities in 2022 increased compared to 2021 but current liabilities increased compared to 2021, resulting in a decrease in the cash flow ratio in 2022 compared decreased 2021. 2. Increase in cash flow adequacy ratio: The net cash inflow from operating activities in 2022 increased compared to the previous four years, resulting in an increase in the cash flow adequacy ratio in 2022 compared to 2021.			

(II) Improvement plan for insufficient liquidity: Cash liquidity is not insufficient.

(III) Cash flow analysis for the next year:

Unit: NT\$ thousands

Cash amount—beginning of the year	Net cash flow from operating activities throughout the year	Cash inflow (outflow) throughout the year	Cash surplus (deficit) amount	Remedies for cash deficit	
				Investment Plan	Financial Plan
464,257	91,804	150,059	-	-	-
Net cash flow from operating activities of \$91,804 thousand: This represents the net cash flow from operating activities for the full year of 2023. Cash outflow for the year of NT\$150,059 thousand: This represents the net cash flow from investing and financing activities for the full year of 2023.					

IV. Impact of recent significant capital expenditures on financial operations: The Company had no significant capital expenditures in the recent year.

V. The most recent year's reinvestment policy, the main reasons for profit/loss, improvement plans, and investment plans for the coming year:

(I) Reinvestment policy for the most recent year

The Company established Zhuhai Baozhan Trade Co., Ltd. (China) through its U.S. subsidiary Bowlin Biotech Corp. (USA) via reinvestment by Bowlin Holding Co., Ltd. (Seychelles) and established a sales team in mainland China. In addition, through reinvestment we established a production base for Zhuhai Panion & BF Biotech Inc. to tap into the fast-growing medical aesthetics market in China.

In order to meet the demands of growing sales in China, Hong Kong, and Macau, we have invested in the sales of pharmaceuticals, food, and cosmeceutical in addition to medical aesthetic device. Through its subsidiary Bowlin Holding Co., Ltd. (Cayman), via Bowlin Holding (HK) Co., Ltd. and Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada., reinvested in Zhuhai Panion Innovation Biotech Co., Ltd. and Zhuhai Baoyi Biotech Co., Ltd., respectively.

The Company and Shandong Weigao Pharmaceutical Company Limited (“Shandong Weigao”) entered into a joint venture agreement to establish a Company Weigao Panion Biotech Holding Company (“Weigao Panion”), and to develop, manufacture and exclusively sell Nephoxil, a new drug for kidney disease in mainland China.

On November 30, 2020, the Company have resolved to acquire 100% of the shares in Cheng Fong Chemical. Cheng Fong Chemical is a GMP API plant and is the only registered producer of the API ferric citrate for the Company’s new renal drug Nephoxil®. In the future, Cheng Fong will actively build out the Nephoxil API Global Supply Plan, becoming the exclusive supplier of ferric citrate, the main ingredient of Nephoxil®, after the product has obtained regulatory approval for marketing in China and Korea. After obtaining regulatory approvals in the U.S. and Japan, we will have the opportunity to replace our existing suppliers and begin exporting ferric citrate to the U.S. and other countries with our price and technical advantages.

(II) Reinvestment policy, the main reasons for profit/loss, improvement plans, and investment plans for the coming year:

December 31, 2022; Unit: NT\$ thousands

Name of Investment Company	Name of Company Invested in	Initial Investment Amount	Investment (loss) gain recognized in 2022	Reason for gain or loss	Improvement plans and investment plans for the coming year
The Company	Cheng Fong Chemical Co., Ltd.	863,513	1,665	Product categories and market alignment	Continued market penetration and budget control
The Company	Bowlin Biotech Corp. (USA)	69,990	(36,616)	Holding Company	-
The Company	Bowlin Holding CO.,Ltd.(Seychelles)	74,795	(41,607)	Holding Company	-
Bowlin Biotech Corp.(USA)	Bowlin Holding CO., Ltd. (Seychelles)	69,608	Note 1	Holding Company	-
Bowlin Holding CO., Ltd.(Seychelles)	Zhuhai Baozhan Trade Co., Ltd. (China)	71,882	(48,997)	Impact of COVID-19 outbreak	Continued market penetration and budget control
Bowlin Holding CO., Ltd. (Seychelles)	Zhuhai Panion & BF Biotech Inc. (China)	91,390	(31,136)	Impact of COVID-19 outbreak	Continued market penetration and budget control
The Company	Bowlin Holding CO., Ltd. (Cayman)	123,743	(43,477)	Holding Company	-
Bowlin Holding CO.,Ltd.(Cayman)	Bowlin Holding (HK) Co., Ltd.	109,985	Note 2	Holding Company	-
Bowlin Holding CO., Ltd. (Cayman)	Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada.	9,213	Note 2	Impact of COVID-19 outbreak	-
Bowlin Holding (HK) Co., Ltd.	Zhuhai Panion Innovation Biotech Co., Ltd. (China)	33,402	(12,128)	Operations are gradually improving	Continued market penetration and budget control
Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada.	Zhuhai Baoyi Biotech Co., Ltd. (China)	4,647	290	Impact of COVID-19 outbreak	-
The Company	Weigao Panion Biotech Holding Co., Ltd. (HK)	127,770	(8,181)	Holding Company	-
Weigao Panion Biotech Holding Co., Ltd. (HK)	Shandong Weigao Panion Pharmaceutical Co., Ltd.	238,483	(8,037)	Still in clinical stage of product	Ongoing product clinical studies
Shandong Weigao Panion Pharmaceutical Co., Ltd.	Shanghai Weigao Panion Pharmaceutical Co., Ltd.	15,342	(2,401)	Impact of COVID-19 outbreak	Continued market penetration and budget control

Note 1. Investment gain or loss recognized in Bowlin Holding Co. by Bowlin Biotech Corp. (USA) is included in the investment gain or loss recognized by the Company in Bowlin Biotech Corp. (USA).

Note 2. Investment gain or loss recognized in Bowlin Holding (HK) Co., Ltd. and Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada. by Bowlin Holding Co., Ltd. (Cayman) is included in the investment gain or loss recognized by the Company in Bowlin Holding Co., Ltd. (Cayman).

VI. Risk Matters

- (I) The impact of changes in interest rates, exchange rates, and inflation on the Company's profit and loss in recent years and future measures:

1. Interest rate changes:

- (1) The effect of interest rate changes on the Company's revenue and profitability:

Interest expenses amounted to NT\$7,585 thousand and NT\$14,681 thousand in 2022 and 2021, respectively, and accounted for 0.32% and 0.77% of operating revenues in those years. Overall, the change in interest rate is not expected to have a materially adverse effect on the Company's revenue and profitability.

- (2) The Company's specific measures in response to changes in interest rates:

The Company's financial structure is sound, its bank credit facilities are adequate, and its capital planning is based on conservative and prudent principles. In terms of interest rates, the Company makes reference to various domestic and foreign economic research institutions and bank research reports to grasp their likely future direction. The Company maintains close contact and good interaction with banks to keep abreast of changes in interest rates.

2. Changes in foreign exchange rates:

- (1) Effect of foreign exchange rate changes on the Company's revenue and profitability:

Unit: NT\$ thousands

Item \ Year	2021 (Consolidated)	2022 (Consolidated)	Increase (Decrease) %
Net of Foreign Exchange (Loss) Gain	(3,066)	(320)	(90)
Operating Revenue	1,901,211	2,398,648	26
Operating Income	165,342	413,964	150
Net Income Before Tax	182,652	333,409	83
Ration of Net Foreign Exchange (Loss) Gain to Net Operating Revenue	-0.16%	-0.01%	(94)
Ration of Net Foreign Exchange (Gain) to Operating Income	-1.85%	-0.08%	(96)-
Ration of Net Foreign Exchange Gain (Loss) to Net Income before Tax	-1.67%	-0.10%	(94)
Note: The net foreign exchange gains (losses) for 2022 and 2021 were NT\$(320) thousand and NT\$(3,066) thousand, respectively, which accounted for (0.01) % and (0.16%) of the operating revenues. Overall, the exchange rate changes did not have a materially adverse effect on the Company's revenue and profit.			

- (2) The Company's specific measures in response to changes in foreign exchange rates:

To reduce the impact of foreign exchange rate changes on the Company's profit and loss, the Company collects foreign exchange rate information at all times, pays attention to the movements and changes of major currencies in the international foreign exchange market to stay on top of foreign exchange rate trends, and maintains good interaction with banks to obtain more extensive foreign exchange information and more favorable foreign exchange rate quotes.

3. Inflation:

- (1) Effect of inflationary changes on the Company's revenue and profitability:

In recent years, the overall economic environment has shown a slight inflationary trend due to the increase in global raw materials, but the Company has not yet experienced any significant impact on its revenue and profitability due to inflation.

- (2) The Company's specific measures in response to inflation:

In addition to paying close attention to market price fluctuations, the Company maintains close interactions with suppliers and customers and monitors market price changes, adjusting sale prices when necessary to reduce the impact of inflation on rising raw material prices.

- (II) Policies for engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees, and derivative transactions, the main reasons for profit or loss, and future measures:

The Company is focused on the development of its own business and has not engaged in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees, or derivative transactions in recent years. In order to control the risk of transactions, the Company has established the Procedures for Lending Funds to Others, Procedures for Endorsement and Guarantee, and Procedures for Acquisition or Disposal of Assets to serve as guidelines for relevant operations, all of which were approved at the Shareholders' Meeting. In the future, if there is a need to engage in transactions such as lending of funds to others, endorsement and guarantee, or derivatives for operational and financial purposes, the Company will follow the relevant procedures.

- (III) Future R&D plans and estimated R&D expenses:

Mastering the core technology to expand into the global market: With Nephoxil[®] as the core drug, we have introduced a product lifecycle management strategy to expand the application of Nephoxil[®] in the field of chronic renal failure and established a global cooperation network with international nephrology partners. In addition to extending the development of new indications, we will continue to develop product lines for general and serious diseases to significantly enhance the efficiency of new drug development and our competitive advantage in the international market.

Expanding the business of “skin aesthetics” and “anti-aging”: Through the concept of anti-aging in all aspects of appearance and physiological age, we are actively developing the business of medical cosmetics and nutritional supplements to target auxiliary treatments in dermatology. medical aesthetic surgery in the skin aesthetics business, and developing a full range of medical cosmetics, hair loss treatments, and nutritional supplements to delay the aging process. The Company is actively developing a new non-invasive age-reversal technology: the micro-needle age-reversal product series, which is expected to bring more choices to the market and generate new revenue for the Company. In addition to its diverse channels in Taiwan, the Company will continue to actively expand its professional medical channels and virtual e-commerce channels in China, as well as its international market presence elsewhere.

Investing in testing and diagnostics business, developing forward-looking technologies and products: Biotechnology is an emerging technological industry in the 21st century, and the development of diagnostic products is a very important field in the commercial application of biotechnology. In 2014, we established our Diagnostic Testing Division, and with our internal core team and R&D platform, we established ourselves as the first company in Taiwan to develop immunoassay reagents with an ISO- and GMP-compliant design control system. By the end of 2015, we had successfully developed eight rapid tests for infectious diseases, including gastrointestinal and respiratory disease tests. We have also obtained 510(k) approval from the US FDA for our rapid test kits for H. pylori, and have also invested in the development of personalized cancer diagnostic reagents. In addition, the simple, all-in-one H. pylori antigen test has been licensed by the Food and Drug Administration of Taiwan, which is a major step forward in at-home disease detection and may help prevent and reduce the possibility of stomach cancer. With COVID-19 ravaging the world in 2020, the Company has been using its special skills to give back to society by developing COVID-19 antigen rapid test kits and obtaining marketing licenses in many countries, seeing remarkable sales figures in Taiwan between 2020 and 2022. In the future, the Company will continue to work on clinical and regulatory applications in other key strategic countries and regions. At present, we focus on the development of the rapid test kits for FluA/B & COVID and dengue fever. On the business side, the Company is also actively engaged in commercial negotiations with distributors. agents to commercialize its R&D results. In medicine and clinical treatment, prevention is always better than cure. The Company’s ultimate goal is to become the world’s number one in bringing infectious disease prevention and diagnosis to home testing, maximizing business opportunities and enabling the general public can be diagnosed and treated at the earliest stages of disease.

In 2023, the Company expects to spend approximately 10%–13% of its revenue on research and development, focusing mainly in three major development areas: innovative medical treatment, innovative diagnostics, and innovative medical aesthetics.

- (IV) The impact of significant domestic and foreign policy and legal changes on the Company's financial operations in the most recent year and the corresponding measures:

The Company operates in accordance with the relevant domestic and foreign laws and regulations, and is always aware of domestic and foreign policy development trends and changes in legislation. Biotech pharmaceuticals is a highly regulated industry, and products must comply with national pharmaceutical regulations at every stage, from R&D and clinical trial execution to drug manufacturing, drug certification review, and post-marketing safety control must comply with national pharmaceutical regulations. Therefore, the Company has set up a dedicated department to recruit medical and regulatory experts, actively participate in related seminars, continuously pay attention to changes in medical and regulatory systems, and consult with relevant professionals to fully grasp and respond to changes in the market environment. As a result, there has been no significant impact on the Company's financial operations due to significant domestic and international policy and legal changes.

- (V) The impact of technological changes (including IT risks) and industry changes on the Company's financial operations and the corresponding measures:

The biotechnology industry is characterized by high barriers to entry, long R&D cycles, high demand for specialized technologies, and high added value and is less likely to undergo significant changes in a short period of time. The Company has professional R&D capabilities and comprehensive intellectual property protection for its core products. It will adopt a product lifecycle management strategy for its marketed products, strengthen patent protection, and continue to develop to increase its competitive advantage and meet market demand. For the most recent year and up to the date of the annual report, there were no significant domestic or foreign policy or legal changes that affected the financial operations of the Company.

A stable corporate information system is an important part of maintaining a company's operations, and so the Company has been investing in constructing such an information system. In addition to a complete ERP system to handle the entire set of financial and accounting accounts of the Company, we have also built an information security monitoring and protection system, as well as a mechanism for regular backups and off-site storage to reduce the occurrence of information security incidents and limit the extent of potential damage. In addition, we perform annual self-inspections of information security to assess whether there remains room for improvement, regularly review privileges to check whether any employee has improper privileges and make necessary corrections, and conduct post-disaster ERP system exercises to ensure the appropriateness and effectiveness of the system.

Although we have made every effort to protect against and prepare for information security incidents, in view of the ever-changing nature of network security threats, every year we must continuously absorb new knowledge, review and improve, and backup data to minimize overall information risk.

(VI) The impact of corporate image change on corporate crisis management and corresponding measures:

Since its establishment, the Company has held the management philosophy of "Health, Sharing, and Caring", attached importance to corporate governance, complied with regulations, and maintained harmonious labor relations. For the most recent year and as of the publication date of this report, there have been no changes in technology or the industry that have affected financial operations.

(VII) Expected benefits, possible risks, and countermeasures of mergers and acquisitions:

In order to acquire an API plant and integrate upstream and downstream industrial resources, the Company completed a share purchase and sale transaction on November 30, 2020 and acquired Cheng Fong Chemical Co., Ltd. as a 100% subsidiary. Cheng Fong Chemical is a GMP API plant and is the only registered producer of the API ferric citrate for the Company's new renal drug Nephoxil[®]. In the future, Cheng Fong will actively build out the Nephoxil API Global Supply Plan, becoming the exclusive supplier of ferric citrate, the main ingredient of Nephoxil[®], after the product has obtained approval for sale in China and Korea. After obtaining regulatory approvals in the U.S. and Japan, we will have the opportunity to replace our existing suppliers and begin exporting ferric citrate to the U.S. and other countries with our price and technical advantages.

(VIII) Expected benefits, possible risks, and countermeasures for plant expansion:

The Company has no plans to expand its plants in the most recent year or as of the publication date of this annual report, and if plans do arise to do so in the future, the Company will take a prudent approach in evaluating whether the expansion will bring specific benefits to the Company so as to protect the interests of the Company and its shareholders.

(IX) Risks and countermeasures for concentration of purchases or sales:

In the most recent year and as of the publication date of this annual report, the Company has no concentrations of purchases or sales. In the future, we will continue to monitor whether there is any excessive concentration of purchases or sales and adjust our customers and suppliers at any time to avoid the risk of concentration.

(X) The impact, risk, and countermeasures to address significant transfers or changes in shareholdings of directors, supervisors, or substantial shareholders holding more than 10% of the shares of the Company:

For the most recent year and as of the publication date of this annual report, there have been no significant transfers or changes of ownership of the Company's directors, supervisors, or substantial shareholders holding more than 10% of the shares.

(XI) The impact, risk, and countermeasures of changes of the operating rights of the Company:

For the most recent year and as of the publication date of this annual report, there were no changes in the Company's operating rights.

(XII) For litigatory or non-litigatory incidents, the Company and its directors, supervisors, general manager, materially responsible persons, top shareholders holding more than 10% of the shares, and affiliated companies should list the major litigatory, non-litigatory, or administrative actions that have been determined or are still pending and the outcome of which may have a significant impact on shareholders' equity or securities prices, the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation and the disposition of the matter as of the printing date of the annual report:

1. The Company is the owner and licensor of patents related to the ferric citrate drug Auryxia in the United States, and these patents are listed in the Orange Book (more formally known as "Approved Drug Products with Therapeutic Equivalence Evaluations). Since Q4 2018, in chronological order of receipt, Lupin Atlantis Holdings SA, Teva Pharmaceuticals USA Inc., Chemo Research SL, Mylan Pharmaceuticals Inc., Lupin Limited, Watson Laboratories Inc., and Par Pharmaceuticals Inc. have filed with the FDA for marketing review of Auryxia generic drugs, claiming that they do not infringe, in whole or in part, the Company's Orange Book patents, or that the Company's Orange Book patents are invalid or unenforceable, in whole or in part. To protect its patents, the Company has, with licensee Keryx Biopharmaceuticals (now a subsidiary of Akebia Therapeutics Inc.) and Prof. Hsu, Chen-Hsing as co-plaintiffs, filed a patent infringement lawsuit against the above companies and has requested that the patent term or exclusivity period not expire before the review of the generic drugs' market launch permission takes effect.

In August 2019, the Company and its license partner Keryx settled and signed a settlement and license agreement with Par to resolve the patent litigation arising out of the generic drug market launch application described above. The Company and its licensing partner, Keryx, have also agreed to license Par to market Auryxia's generic drugs in the United States beginning March 20, 2025, or earlier if that constitutes a customary condition of a similar settlement agreement. The settlement and the license agreement are confidential and subject to review by the Federal Trade Commission and the U.S. Department of Justice. Subsequently, license partner Keryx, together with the Company, also reached settlements with Teva Pharmaceuticals USA Inc. and Watson Laboratories Inc. in April 2020, Lupin Atlantis Holdings SA and Lupin Ltd. in September 2020, Chemo Research SL in March 2021, and Mylan Pharmaceuticals Inc. in September 2021. In summary, settlements were reached with all seven generic pharmaceutical companies, and each settlement was substantially the same as the conditions described above.

In February, 2023, Zydus Pharmaceuticals (USA) Inc. filed with the FDA for marketing review of Auryxia generic drugs, making it the eighth generic drug manufacturer to submit for marketing review. Zydus claimed that it had not infringed some patents listed in the Orange Book of the Company and its license partner Keryx, and asserted that some published patents were invalid. The Company assisted its license partner Keryx as co-plaintiff in a patent infringement lawsuit against Zydus Pharmaceuticals (USA) Inc., and requested that the patent term not expire before the review of the generic drugs' market launch permission takes effect.

2. Internation Functional Food Co., Ltd. has ordered a number of products from the Company. However, since October 2019, it has not paid for the products ordered from the Company and received, a total value of NT\$1,607.692 thousand. A payment order was granted by the Shihlin District Court, but after the company filed a dissenting opinion, the case was adjudicated by the Shihlin District Court with Supplemental No. 1621 for the year 2020 and then transferred to the Taipei District Court for jurisdiction and adjudication with Suit No. 5909 for 2021. The Company won the case in January 2022, and Internation Functional Food Co., Ltd. has filed an appeal. The case was judged by the Taiwan High Court on September 7, 2022 with the verdict Shang-Yi-Zi No. 293 for the year 2022, and is now in the enforcement process.
3. On December 30, 2021, under the command of the Taiwan Shilin District Prosecutors Office, the Taipei City Investigation Division of the Ministry of Justice Investigation Bureau visited the Company to investigate whether its alcohol-based hand sanitizers violated the Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens. After several court investigations in 2022 and the examination of all the documents provided by the Company, the Company was found not to have violated the Special Act. On May 19, 2022, the Company received a non-prosecution letter from the Taiwan Shilin District Prosecutors Office.
4. For the most recent year and as of the publication date of this report, the above litigation case had had no material impact on the Company's shareholders' equity.

(XIII) Other important risks and countermeasures: None

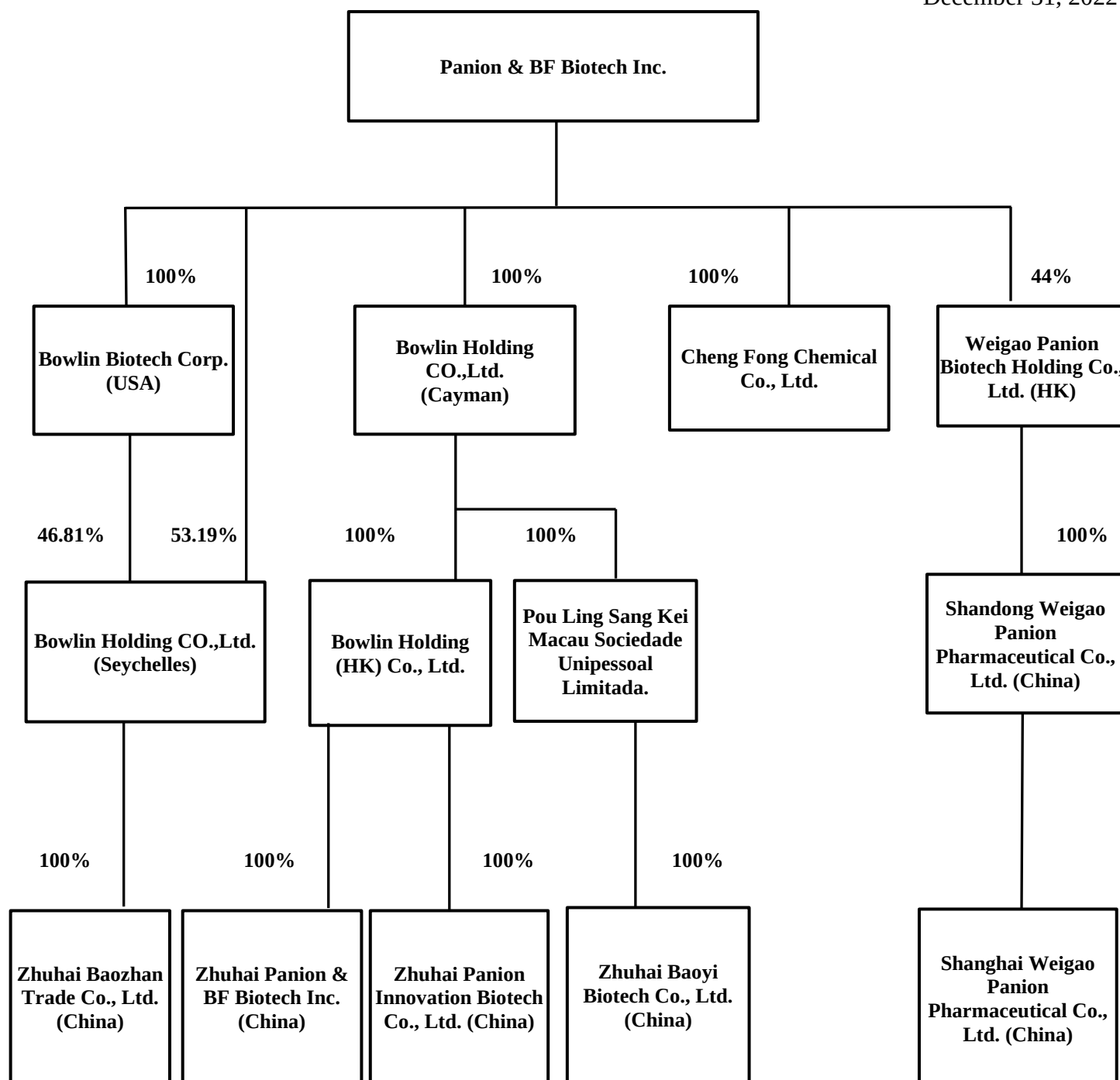
VII. Other important matters: None.

Chapter 8. Special Matters to be Noted

I. Information on Affiliates

(I) Organizational Chart of Affiliates:

December 31, 2022



(II) Basic Information on Affiliates:

December 31, 2022

Name of affiliate	Date of incorporation	Address	Paid-in capital	Number of shares	Nature of Business
Cheng Fong Chemical Co., Ltd.	1957.10	Taiwan	NT\$421,320,000	42,132,000 shares	Production and sales of pharmaceutical APIs
Bowlin Biotech Corp.(USA)	2004.02	USA	US\$2,305,000	2,305 shares	Reinvestment holding business
Bowlin Holding CO., Ltd.(Cayman)	2014.11	British Cayman Islands	US\$4,250,000	4,250,000 shares	Reinvestment holding business
Bowlin Holding CO., Ltd.(Seychelles)	2011.03	Africa (Seychelles)	US\$4,700,000	4,700,000 shares	Reinvestment holding business and trading business
Zhuhai Baozhan Trade Co., Ltd. (China)	2011.10	China	US\$2,300,000	Note 1	Cosmeceutical, international trading, product distribution, and technical services for related products
Zhuhai Panion & BF Biotech Inc. (China)	2014.03	China	RMB18,632,500	Note 1	Manufacture and sale of cosmeceutical products
Bowlin Holding (HK) Co., Ltd.	2014.12	Hong Kong	US\$3,770,000	3,770,000 shares	Reinvestment holding and trading business
Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada.	2018.08	Macau	MOP\$2,400,000	Note 1	Reinvestment holding and trading business
Zhuhai Panion Innovation Biotech Co., Ltd. (China)	2019.07	China	US\$1,100,000	Note 1	International trading and product distribution
Zhuhai Baoyi Biotech Co., Ltd. (China)	2019.05	China	US\$150,000	Note 1	International trading and product distribution

Name of affiliate	Date of incorporation	Address	Paid-in capital	Number of shares	Nature of Business
Weigao Panion Biotech Holding Co., Ltd. (HK)	2015.02	Hong Kong	HK\$76,291,268	76,291,268 shares	Reinvestment holding business
Shandong Weigao Panion Pharmaceutical Co., Ltd. (China)	2015.08	China	RMB53,541,636.37	Note 1	Engaged in the clinical, import, production, and sales of novel compounds.
Shanghai Weigao Panion Pharmaceutical Co., Ltd. (China)	2020.12	China	RMB3,500,000	Note 1	Entrusted pharmaceutical production, import and export sales of pharmaceuticals, cosmetics and food.

Note 1. There are no shares of stock issued in the form of a limited company.

(III) Information on the same shareholders who are presumed to be in a controlling and subordinate relationship: None.

(IV) Industry covered by the business of the overall affiliates:

Engaged in the production and sale of new compounds; the manufacture, distribution and trading of cosmetics; import and export trading; and reinvestment holding and other investment businesses

(V) The name of the chairman of each affiliate and their shareholding in the affiliate:

December 31, 2022

Name of affiliate	Chairman	Job Description	Shareholding of the Chairman	
			Number of shares	Shareholding Ratio
Cheng Fong Chemical Co., Ltd.	Chang, Li-Chiou	Panion & BF Biotech Inc. Representative:	-	-
Bowlin Biotech Corp (USA)	Chang, Li-Chiou	Panion & BF Biotech Inc. Representative:	-	-
Bowlin Holding CO., Ltd. (Cayman)	Chiang, Chung-Ming	Panion & BF Biotech Inc. Representative:	-	-
Bowlin Holding CO., Ltd. (Seychelles)	Chiang, Chung-Ming	Bowlin Biotech Corp (USA) Representative:	-	-
Zhuhai Baozhan Trade Co., Ltd. (China)	Chiang, Chung-Ming	Bowlin Holding CO., Ltd. (Seychelles) Representative:	-	-
Zhuhai Panion & BF Biotech Inc. (China) (Note)	Chiang, Chung-Ming	Bowlin Holding (HK) Co., Ltd. Representative:	-	-
Bowlin Holding (HK) Co., Ltd.	Chiang, Chung-Ming	Bowlin Holding CO., Ltd. (Cayman) Representative:	-	-
Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada.	Chiang, Chung-Ming	Bowlin Holding CO., Ltd. (Cayman) Representative:	-	-
Zhuhai Panion Innovation Biotech Co., Ltd. (China)	Chiang, Chung-Ming	Bowlin Holding (HK) Co., Ltd. Representative:	-	-
Zhuhai Baoyi Biotech Co., Ltd. (China)	Chiang, Chung-Ming	Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada. Representative:	-	-
Weigao Panion Biotech Holding Co., Ltd. (HK)	Chen, Lin	Shandong Weigao Pharmaceutical Co., Ltd. Representative:	-	-
Shandong Weigao Panion Pharmaceutical Co. Ltd. (China)	Chen, Lin	Weigao Panion Biotech Holding Co., Ltd. (Hong Kong) Representative:	-	-
Shanghai Weigao Panion Pharmaceutical Co., Ltd. (China)	Pi, Chien-Wei	Shandong Weigao Panion Pharmaceutical Co., Ltd. (China) Representative:	-	-

(VI) Operating status of each affiliate

December 31, 2022; Unit: NT\$ thousands

Name of affiliate	Capital	Total Assets	Total Liabilities	Net Assets	Operating Revenue	Operating income (Loss)	Net Income (Loss)
Cheng Fong Chemical Co., Ltd.	421,320	477,938	210,563	267,375	192,112	(24,801)	17,823
Bowlin Biotech Corp. (USA)	69,990	34,294	0	34,294	0	0	(36,639)
Bowlin Holding CO., Ltd. (Cayman)	123,743	106,540	574	105,966	0	(1,610)	(43,477)
Bowlin Holding CO., Ltd. (Seychelles)	144,403	79,958	6,723	73,235	(121)	(28,990)	(78,273)
Bowlin Holding (HK) Co., Ltd.	109,985	101,866	3,215	98,651	28,078	8,399	(42,203)
Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada.	9,213	5,926	121	5,805	0	(183)	327
Zhuhai Baozhan Trade Co., Ltd. (China)	71,882	77,579	9,668	67,911	9,802	(49,659)	(48,997)
Zhuhai Panion & BF Biotech Inc. (China)	91,390	75,725	81,600	(5,875)	38,535	(31,212)	(31,136)
Zhuhai Panion Innovation Biotech Co., Ltd. (China)	33,402	58,919	25,975	32,944	69,975	(24,194)	(12,128)
Zhuhai Baoyi Biotech Co., Ltd. (China)	4,647	3,468	0	3,468	0	(3)	290
Weigao Panion Biotech Holding Co., Ltd. (HK)	290,386	154,606	97	154,509	0	(326)	(18,593)
Shandong Weigao Panion Pharmaceutical Co. Ltd.(China)	238,483	180,439	82,524	97,975	0	(12,889)	(18,267)
Shanghai Weigao Panion Pharmaceutical Co., Ltd. (China)	15,342	7,840	505	7,335	480	(5,457)	(5,456)

(VII) Consolidated financial statements of affiliates: Please refer to the most recent consolidated financial statements of the parent and subsidiary audited by CPAs.

(VIII) Consolidated business report of affiliates: Not applicable.

(IX) Relationship report: Not applicable.

II. Private placement of marketable securities in the most recent fiscal year and the current fiscal year up to the publication date of this annual report: None.

III. Holding or disposal of the Company's shares by subsidiaries in the most recent fiscal year and the current fiscal year up to the publication date of this annual report: None.

IV. Other required disclosures: None.

Chapter 9. Occurrence of matters having material impact on shareholders' equity or the Company's securities price as prescribed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act in the most recent fiscal year and the current fiscal year up to the publication date of this annual report: None.

PANION & BF BIOTECH INC. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

Address: 16F., No. 3, Park St., Nangang Dist., Taipei City, Taiwan
(R.O.C.)
Telephone: (02)2655-8218

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of PANION & BF BIOTECH INC. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PANION & BF BIOTECH INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: PANION & BF BIOTECH INC.

Chairman: CHANG, LEE CHIOU

Date: March 30, 2023



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors of PANION & BF BIOTECH INC.:

Opinion

We have audited the accompanying consolidated financial statements of PANION & BF BIOTECH INC. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 of 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to notes 4(n) and 7(q) for the related disclosures on revenue recognition.

Description of key audit matter:

Revenue is one of the key performance indicators for evaluating the financial and operational performance of the Group. The risk for the revenue being recognized in an incorrect period or being recognized with incorrect amounts presents a material misstatement to the consolidated financial statements. Therefore, revenue recognition was considered one of the key audit matters in our audit.

How the matter was addressed in our audit:

Testing the effectiveness of the internal control over sales and receivable collection processes, including the evaluation of when to recognize the revenue from those significant contracts with customers; evaluating the sales to the top ten customers by considering the product type, the significant unusual changes in their receivables turnover ratio, and the changes, such as amount and ranking, in the current period to the last quarter, and to the same period in the prior year; selecting sales transactions throughout the year and within a period before and after the year-end, and vouching them with the related supporting documents to evaluate whether the revenue has been recognized in the correct accounting period and assess if the significant sales returns and allowances occur in the subsequent period.

2. Subsequent measurement of inventories

Please refer to notes 4(h), 5 and 6(c) for the related disclosures on subsequent measurement of inventories.

Description of key audit matter:

The inventories of the Group are mainly pharmaceutical drugs, health supplements, chemical products and test reagents. The products may be outdated or no longer meet the market demand due to the rapid development of new products. In addition, the price competition in the same industry, and the demand on related products and their prices which may fiercely fluctuate, may result in a risk wherein the cost of inventories may exceed its net realizable value. The subsequent measurement of inventories relies on the management's subjective judgment using internal and external evidences. Therefore, the subsequent measurement of inventories was considered one of the key audit matters in our audit.

How the matter was addressed in our audit:

Assessing the rationality of accounting policy for inventory subsequent measurement; obtaining the documents on inventory subsequent measurement to determine whether they are in compliance with the accounting policy; understanding the rationality of sales prices adopted by the management, selecting samples and verifying the accuracy of net realizable value of inventories by examining relevant documents, and determining the reasonableness of the inventory provision recognized by the management.

Other Matter

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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 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 members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and 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 for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lily Lu and Min-Ju Chao.

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2023

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PANION & BF BIOTECH INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents (note 6(a))	\$	464,257	15	279,103	10	2100	Short-term loans (note 6(j))	\$	395,000	13
1110	Financial assets measured at fair value through profit and loss—current (note 6(d))	-	-	69,787	2	2170	Current portion of long-term loans (notes 6(j) and 8)	-	-	36,526	1
1150	Notes receivable (notes 6(b) and (q))	92,537	3	81,046	3	2200	Accounts payable	125,265	4	130,232	4
1160	Notes receivable—related parties (notes 6(b), (q) and 7)	31,435	1	35,936	1	2230	Other payables (notes 6(r), 7 and 9)	292,795	9	219,433	7
1170	Accounts receivable, net (notes 6(b) and (q))	208,299	7	207,114	7	2280	Current income tax liabilities	27,163	1	5,410	-
1180	Accounts receivable—related parties (notes 6(b), (q), 7 and 9)	21,760	1	9,804	-	2399	Current lease liabilities (note 6(k))	29,634	1	33,193	1
1200	Other receivables	1,292	-	1,854	-		Other current liabilities	51,724	2	50,699	2
1220	Current income tax assets	5,386	-	27,745	1		Total current liabilities	921,581	30	740,493	24
130x	Inventories (note 6(c))	545,648	17	528,525	18	2540	Non-Current liabilities:				
1410	Prepayments	22,703	1	30,500	1	2570	Long-term loans (notes 6(j) and 8)	22,900	1	116,068	4
1479	Other current assets	5,972	-	3,117	-	2580	Deferred tax liabilities (note 6(m))	73,100	2	73,924	3
	Total current assets	1,399,289	45	1,274,531	43	2640	Non-current lease liabilities (note 6(k))	34,797	1	51,774	2
						2645	Net defined benefit liability—non-current (note 6(l))	11,122	-	17,477	1
						2650	Guarantee deposits	6,302	-	8,666	-
1510	Financial assets measured at fair value through profit and loss—non-current (note 6(d))	75,097	2	84,027	3		Credit balance of investments accounted for using equity method (notes 6(f) and 9)	16,624	1	11,679	-
1600	Property, plant and equipment (notes 6(g) and 8)	1,496,625	48	1,440,446	48		Total non-current liabilities	164,845	5	279,588	10
1755	Right-of-use assets (note 6(h))	58,761	2	80,905	3		Total liabilities	1,086,426	35	1,020,081	34
1780	Intangible assets (note 6(i))	15,967	1	19,645	1	31xx	Equity attributable to owners of parent (notes 6(n) and (o)):				
1840	Deferred tax assets (note 6(m))	21,122	1	21,258	1	3110	Common stock	857,391	28	857,391	29
1915	Prepayments for equipment	6,864	-	2,922	-	3200	Capital surplus	871,174	28	903,755	31
1920	Refundable deposits (note 8)	19,814	1	29,361	1		Retained earnings:				
	Total non-current assets	1,694,250	55	1,678,564	57	3310	Legal reserve	74,519	3	63,848	2
						3320	Special reserve	37,371	1	37,283	1
						3350	Unappropriated earnings	188,497	6	108,108	4
							Subtotal	300,387	10	209,239	7
							Other equity:				
						3410	Foreign currency translation differences for foreign operations	(21,839)	(1)	(37,371)	(1)
							Total equity	2,007,113	65	1,933,014	66
1xxx	Total assets	\$ 3,093,539	100	2,953,095	100		Total liabilities and equity	\$ 3,093,539	100	2,953,095	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PANION & BF BIOTECH INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(q) and 7)	\$ 2,398,648	100	1,901,211	100
5000	Operating costs (notes 6(c), (l) and 9)	<u>1,080,052</u>	<u>45</u>	<u>989,073</u>	<u>52</u>
5900	Gross profit	<u>1,318,596</u>	<u>55</u>	<u>912,138</u>	<u>48</u>
6000	Operating expenses (notes 6(b), (l) and 7):				
6100	Selling expenses	422,151	18	396,673	21
6200	Administrative expenses	233,907	10	190,322	10
6300	Research and development expenses	248,496	10	157,711	8
6450	Impairment loss for expected credit loss	<u>78</u>	<u>-</u>	<u>2,090</u>	<u>-</u>
	Total operating expenses	<u>904,632</u>	<u>38</u>	<u>746,796</u>	<u>39</u>
6900	Operating income	<u>413,964</u>	<u>17</u>	<u>165,342</u>	<u>9</u>
7000	Non-operating income and expenses (notes 6(d), (f), (k) and (s)):				
7100	Interest income	1,793	-	638	-
7010	Other income	20,812	1	40,265	2
7020	Other gains and losses	6,288	-	3,261	-
7050	Finance costs	(7,585)	-	(14,681)	(1)
7370	Share of losses from joint ventures	(8,181)	(1)	(12,173)	(1)
7635	Loss on financial assets measured at fair value through profit and loss	<u>(93,682)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
	Total non-operating income and expenses	<u>(80,555)</u>	<u>(4)</u>	<u>17,310</u>	<u>-</u>
	Profit from continuing operations before tax	333,409	13	182,652	9
7950	Less: Income tax expenses (note 6(m))	<u>151,064</u>	<u>6</u>	<u>78,250</u>	<u>4</u>
	Net income	<u>182,345</u>	<u>7</u>	<u>104,402</u>	<u>5</u>
8300	Other comprehensive income (loss) (notes 6(f), (l) and (m)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains on remeasurements of defined benefit plans	6,038	-	2,886	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>1,207</u>	<u>-</u>	<u>577</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit or loss	<u>4,831</u>	<u>-</u>	<u>2,309</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Foreign currency translation differences for foreign operations	12,296	1	(118)	-
8370	Share of other comprehensive income of joint ventures	3,236	-	30	-
8399	Less: income tax related to items that will be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>15,532</u>	<u>1</u>	<u>(88)</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>20,363</u>	<u>1</u>	<u>2,221</u>	<u>-</u>
	Total comprehensive income	<u>\$ 202,708</u>	<u>8</u>	<u>106,623</u>	<u>5</u>
Earnings per share (note 6(p))					
9710	Basic earnings per share (expressed in New Taiwan dollars)	<u>\$ 2.13</u>		<u>1.32</u>	
9810	Diluted earnings per share (expressed in New Taiwan dollars)	<u>\$ 2.12</u>		<u>1.32</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

PANION & BF BIOTECH INC. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Foreign currency translation differences for foreign operations	Total equity
	Common stock	Capital surplus	Retained earnings			subtotal		
			Legal reserve	Special reserve	Unappropriated earnings			
Balance at January 1, 2021	\$ 767,391	391,983	61,154	28,877	27,845	117,876	(37,283)	1,239,967
Appropriation and distribution:								
Legal reserve	-	-	2,694	-	(2,694)	-	-	-
Special reserve appropriated	-	-	-	8,406	(8,406)	-	-	-
Cash dividends	-	-	-	-	(15,348)	(15,348)	-	(15,348)
Cash dividends from capital surplus	-	(38,369)	-	-	-	-	-	(38,369)
Net income for the year	-	-	-	-	104,402	104,402	-	104,402
Other comprehensive income for the year	-	-	-	-	2,309	2,309	(88)	2,221
Total comprehensive income for the year	-	-	-	-	106,711	106,711	(88)	106,623
Issue of shares	90,000	538,425	-	-	-	-	-	628,425
Share-based payments	-	11,716	-	-	-	-	-	11,716
Balance at December 31, 2021	857,391	903,755	63,848	37,283	108,108	209,239	(37,371)	1,933,014
Appropriation and distribution:								
Legal reserve	-	-	10,671	-	(10,671)	-	-	-
Special reserve appropriated	-	-	-	88	(88)	-	-	-
Cash dividends	-	-	-	-	(96,028)	(96,028)	-	(96,028)
Cash dividends from capital surplus	-	(32,581)	-	-	-	-	-	(32,581)
Net income for the year	-	-	-	-	182,345	182,345	-	182,345
Other comprehensive income for the year	-	-	-	-	4,831	4,831	15,532	20,363
Total comprehensive income for the year	-	-	-	-	187,176	187,176	15,532	202,708
Balance at December 31, 2022	\$ 857,391	871,174	74,519	37,371	188,497	300,387	(21,839)	2,007,113

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

PANION & BF BIOTECH INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before tax	\$ 333,409	182,652
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation expense	159,451	139,526
Amortization expense	4,096	4,097
Impairment loss for expected credit loss	78	2,090
Net loss (gain) on financial assets measured at fair value through profit or loss	93,682	(6,722)
Interest expense	7,585	14,681
Interest income	(1,793)	(638)
Dividend income	(2,980)	(6,378)
Share-based payment transactions	-	11,716
Share of losses of joint ventures accounted for using equity method	8,181	12,173
(Gain) loss on disposal of property, plant and equipment	(6,278)	436
Gain on lease modification	(614)	(142)
Rent Concessions	-	(54)
Total adjustments to reconcile profit and loss	261,408	170,785
Changes in operating assets and liabilities relating:		
Net changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	(29,964)	30,711
Notes receivable	(11,491)	(14,806)
Notes receivable — related parties	4,501	23,997
Accounts receivable	2,258	2
Accounts receivable — related parties	(11,956)	23,609
Other receivables	567	50,168
Inventories	(15,883)	32,332
Prepayments	9,632	6,779
Other current assets	(2,815)	(2,617)
Total changes in operating assets	(55,151)	150,175
Changes in operating liabilities:		
Accounts payable	(5,692)	(31,936)
Other payables	65,264	4,885
Other current liabilities	62	1,826
Net defined benefit liability	(317)	(252)
Total net changes in operating liabilities	59,317	(25,477)
Total net changes in operating assets and liabilities	4,166	124,698
Total adjustments	265,574	295,483
Cash inflow generated from operations	598,983	478,135
Income taxes paid	(109,111)	(76,910)
Net cash flows from operating activities	489,872	401,225
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	15,000	-
Acquisition of investments accounted for using equity method	-	(43,010)
Acquisition of property, plant and equipment	(191,913)	(153,058)
Proceeds from disposal of property, plant and equipment	24,720	-
Decrease (Increase) in refundable deposits	9,685	(9,047)
Increase in prepayments for equipment	(6,731)	(16,950)
Interest received	1,793	638
Dividends received	2,980	6,378
Net cash flows used in investing activities	(144,466)	(215,049)
Cash flows from financing activities:		
Increase in short-term loans	1,705,000	1,930,590
Decrease in short-term loans	(1,575,000)	(2,130,590)
Proceeds from long-term loans	22,900	54,380
Repayments of long-term loans	(152,594)	(602,327)
Increase (decrease) in guarantee deposits	(2,432)	1,974
Repayment of the principal portion of lease liabilities	(29,015)	(31,800)
Cash dividends paid	(128,609)	(53,717)
Proceeds from issue of common stock	-	628,425
Interest paid	(7,638)	(14,695)
Net cash flows used in financing activities	(167,388)	(217,760)
Effect of movements in exchange rates on cash and cash equivalents held	7,136	575
Net increase (decrease) in cash and cash equivalents	185,154	(31,009)
Cash and cash equivalents, beginning of year	279,103	310,112
Cash and cash equivalents, end of year	\$ 464,257	279,103

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

PANION & BF BIOTECH INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

PANION & BF BIOTECH INC. (the “Company”) was established on January 7, 1976, as a corporation limited by shares in accordance with the Republic of China (“ROC”) Company Act. The Company is a PIC/S GMP certified manufacturer. The Company and its subsidiaries (collectively referred to as “the Group”) is mainly engaged in the manufacture and sales of pharmaceutical, cosmeceutical, diagnostic, medical device and active pharmaceutical ingredients.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2023.

(3) Application of new and revised standards, amendments and interpretations:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRSs issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have been issued by ISAB but have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except otherwise specified in the notes to accounting policies.

- (ii) Functional and presentation currency

Each individual consolidated entity determined its functional currency based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

- (c) Basis of consolidation

- (i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise of the Company and subsidiaries.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Profits or losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit

All intra-group transactions, balances, and any unrealized income and expenses are eliminated in full whilst preparing the consolidated financial statements.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control over a subsidiary are accounted for as equity transactions.

(ii) List of Subsidiaries in the consolidated financial statements

List of Subsidiaries in the consolidated financial statements was as follows:

Name of Investor	Name of subsidiary	Business activities	Percentage of ownership		Remark
			December 31, 2022	December 31, 2021	
The Company	Bowlin Biotech Corp.	Investment	100.00 %	100.00 %	
The Company	Bowlin Holding Co., Ltd. (Cayman) (Bowlin Cayman")	Investment	100.00 %	100.00 %	(note 3)
The Company	Bowlin Holding Co., Ltd.	Investment	53.19 %	53.19 %	
The Company	Cheng Fong Chemical Co., Ltd. ("CFC")	Manufacture and sales of active pharmaceutical ingredient	100.00 %	100.00 %	(notes 1)
Bowlin Biotech Corp.	Bowlin Holding Co., Ltd.	Investment	46.81 %	46.81 %	
Bowlin Holding Co., Ltd. (Cayman)	Bowlin Holding (HK) Co., Limited (Bowlin HK")	Investment	100.00 %	100.00 %	(note 3)
Bowlin Holding Co., Ltd. (Cayman)	Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada	International trading and product agency	100.00 %	100.00 %	
Bowlin Holding Co., Ltd.	Zhuhai Baozhan Trade Co., Ltd.	Sales of cosmeceutical, international trading and product agency	100.00 %	100.00 %	
Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada	Zhuhai Baoyi Biotech Co., Ltd.	International trading and product agency	100.00 %	100.00 %	
Bowlin Holding (HK) Co., Limited	Zhuhai Panion Innovation Biotech Co., Ltd	International trading and product agency	100.00 %	100.00 %	

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of subsidiary	Business activities	Percentage of ownership		Remark
			December 31, 2022	December 31, 2021	
Bowlin Holding (HK) Co., Limited	Zhuhai Panion & BF Biotech Inc.	Manufacture of cosmeceutical and chemical	100.00 %	100.00 %	(note 2 and 3)

Note 1: During CFC's Board of Directors meeting held on January 7, 2022, CFC resolved to increase its capital and issue 30,000 thousand new shares, each with a par value of \$10, amounting to \$300,000 thousand. The Company subscribed all the new shares. The registration was completed on January 28, 2022.

Note 2: In 2021, Bowlin Holding Co., Ltd. transferred its entire shares in Zhuhai Panion & BF Biotech Inc. to Bowlin Holding (HK) Co., Limited.

Note 3: During Bowlin Cayman's Board of Directors meeting held on January 14, 2022, Bowlin Cayman resolved to increase its capital and issue 1,700 thousand new shares, each with a par value of USD 1, amounting to USD 1,700 thousand. The Company subscribed all the new shares. Bowlin Cayman then made its investment of capital amounting to USD 1,600 thousand to Bowlin HK. Bowlin HK thereafter made its investment of capital amounting to USD 900 thousand to Zhuhai Panion & BF Biotech Inc. The alternation registered procedures have been completed.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the spot rate at that date. Exchange differences are recognized in profit or loss.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Cash or cash equivalents, excluding the asset that is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, and assets held for trading purposes and expected to be converted to cash within twelve months after the reporting period are classified as current assets; all other assets are classified as non-current assets.

Liabilities that are held primarily for the purpose of trading and must be settled within twelve months after the reporting period are classified as current liabilities; all other liabilities are classified as non-current liabilities.

(f) Cash and cash equivalents

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

The Group's time deposits are held for short-term commitments rather than for investment or other purposes. These time deposits are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. As such, the time deposits are recorded under cash and cash equivalents.

(g) Financial instruments

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets measured at amortized cost and financial assets measured at fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, and refundable deposits, etc.) and contract assets.

Loss allowance for notes and accounts receivable are measured at an amount equal to lifetime ECL. Other financial assets measured at amortized cost are considered reasonable and supportable information that are relevant and available, without undue cost or effort. This includes both quantitative and qualitative information, as well as analysis, based on the Group's historical experience, informed credit assessment, and forward-looking information. Loss allowance for other financial assets measured at amortized cost are measured by using the 12-month ECL, in which the credit risk did not increase significantly since initial recognition. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to the lifetime ECL

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof; the Group usually determines the financial assets with no reasonable expectations of recovery when the debtors' assets or income sources cannot generate sufficient cash flows to repay the financial assets. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definition of financial liabilities and equity instruments.

2) Equity instruments

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

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investments accounted for using equity method

Investments accounted for using the equity method include investments in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. A joint venture is a joint arrangement whereby the Group has joint control of the arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control, and the Group has rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investments includes transaction costs. The carrying amount of the investment in associates and joint ventures includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates and joint ventures, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate or a joint venture's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Unrealized gains resulting from transactions between the Group and an associate or a joint venture are eliminated only to the extent of unrelated Group's interests in the associate or the joint venture. Unrealized losses are eliminated in the same way as unrealized gains, but only if there is no evidence of impairment losses.

When the Group's share of losses of an associate or a joint venture equals or exceeds its interests in an associate or a joint venture, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate or a joint venture. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates or the joint ventures had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. If the Group's ownership interest in an associate or a joint venture is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the Group subscribes to additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate or the joint venture. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Interest expenses that are directly attributable to bringing the asset to the condition necessary for its intended use are capitalized as costs of the assets.

Subsequent expenditures should be recognized as part of the carrying amount of an item of property, plant and equipment, if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of the replaced part should be derecognized. Routine maintenance expenditures for items of property, plant and equipment are recognized in profit or loss as incurred.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

Except that land is not depreciated, depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	6~50 years
Machinery equipment	1~21 years
Other equipment	1~20 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate when the expectations differ from the previous estimates.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Lease

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term and in future lease payments the lease liability is remeasured. The Group remeasures the lease liabilities with a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit and loss, if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meet all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Intangible assets

Patent is measured at cost, less accumulated impairment losses. Amortization begins when the asset is available for use, with the estimated useful lives 5 to 15 years on a straight-line basis, and is recognized in profit or loss.

Residual values, useful lives and amortization methods are reviewed at each annual reporting date. Any changes will be treated as changes in the accounting estimates.

Goodwill is measured at cost, less accumulated impairment losses. The Group conducts an impairment test at the end of each annual reporting period. An impairment loss is recognized by the amount which the carrying amount exceeds its recoverable amount. Reversal of an impairment loss in the subsequent periods for goodwill is prohibited.

(m) Impairment — non-financial assets

With regard to non-financial assets (other than inventories, deferred tax assets and employee benefits), the Group assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

(n) Revenue from contracts with customers

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

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Sale of goods

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

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

(ii) Patent licensing

The Group grants its patent licenses to customers, and receives royalty fees based on the contract terms. The Group recognizes revenue when the performance obligation has been satisfied, the control of the licenses has been transferred, and the customer can direct the use of the licenses and obtains the benefits. A sales-based royalty fee is recognized only when the later of the subsequent sale occurs, and the performance obligation to which the royalty fees has been allocated has been satisfied.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, expenses resulting from the portion of the increased benefit relating to past service by employees are recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses; (2) the return on plan assets excluding the amounts included in net interest on the net defined benefit liability (assets); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (assets); the Group recognizes the remeasurements of the defined benefit liability (asset) in other comprehensive.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payments

The grate-date fair value of equity-settled share-based payments awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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(q) Government Grants

The Group recognizes government grants related to assets as deferred income at fair value if there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The Group offsets deferred tax assets and liabilities only if the following criteria are both met:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) levied by the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

The Company and a domestic subsidiary file income tax returns under the linked tax system and elect to file income tax returns under the linked tax system with the Company as the taxpayer, and to file additional income tax returns on undistributed earnings with the subsidiary that have been held for 12 months or more in a taxable year in accordance with the Income Tax Act. The Company proportionately allocates the effect on current income tax expense (gain), deferred income tax and income tax payable (refund receivable) resulting from the adoption of the linked tax system between the Company and the subsidiary, and such that have been eliminated when preparing the consolidated financial statements.

(s) **Business Combinations**

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

(t) **Earnings per share**

The Group discloses its basic and diluted earnings per share attributable to common stockholders of the Company. Basic earnings per share is calculated as the profit attributable to common stockholders of the Company divided by the weighted average number of common stocks outstanding. Diluted earnings per share is calculated as the profit attributable to common stockholders of the Company divided by the weighted average number of common stock outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) **Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), and consists of standalone financial information. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, the management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no critical judgments in applying accounting policies that have a significant effect on the amounts recognized in these consolidated financial statements

Subsequent measurement of inventories is the main accounting assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year.

Subsequently, inventories are measured at the lower of cost or net realizable value. The Group assesses the net realizable value of inventories for normal waste, short shelf life, and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. There may be significant changes in the net realizable value of inventories due to future market prices and, future demand and supply.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 467	729
Demand deposits and foreign currency demand deposits	308,446	256,046
Time deposits	155,344	22,328
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 464,257</u>	<u>279,103</u>

Please refer to note 6(t) for the disclosure of the Group's interest rate risk and the sensitivity analysis related to the financial assets and liabilities.

(b) Notes receivable, accounts receivable, and overdue receivables

	December 31, 2022	December 31, 2021
Notes receivable	\$ 92,537	81,046
Notes receivable — related parties	31,435	35,936
Accounts receivable	210,062	208,868
Accounts receivable — related parties	21,760	9,804
Overdue receivables	1,577	1,388
Less: loss allowance (overdue receivables included)	3,340	3,142
	<u>\$ 354,031</u>	<u>333,900</u>

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The Group applies the simplified approach of IFRS 9 to provide for its expected credit losses, i.e., the use of lifetime expected credit loss provision for notes receivable, accounts receivable, and overdue receivable. To measure the expected credit losses, notes receivable, accounts receivable, and overdue receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The Group's analysis of the expected credit loss of the Taiwan segment's notes receivable, accounts receivable, and overdue receivable was as follows:

	December 31, 2022		
	Gross carrying amount	Weight average expected credit loss rate	Loss allowance for lifetime expected credit loss
Not past due	\$ 317,195	0%	-
Past due 1~30 days	686	0.11%	1
Past due 31~60 days	397	0.32%	-
Past due 61~90 days	43	0.39%	-
Past due over 181 days	1,577	100%	1,577
	\$ 319,898		1,578
	December 31, 2021		
	Gross carrying amount	Weight average expected credit loss rate	Loss allowance for lifetime expected credit loss
Not past due	\$ 265,923	0~1%	-
Past due 1~30 days	3,397	0.15%	5
Past due 31~60 days	74	0.44%	-
Past due 61~90 days	25	0.54%	-
Past due over 181 days	1,388	100%	1,388
	\$ 270,807		1,393

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The Group's analysis of the expected credit loss of the China, Hong Kong, and Macau segment's notes receivable, accounts receivable, and overdue receivable was as follows:

	December 31, 2022		
	Gross carrying amount	Weight average expected credit loss rate	Loss allowance for lifetime expected credit loss
Not past due	\$ 19,318	0~0.71%	95
Past due 1~30 days	11,749	0~3.24%	68
Past due 31~60 days	1,363	0~4.60%	63
Past due 61~90 days	1,912	0~7.36%	141
Past due 91~120 days	864	0~11.22%	97
Past due 151~180 days	1,323	26.75~55.47%	354
Past due over 181 days	944	100%	944
	\$ 37,473		1,762

	December 31, 2021		
	Gross carrying amount	Weight average expected credit loss rate	Loss allowance for lifetime expected credit loss
Not past due	\$ 57,163	0~0.05%	24
Past due 1~30 days	2,915	0~1.58%	46
Past due 31~60 days	3,053	0~3.63%	110
Past due 61~90 days	875	0~4.54%	40
Past due 91~120 days	748	0~6.38%	48
Past due over 181 days	1,481	100%	1,481
	\$ 66,235		1,749

The movement in the loss allowance for impairment with respect to notes receivable, accounts receivable, and overdue receivable was as follows:

	2022	2021
Balance at the beginning of the period	\$ 3,142	4,119
Impairment loss	78	2,090
Amount written off	-	(3,039)
Foreign exchange losses	120	(28)
Balance at the end of the period	\$ 3,340	3,142

The Group had not pledged its notes receivable, accounts receivable, and overdue receivable as collateral or factor them for cash.

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(c) Inventories

	December 31, 2022	December 31, 2021
Merchandise and finished goods	\$ 246,488	219,069
Work in process	97,124	102,725
Raw materials	135,159	126,758
Supplies	66,877	79,973
	\$ 545,648	528,525

In addition to the normal cost of goods sold, the following items were included in the Group's operating costs:

	2022	2021
Losses on market price decline	\$ 53,062	42,472
Physical count variance	31	237
Unallocated production overhead	34,530	33,268
Total	\$ 87,623	75,977

The Group had not pledged its inventory as collateral

(d) Financial assets measured at fair value through profit or loss

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss		
Current:		
Beneficiary certification	\$ -	69,787
Non-current:		
Unlisted stocks – domestic companies		
G Innings Medical Ltd.	2,728	2,728
Neolink Capital Corp.	32,465	50,795
Subtotal	35,193	53,523
Listed Stocks		
TA YUAN COGENERATION COMPANY, LIMITED	39,904	30,504
	\$ 75,097	84,027

Neolink Capital Corp. carried out a capital reduction in December 2022, wherein the amount of \$15,000 thousand share capital had been returned to the Group, and 1,500 thousand of its shares which were held by the Group, were cancelled. As a result, the Group recovered the original investment cost of \$15,000 thousand and reduced the number of shares by 1,500 thousand shares.

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The Group invested beneficiary certificate Spectra SPC Powerfund through Ayers Alliance Group Limited. On December 22, 2022, the Group submitted its request for a complete fund-redemption of the investment of 950,519 units. However, the fund redemption payment has not been received prior to the stipulated payment date. An event of default occurs.

The Group received notification related to Spectra SPC Powerfund from Ayers Alliance Group Limited on March 3, 2023, informing that, based upon the terms of its offering memorandum, the Board of Spectra SPC has declared a suspension of calculation of Net Asset Value of Spectra SPC attributed to Spectra SPC Powerfund and a deferral of redemption of Participating Shares with immediate effect from March 1, 2023 until further notice.

Based on Ayers Alliance Group Limited's notification in March 2023:

- (i) Ayers Alliance Group Limited is experiencing issues arising out of the highly unusual delay in the settlement of obligations by third parties towards Ayers Alliance Group Limited.
- (ii) Starting from March 13, 2023, Ayers Alliance Group Limited will not be accepting any deposits from existing clients and will not be onboarding any new clients.
- (iii) All Ayers Alliance Group Limited clients' accounts will be inactive.

The Group has already submitted a request to Ayers Alliance Group Limited for a complete fund-redemption of the investment in the Spectra SPC Powerfund in accordance with the agreement. However, the fund redemption payment has not been received prior to the stipulated payment date. Despite several requests by the Group, Ayers Alliance Group Limited and Spectra SPC Powerfund have still not provided the Group with the basic information such as the address of their operation unit and contact details. In addition, considering all the factors including whether Ayers Alliance Group Limited and Spectra SPC Powerfund will continue to operate, the existence of the company and the fair value of the assets of Spectra SPC Powerfund, the financial asset losses of \$99,751 thousand have been recorded on December 31, 2022.

(e) **Subsidiary Acquisition**

In order to obtain stable sources of Active Pharmaceutical Ingredients ("API") by upward integration and expand the supplies to the Asian and global market, the Company have resolved to acquire 100% of the shares in Cheng Fong Chemical Co., Ltd. ("CFC") during the extraordinary general meeting on October 29, 2020. The acquisition price was \$563,513 thousand with the acquisition effective date of November 30, 2020. The registration of the transactions was completed on December 10, 2020. However, after discussing with the representative from CFC's original shareholders, it was confirmed on June 30, 2021 that \$853 thousand would be deducted from the final payment by mutual agreement between the Company and the original shareholders because of the loss compensation in accordance with the share conversion agreement.

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(f) Investments accounted for using equity method

The Group's investments accounted for using the equity method was as follows:

	December 31, 2022	December 31, 2021
Credit balance of investments accounted for using equity method:		
Joint ventures	\$ 16,624	11,679

(i) Joint ventures

Weigao Panion Biotech Holding Company Limited is the Group's only joint ventures. Its main business activities are the research and development of new drugs and sales in China.

On March 16, 2021, the Board of Directors of the Company resolved to participate in the capital increase of Weigao Panion Biotech Holding Company Limited, by increasing its investment amounting to \$21,560 thousand (about CNY 5,000 thousand), and then to invest Shandong Weigao Panion Pharmaceutical Company Limited through Weigao Panion Biotech Holding Company. The investment was made on June 10, 2021, and the registration of the above investment was completed.

On November 12, 2020, the Board of Directors of the Company resolved to participate in the capital increase of Weigao Panion Biotech Holding Company Limited, by increasing its investment amounting to \$21,450 thousand (about CNY 5,000 thousand), and then to invest Shandong Weigao Panion Pharmaceutical Company Limited through Weigao Panion Biotech Holding Company. The investment was made on January 4, 2021, and the registration of the above investment was completed.

The following table summarizes the financial information of Weigao Panion Biotech Holding Company Limited as included in its own financial statements,

	December 31, 2022	December 31, 2021
Percentage ownership interest	44.00 %	44.00 %
Non-current assets	\$ 152,415	163,560
Current assets	2,191	2,276
Non-current liabilities	-	-
Current liabilities	(97)	(88)
Net assets	\$ 154,509	165,748
Cash and cash equivalents	\$ 2,191	2,276
Non-current financial liabilities (excluding accounts payable and other payables and provision)	\$ -	-
The Group's share of net assets	\$ 67,984	72,929
Elimination of unrealized profit on downstream sales	(84,608)	(84,608)
Carrying amount of interest in joint venture	\$ (16,624)	(11,679)

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	2022	2021
Operating revenue	\$ <u>-</u>	<u>-</u>
Net losses for the year from the continuing operations	\$ (18,593)	(27,667)
Other comprehensive income	<u>7,353</u>	<u>69</u>
Total comprehensive income	\$ <u>(11,240)</u>	<u>(27,598)</u>
The Group's share of total comprehensive income	\$ (4,946)	(12,143)
Elimination of unrealized profit on downstream sales	<u>-</u>	<u>-</u>
The Group's share of total comprehensive income	\$ <u>(4,946)</u>	<u>(12,143)</u>

(ii) Collateral

The Group did not pledge any collateral on investments accounted for using the equity method.

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings and Constructions	Machinery equipment	Other equipment	Constructions in process	Total
Cost of deemed cost:						
Balance at January 1, 2022	\$ 798,978	375,782	674,671	426,958	81,458	2,357,847
Additions	-	2,901	40,056	30,833	125,657	199,447
Disposals	(14,538)	(46,041)	(347,630)	(92,633)	-	(500,842)
Reclassification	-	3,149	48,612	52,410	(101,380)	2,791
Effect of movements in exchange rates	-	-	286	1,138	-	1,424
Balance at December 31, 2022	\$ <u>784,440</u>	<u>335,791</u>	<u>415,995</u>	<u>418,706</u>	<u>105,735</u>	<u>2,060,667</u>
Balance at January 1, 2021	\$ 798,978	377,815	564,637	385,447	29,848	2,156,725
Additions	-	1,083	31,573	25,108	100,625	158,389
Disposals	-	(4,570)	(20,717)	(11,514)	-	(36,801)
Reclassification	-	1,454	99,053	27,418	(49,016)	78,909
Effect of movements in exchange rates	-	-	125	499	1	625
Balance at December 31, 2021	\$ <u>798,978</u>	<u>375,782</u>	<u>674,671</u>	<u>426,958</u>	<u>81,458</u>	<u>2,357,847</u>
Depreciation and impairment:						
Balance at January 1, 2022	\$ -	196,982	496,215	224,204	-	917,401
Depreciation	-	14,281	56,814	57,103	-	128,198
Disposals	-	(44,670)	(346,271)	(91,459)	-	(482,400)
Effect of movements in exchange rates	-	-	235	608	-	843
Balance at December 31, 2022	\$ <u>-</u>	<u>166,593</u>	<u>206,993</u>	<u>190,456</u>	<u>-</u>	<u>564,042</u>

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	<u>Land</u>	<u>Buildings and Constructions</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Constructions in process</u>	<u>Total</u>
Balance at January 1, 2021	\$ -	187,087	473,942	186,122	-	847,151
Depreciation	-	14,465	42,465	49,335	-	106,265
Disposals	-	(4,570)	(20,294)	(11,501)	-	(36,365)
Effect of movements in exchange rates	-	-	102	248	-	350
Balance at December 31, 2021	<u>\$ -</u>	<u>196,982</u>	<u>496,215</u>	<u>224,204</u>	<u>-</u>	<u>917,401</u>
Carrying amount:						
Balance at December 31, 2022	<u>\$ 784,440</u>	<u>169,198</u>	<u>209,002</u>	<u>228,250</u>	<u>105,735</u>	<u>1,496,625</u>
Balance at December 31, 2021	<u>\$ 798,978</u>	<u>178,800</u>	<u>178,456</u>	<u>202,754</u>	<u>81,458</u>	<u>1,440,446</u>

December 31, 2022 and 2021, the property, plant and equipment of the Group had been pledged as collateral for long-term loans and credit lines; please refer to note 8.

(h) Right-of-use assets

The cost, depreciation, and impairment of the land, buildings and constructions, and other equipment that the Group leases were as follows

	<u>Land, buildings and constructions</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 158,080	4,214	162,294
Additions	27,433	567	28,000
Lease modification	(42,380)	(413)	(42,793)
Effect of movements in exchange rates	1,866	-	1,866
Balance at December 31, 2022	<u>\$ 144,999</u>	<u>4,368</u>	<u>149,367</u>
Balance at January 1, 2021	\$ 145,912	3,801	149,713
Additions	13,350	413	13,763
Lease modification	(1,977)	-	(1,977)
Effect of movements in exchange rates	795	-	795
Balance at December 31, 2021	<u>\$ 158,080</u>	<u>4,214</u>	<u>162,294</u>
Depreciation and impairment:			
Balance at January 1, 2022	\$ 80,074	1,315	81,389
Depreciation	30,066	1,187	31,253
Lease modification	(22,761)	(236)	(22,997)
Effect of movements in exchange rates	961	-	961
Balance at December 31, 2022	<u>\$ 88,340</u>	<u>2,266</u>	<u>90,606</u>

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	Land, buildings and constructions	Other equipment	Total
Balance at January 1, 2021	\$ 47,679	88	47,767
Depreciation	32,034	1,227	33,261
Effect of movements in exchange rates	361	-	361
Balance at December 31, 2021	<u><u>\$ 80,074</u></u>	<u><u>1,315</u></u>	<u><u>81,389</u></u>
Carrying amount:			
Balance at December 31, 2022	<u><u>\$ 56,659</u></u>	<u><u>2,102</u></u>	<u><u>58,761</u></u>
Balance at December 31, 2021	<u><u>\$ 78,006</u></u>	<u><u>2,899</u></u>	<u><u>80,905</u></u>

(i) Intangible assets

The cost, amortization, and impairment of the Group's intangible assets were as follows:

	Patent	Goodwill	Other	Total
Cost:				
Balance at January 1, 2022	\$ 18,087	3,792	17,680	39,559
Effect of movements in exchange rates	-	418	-	418
Balance at December 31, 2022	<u><u>\$ 18,087</u></u>	<u><u>4,210</u></u>	<u><u>17,680</u></u>	<u><u>39,977</u></u>
Balance at January 1, 2021	\$ 18,087	3,850	17,680	39,617
Effect of movements in exchange rates	-	(58)	-	(58)
Balance at December 31, 2021	<u><u>\$ 18,087</u></u>	<u><u>3,792</u></u>	<u><u>17,680</u></u>	<u><u>39,559</u></u>
Amortization and impairment				
Balance at January 1, 2022	\$ 16,083	-	3,831	19,914
Amortization	560	-	3,536	4,096
Balance at December 31, 2022	<u><u>\$ 16,643</u></u>	<u><u>-</u></u>	<u><u>7,367</u></u>	<u><u>24,010</u></u>
Balance at January 1, 2021	\$ 15,522	-	295	15,817
Amortization	561	-	3,536	4,097
Balance at December 31, 2021	<u><u>\$ 16,083</u></u>	<u><u>-</u></u>	<u><u>3,831</u></u>	<u><u>19,914</u></u>
Carrying Amount:				
Balance at December 31, 2022	<u><u>\$ 1,444</u></u>	<u><u>4,210</u></u>	<u><u>10,313</u></u>	<u><u>15,967</u></u>
Balance at December 31, 2021	<u><u>\$ 2,004</u></u>	<u><u>3,792</u></u>	<u><u>13,849</u></u>	<u><u>19,645</u></u>

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(j) Long-term loans and short-term loans

(i) Short-term loans

December 31, 2022				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured bank loans	NTD	1.725~2.025	2023	\$ 195,000
Unsecured bank loans	NTD	1.531	2023	200,000
Total				<u><u>\$ 395,000</u></u>

December 31, 2021				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured Bank Loans	NTD	1.10~1.62	2022	\$ 215,000
Unsecured bank loans	NTD	1.1	2022	50,000
Total				<u><u>\$ 265,000</u></u>

As of December 31, 2022 and 2021, the unused credit lines of the Group's short-term loans amounted to \$605,000 thousand and \$450,000 thousand, respectively.

(ii) Long-term loans

December 31, 2022				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured bank loans	NTD	2.075%	2024~2027	\$ 22,900
Current				\$ -
Non-current				22,900
Total				<u><u>\$ 22,900</u></u>
Unused long-term credit lines				<u><u>\$ 527,100</u></u>

December 31, 2021				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured bank loans	NTD	1.67	2022~2027	\$ 152,594
Current				\$ 36,526
Non-current				116,068
Total				<u><u>\$ 152,594</u></u>
Unused long-term credit lines				<u><u>\$ 65,620</u></u>

(iii) Bank loan collateral

For the details of assets pledged as collateral, please refer to note 8.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ <u>29,634</u>	<u>33,193</u>
Non-current	\$ <u>34,797</u>	<u>51,774</u>

For the maturity analysis, please refer to note 6(t) financial instruments

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ <u>1,074</u>	<u>1,665</u>
Expenses relating to short-term leases	\$ <u>9,101</u>	<u>7,616</u>
Rent concessions relating to COVID 19 pandemic	\$ <u>-</u>	<u>54</u>

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

	2022	2021
Total cash outflow for leases	\$ <u>39,242</u>	<u>41,040</u>

(l) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets for the Company were as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 61,530	64,754
Fair value of plan assets	(50,408)	(47,277)
Net defined benefit asset	\$ <u>11,122</u>	<u>17,477</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan and Chunghwa Post Co., Ltd. that provides pensions for employees upon retirement. The plans (covered by the Labor Standard) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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The Company's Bank of Taiwan labor pension reserve account balance amounted to \$50,408 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Company's defined benefit obligations were as follows

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 64,754	66,664
Current service costs and interest	673	736
Remeasurements of the net defined benefit asset		
— Actuarial gains and losses arising from	(2,342)	(2,336)
Benefits paid	<u>(1,555)</u>	<u>(310)</u>
Defined benefit obligation at December 31	<u><u>\$ 61,530</u></u>	<u><u>64,754</u></u>

3) Movements in fair value of plan assets

The movements in the fair value of the Company's plan assets were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 47,277	46,049
Interest income	276	273
Remeasurements of the net defined benefit asset		
— The return on plan assets (excluding amounts included in the interest during this period)	3,696	550
Contributions made	714	715
Benefits paid	<u>(1,555)</u>	<u>(310)</u>
Fair value of plan assets at December 31	<u><u>\$ 50,408</u></u>	<u><u>47,277</u></u>

4) Expenses recognized in profit or loss

The Company's expenses recognized on profit or loss were as follows

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 290	336
Net interest on the defined benefit asset	<u>107</u>	<u>127</u>
Operating costs and expenses	<u><u>\$ 397</u></u>	<u><u>463</u></u>

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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5) Actuarial assumptions

The Company's significant actuarial assumptions used in calculating the present value of the defined benefit obligation at the reporting date were as follow:

	December 31, 2022	December 31, 2021
Discount rate	1.500 %	0.625 %
Future salary increases	3.000 %	3.000 %

The expected contribution to be made by the Company to the defined benefit plans for the one-year period after the 2022 reporting date is \$700 thousand.

The weighted average lifetime of the defined benefits plans is 9.98 years.

6) Sensitivity analysis

As of December 31, 2022 and 2021, the effect of changes in the principle actuarial assumptions on the present value of the defined benefit obligations were as follows:

	Impact on the defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
At December 31, 2022		
Discount rate	\$ (786)	809
Future salary increases	779	(758)
At December 31, 2021		
Discount rate	(941)	977
Future salary increases	936	(905)

The above sensitivity analysis is based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension asset is the same.

The method used for sensitivity analysis for this year is the same as the method used in the previous year.

(ii) Defined contribution plans

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

The Group's pension costs under the defined contribution method were \$14,784 thousand and \$13,990 thousand for the years ended December 31, 2022 and 2021, respectively.

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
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(m) Income taxes

(i) Income tax expenses

The Group's income tax expenses consisted of the following:

	<u>2022</u>	<u>2021</u>
Current income tax expense		
Current period	\$ 148,739	83,610
Adjustment for prior periods	<u>4,220</u>	<u>3</u>
	<u>152,959</u>	<u>83,613</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>(1,895)</u>	<u>(5,363)</u>
Income tax expense from continuing operations	<u><u>\$ 151,064</u></u>	<u><u>78,250</u></u>

The Group's income tax expense (benefit) recognized

	<u>2022</u>	<u>2021</u>
Items that may not be reclassified into profit and loss:		
Remeasurements of defined benefit plan	<u>\$ 1,207</u>	<u>577</u>

Reconciliations of the Group's income tax expense and income before tax were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 333,409</u>	<u>182,652</u>
Income tax using the Company's domestic tax rate	\$ 66,682	36,530
Effect of tax rates in foreign jurisdiction	31,012	27,771
Adjustments according to tax laws	49,115	13,946
Adjustments on prior years' tax expense	4,220	3
Other	<u>35</u>	<u>-</u>
Income tax expense	<u><u>\$ 151,064</u></u>	<u><u>78,250</u></u>

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021, and considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>-</u>	<u>53,768</u>
Unrecognized deferred tax liabilities	\$ <u>-</u>	<u>10,754</u>

The Group is not able to assure that the temporary differences associated with investments in subsidiaries, as of December 31, 2022 and 2021, will be reversed in the foreseeable future, or to consider it is probable that taxable profit will be sufficient to allow the temporary differences to be deducted. A deferred tax asset for these temporary differences is therefore not recognized. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>67,981</u>	<u>-</u>
Unrecognized deferred tax assets	\$ <u>13,596</u>	<u>-</u>

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
The carryforward of unused tax losses	\$ <u>217,633</u>	<u>191,944</u>

Tax laws allow net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2014	\$ 15,345	2024
2015	20,007	2025
2016	45,021	2026
2017	45,932	2027
2018	11,656	2028
2019	25,423	2029
2020	27,498	2030
2021	26,751	2031
	<u><u>\$ 217,633</u></u>	

2) Recognized deferred tax assets and liabilities

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

Deferred tax assets

	<u>Defined benefit plans</u>	<u>Loss from investment using equity method</u>	<u>Allowance for inventory devaluation loss</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2022	\$ 3,495	10,220	6,934	609	21,258
Recognized in profit or loss	(1,747)	1,636	1,791	(609)	1,071
Recognized in other comprehensive income	(1,207)	-	-	-	(1,207)
Balance at December 31, 2022	<u>\$ 541</u>	<u>11,856</u>	<u>8,725</u>	<u>-</u>	<u>21,122</u>
Balance at January 1, 2021	\$ 4,123	7,786	3,775	788	16,472
Recognized in profit or loss	(51)	2,434	3,159	(179)	5,363
Recognized in other comprehensive income	(577)	-	-	-	(577)
Balance at December 31, 2021	<u>\$ 3,495</u>	<u>10,220</u>	<u>6,934</u>	<u>609</u>	<u>21,258</u>

Deferred tax liabilities

	<u>Reserve for land value increment tax</u>
Balance at January 1, 2022	\$ 73,924
Recognized in profit or loss	(824)
Balance at December 31, 2022	<u>\$ 73,100</u>
Balance at 2021 (as of balance at January 1, 2021)	<u>\$ 73,924</u>

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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(iii) Income tax examination

The tax authorities have examined the income tax returns of the Company through 2020.

(n) Share capital and other equity

(i) Issuance of common stock

As of December 31, 2022 and 2021, the total value of authorized ordinary shares amounted to \$1,000,000 thousand, with a par value of \$10 per share, of which 85,739 thousand shares were outstanding. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	(In thousands of shares)	
	2022	2021
Balance at January 1	85,739	76,739
Issued for cash	-	9,000
Balance at December 31	<u>85,739</u>	<u>85,739</u>

On June 24, 2021, a resolution was passed by the Board of Directors for the issuance of 9,000 thousand new shares for cash with issue price of \$70 per share. The Company received approval from the FSC for this capital increase on July 21, 2021 (Rule No. 1100349127), with September 24, 2021 as the effective date of capital increase. The relevant statutory registration procedures were completed.

(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

	December 31, 2022	December 31, 2021
Paid-in capital in excess of par value	\$ 865,694	898,275
Employee share options	<u>5,480</u>	<u>5,480</u>
	<u>\$ 871,174</u>	<u>903,755</u>

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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The Company's Articles of Incorporation revised on June 9, 2020 provided that the Company may distribute legal reserve and capital surplus in compliance with laws and regulations. For distribution by way of new shares issuance, a resolution shall be passed during the general meeting of shareholders; for distribution by way of cash, a resolution shall be passed by the Board of Directors with at least two thirds of the directors present and a majority of the directors agree, and shall be reported to the general meeting of shareholders.

Details of cash dividends from capital surplus, please refer to note 6(n) (iii) retained earnings.

(iii) Retained earnings

The Company's Articles of Incorporation provided that, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' deficits, and appropriate 10% of net income to legal reserve until the accumulated legal reserve capital equals the Company's paid-in capital. The Company may also appropriate special reserve capital based on business needs and in compliance with laws and regulations. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors. For distribution by way of new shares issuance, a resolution shall be passed during the general meeting of shareholders; for distribution by way of cash, a resolution shall be passed by the Board of Directors with at least two thirds of the directors present and a majority of the directors agree, and shall be reported to the general meeting of shareholders.

The Company's dividend policy adopts the principle of prudence with consideration of its profitability and financial structure and future development. The Company stipulated a dividend policy that distributes at least 40% of accumulated earnings as shareholders' dividends and at least 10% of distribution shall be by way of cash. However, the Board of Directors may adjust the percentage of distribution based on the actual operating performances upon the approval from the general meeting of the shareholders.

1) Legal reserve

If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid in capital.

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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3) Distribution of earnings

The amounts of cash dividends on the appropriations of 2021 and 2020 earnings and the distribution of cash dividends from capital surplus were approved during the board meeting on March 15, 2022 and March 16, 2021, respectively. The appropriations and dividends per share were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common stockholders:				
Cash—retained earnings	\$ 1.12	96,028	0.20	15,348
Cash—capital surplus	0.38	<u>32,581</u>	0.50	<u>38,369</u>
Total		<u>\$ 128,609</u>		<u>53,717</u>

The amounts of cash dividends on the appropriation of 2022 earnings and the distribution of cash dividends from capital surplus were approved by the Board of Directors on March 30, 2023. The appropriations and dividends per share were as follows:

	2022	
	Amount per share	Total amount
Dividends distributed to common stockholders:		
Cash—retained earnings	\$ 1.95	167,191
Cash—capital surplus	0.05	<u>4,287</u>
Total		<u>\$ 171,478</u>

(o) Share-based payments

The Group's cash capital increase reserved for employee subscription for 2021 was as follows:

	Unit: thousand shares	
	Cash capital increase reserved for employee subscription	
	Employees	Management
Grant date	2021.7.21	2021.7.28
Number of shares granted	723	177
Contract term	-	
Recipients	Employees of the Company and its affiliated who meet the specific conditions	
Vesting conditions	Immediately vested	

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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(i) Determining the fair value of equity instruments granted

The Group used Black-Scholes Option Pricing Model in measuring the fair value of the share-based payments at the grant date. The measurement inputs were as follows:

	Cash capital increase reserved for employee subscription	
	Employees	Management
Fair value at the grant date (New Taiwan Dollars)	\$13.70	8.70
Share price at grant date (New Taiwan Dollars)	\$84.00	79.00
Exercise price (New Taiwan Dollars)		\$70.00
Expected volatility (%)		38.00
Expected life (years)		0.002
Risk-free interest rate (%)		0.39

(ii) Description of share-based payment arrangements

	Unit: thousand shares 2021	
	Weighted average exercise price	Number of options
Outstanding at January 1	\$ -	-
Granted during the year (number)	70.00	900
Exercised during the year (number)	(70.00)	(535)
Expired during the year (number)	-	(365)
Exercisable at December 31	-	-

(iii) Expense recognized in profit or loss

For the year ended December 31, 2021, the Group recorded the cost of the above share-based payment amounting to \$11,716 thousand under operating costs and expenses.

(p) Earnings per share

The calculation of the Company's basic and diluted earnings per share were as follows:

i) Basic earnings per share

	2022	2021
Net income attributable to common shareholders of the Company	\$ <u><u>182,345</u></u>	<u><u>104,402</u></u>
Weighted-average number of common shares outstanding	<u><u>85,739</u></u>	<u><u>79,180</u></u>
Basic earnings per share (New Taiwan Dollar)	\$ <u><u>2.13</u></u>	<u><u>1.32</u></u>

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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ii) Diluted earnings per share

	2022	2021
Net income attributable to common shareholders of the Company	\$ <u><u>182,345</u></u>	<u><u>104,402</u></u>
Weighted-average number of common shares outstanding	85,739	79,180
Influence of potentially dilutive shares		
Remuneration to employees	<u>89</u>	<u>56</u>
Weighted-average number of shares outstanding (diluted)	<u><u>85,828</u></u>	<u><u>79,236</u></u>
Diluted earnings per share (New Taiwan Dollar)	\$ <u><u>2.12</u></u>	<u><u>1.32</u></u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	2022		
	Taiwan segment	China, Hong Kong, and Macau segment	Total
Primary geographical markets:			
Taiwan	\$ 1,878,863	-	1,878,863
United States	401,088	-	401,088
China, Hong Kong, and Macau	7,442	102,348	109,790
Other	<u>8,907</u>	<u>-</u>	<u>8,907</u>
	<u><u>\$ 2,296,300</u></u>	<u><u>102,348</u></u>	<u><u>2,398,648</u></u>
Major products/services lines:			
Pharmaceutical	\$ 724,221	-	724,221
Supplement	183,929	-	183,929
Cosmeceutical	58,919	102,348	161,267
Diagnostic	724,634	-	724,634
Medical device	4,769	-	4,769
Active pharmaceutical ingredients	189,909	-	189,909
Milestone payments	8,831	-	8,831
Sales royalty fees	<u>401,088</u>	<u>-</u>	<u>401,088</u>
	<u><u>\$ 2,296,300</u></u>	<u><u>102,348</u></u>	<u><u>2,398,648</u></u>

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2021		
	<u>Taiwan segment</u>	<u>China, Hong Kong, and Macau segment</u>	<u>Total</u>
Primary geographical markets:			
Taiwan	\$ 1,374,947	-	1,374,947
United States	320,000	-	320,000
China, Hong Kong, and Macau	4,058	181,561	185,619
Other	20,645	-	20,645
	<u>\$ 1,719,650</u>	<u>181,561</u>	<u>1,901,211</u>
Major products/services lines:			
Pharmaceutical	\$ 719,660	-	719,660
Supplement	163,910	-	163,910
Cosmeceutical	81,830	181,561	263,391
Diagnostic	313,144	-	313,144
Medical device	4,515	-	4,515
Active pharmaceutical ingredients	116,802	-	116,802
Sales royalty fees	319,789	-	319,789
	<u>\$ 1,719,650</u>	<u>181,561</u>	<u>1,901,211</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable	\$ 92,537	81,046	66,267
Notes receivable — related party	31,435	35,936	59,933
Accounts receivable	210,062	208,868	213,436
Accounts receivable — related party	21,760	9,804	33,413
Overdue receivables	1,577	1,388	-
Less: allowance for impairment	3,340	3,142	4,119
Total	<u>\$ 354,031</u>	<u>333,900</u>	<u>368,930</u>

For details on notes receivable, accounts receivable, and allowance for impairment, please refer to note 6(b).

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Remuneration to employees and directors

The Company's articles of incorporation provided that, the Company should contribute no less than 2% of profit as employee remuneration and less than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

The remuneration to employees can be in the form of stock or cash, wherein the recipients may include the employees of the Company's affiliated who meet certain specific conditions set forth by the Board of Directors. The remuneration to directors can only be in the form of cash.

For the years ended December 31, 2022 and 2021, the Company accrued its remuneration to employees amounting to \$14,587 thousand and \$3,847 thousand, respectively, and remuneration to directors amounting to \$18,233 and \$5,770, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association. The remunerations were expensed under operating expenses during each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in these parent company only financial statements, are identical to those of the actual distributions for 2022 and 2021.

(s) Non-operating income and expenses

(i) Interest income

	2022	2021
Interest income from bank deposits	\$ <u><u>1,793</u></u>	<u><u>638</u></u>

(ii) Other income

	2022	2021
Dividend income	\$ <u><u>2,980</u></u>	<u><u>6,378</u></u>
Other income — others		
Rent income	13,925	20,156
Others	<u>3,907</u>	<u>13,731</u>
Subtotal of other income – others	<u>17,832</u>	<u>33,887</u>
Total other income	\$ <u><u>20,812</u></u>	<u><u>40,265</u></u>

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
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(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains (losses) on disposal of property, plant and equipment	\$ 6,278	(436)
Gains on lease modification	614	84
Foreign exchange losses, net	(320)	(3,066)
Gains on financial assets measured at fair value through profit and loss	-	6,722
Others	(284)	(43)
Other gains and losses, net	<u>\$ 6,288</u>	<u>3,261</u>

(iv) Financial costs

	<u>2022</u>	<u>2021</u>
Interest expenses	\$ <u>7,585</u>	<u>14,681</u>

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The Group's notes and accounts receivable concentrated on related parties, which accounted for 15% and 14% of the total notes and accounts receivable as of December 31, 2022 and 2021, respectively.

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(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractua l cash flows</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 395,000	397,291	397,291	-	-
Accounts payable	125,265	125,265	125,265	-	-
Other payable	292,795	292,795	292,795	-	-
Long-term loans (including due in one year)	22,900	24,357	474	23,883	-
Lease liabilities	64,431	65,517	30,321	35,196	-
Guarantee deposit	<u>6,302</u>	<u>6,302</u>	<u>-</u>	<u>6,302</u>	<u>-</u>
	<u>\$ 906,693</u>	<u>911,527</u>	<u>846,146</u>	<u>65,381</u>	<u>-</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 265,000	266,833	266,833	-	-
Accounts payable	130,232	130,232	130,232	-	-
Other payables	219,433	219,433	219,433	-	-
Long-term loans (including due in one year)	152,594	159,147	38,790	105,942	14,415
Lease liabilities	84,967	86,925	34,332	52,593	-
Guarantee deposit	<u>8,666</u>	<u>8,666</u>	<u>-</u>	<u>8,666</u>	<u>-</u>
	<u>\$ 860,892</u>	<u>871,236</u>	<u>689,620</u>	<u>167,201</u>	<u>14,415</u>

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

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
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(iii) Currency Risk

1) Exposure to Foreign Currency Risk

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

	December 31, 2022				December 31, 2021		
	Foreign Currency	Exchange Rate		TWD	Foreign Currency	Exchange Rate	TWD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	5,868	30.7250	180,294	2,462	27.6770	68,141
JPY		3,394	0.2323	788	1,494	0.2406	359
CNY		522	4.4060	2,300	889	4.3430	3,861
<u>Non-monetary items</u>							
USD	-		30.7250	-	2,526	27.6770	69,913
<u>Financial Liabilities</u>							
<u>Monetary items</u>							
USD		9	30.7250	277	217	27.6770	6,006
CNY		109	4.4060	480	4	4.3430	17

2) Sensitivity Analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets measured at fair value through profit and loss, accounts receivable and accounts payable that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the USD, JPY, and CNY as of December 31, 2022 and 2021 would have increased (decreased) the net income before tax for the years ended December 31, 2022 and 2021 by \$1,826 thousand and \$663 thousand, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for both periods.

3) Foreign Exchange gain and loss on monetary items

Due to the numerous types of functional currency of the Group, the Group disclose its exchange gains and losses of monetary items aggregately. The Group's exchange gain (loss), including realized and unrealized, were \$(320) thousand and \$(3,066) thousand for the years ended December 31, 2022 and 2021, respectively.

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
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(iv) Interest rate analysis

The Group's exposure to interest rate risk were as follows:

	Carrying Amount	
	December 31, 2022	December 31, 2021
Instruments with variable interest rates		
Bank deposits	\$ <u>463,790</u>	<u>278,374</u>
Long and short-term loans	\$ <u>417,900</u>	<u>417,594</u>

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 1% with all other variable factors remaining constant, the Group's net income before tax will have increased or decreased by \$459 thousand and \$1,392 thousand, for the years ended December 31, 2022 and 2021, respectively.

(v) Fair value information

1) Categories and fair value of financial instruments

The carrying amount and fair value of the financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ <u>75,097</u>	<u>39,904</u>	<u>-</u>	<u>35,193</u>	<u>75,097</u>
December 31, 2021					
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ <u>153,814</u>	<u>100,291</u>	<u>-</u>	<u>53,523</u>	<u>153,814</u>

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PANION & BF BIOTECH INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 2) Valuation techniques and assumptions used in fair value determination -Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the market price is established as the fair value. Quoted prices from an exchange and actively traded government bonds traded over the counter are used as the basis for the fair value measurement of listed equity instruments and debt instruments with quoted prices in active markets.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above-mentioned conditions are not met, the market would be considered as inactive. Generally, wide bid ask spreads, increases in bid ask spreads or low transaction volumes are indicators of an inactive market.

For equity instruments that there is no quoted price available, the Group uses the discounted cash flow model to estimate their fair values. The estimation is based on the investee's expected future cash flows, discounted to their present value using the discount rate that reflects the time value of money and the riskiness of the investment.

- 3) Fair value hierarchy

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped into Levels 1 to 3 as follows:

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

- 4) Reconciliation of Level 3 fair values

	Mandatorily measured at fair value through profit or loss	Unquoted equity instruments	Total
Balance at January 1, 2022	\$ -	53,523	53,523
Recognize in profit or loss	(99,751)	(3,330)	(103,081)
Return of capital	-	(15,000)	(15,000)
Reclassified from Level 1	99,751	-	99,751
Balance at December 31, 2022	<u>\$ -</u>	<u>35,193</u>	<u>35,193</u>

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
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	Mandatorily measured at fair value through profit or loss	Unquoted equity instruments	Total
Balance at January 1, 2021	\$ -	52,728	52,728
Recognize in profit or loss	-	795	795
Balance at December 31, 2021	<u>\$ -</u>	<u>53,523</u>	<u>53,523</u>

In accordance with IFRS 13 Fair Value Measurement, the reliability and restrictions of information used in measuring fair value should be regularly evaluated. The Group can no longer obtain the quoted price of Spectra SPC Powerfund, and the current volume and level of activity of the fund exists significant uncertainty. The Group, therefore, reclassified its level of fair value hierarchy from Level 1 to Level 3, and recorded the losses under loss on financial assets measured at fair value through profit and loss.

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

Item	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss—equity investments without an active market	Income Approach	• Discount rate (7.000% for both periods) • Sustainable growth rate (1.50% and 1.45% at December 31, 2022 and 2021) • Discount for lack of marketability (30% for both periods) • Minority interest discount (26.49% for both periods)	• The estimated fair value would decrease if the discount rate were higher • The higher the sustainable growth rate, the higher the estimated fair value • The estimated fair value would decrease if the liquidity discount were higher • The estimated fair value would decrease if the minority interest discount were higher
Financial assets at fair value through profit or loss—venture capital	Asset Approach	• Net Asset Value	The estimated fair value would increase if the net asset value were higher.

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<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss—foreign fund	Asset approach	• Net asset value, liquidity, marketability and credit risk adjustment (including risk of default) were 100%	• The estimated fair value would increase if the net asset value were higher • The estimated fair value would decrease if the liquidity discount were higher • The estimated fair value would decrease if the credit risk were higher

- (vi) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement for fair values for financial instruments is reasonable. However, a different valuation technique or possible changes to one or more assumptions would have different effects. For fair value measurement in Level 3, changing in assumptions would have the following effects:

	<u>Inputs</u>	<u>Increase/ decrease</u>	<u>Profit or loss</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2022				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Discount rate	1%	\$ 149	(102)
	Sustainable growth rate	1%	115	(78)
December 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Discount rate	1%	\$ 527	(367)
	Sustainable growth rate	1%	402	(281)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Board of Directors of the Group is full responsible for the establishment and management of the Company's risk management framework and policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by Internal Audit which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

1) Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the customer segmentation to which customers belong, as these factors may have an influence on credit risk.

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
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The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis.

The Group discloses the estimation of notes and accounts receivable's loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investment and other financial instruments are measured and monitored by the Group's finance department and reported to the management by authority. Since those who transact with the Group are banks with good credit standing, there are no noncompliance issues. Hence, there is no significant credit risk.

3) Guarantees

As of December 31, 2022 and 2021, the Group has no outstanding guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused short-term bank facilities of \$1,132,100 thousand and \$515,620 thousand, respectively, as of December 31, 2022 and 2021

(v) Market risk

Market risk is the risk that changes in interest rate, foreign exchange rates or the price of financial products will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group's bank deposits are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and other equity of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to common stockholders.

Debt-to-capital ratios as of December 31, 2022 and 2021 were as follows

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,086,426	1,020,081
Less: cash and cash equivalents	464,257	279,103
Net debt	\$ 622,169	740,978
Total equity	\$ 2,007,113	1,933,014
Debt-to-capital ratio	31 %	38 %

As of December 31, 2022, there were no changes in the Group's approach of capital management.

(w) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were derived from the acquisition of its right-of-use assets from its lease liabilities

(x) Reconciliations of liabilities arising from financing activities

The reconciliations of liabilities arising from financing activities in the years ended December 31, 2022 and 2021 were as follows:

			Non-Cash Changes				
	January 1, 2022	Cash flows	Acquisition of right-of-use assets	Lease modification	Effect of movements in exchange rates	Interest Expense	December 31, 2022
Short-term loans	\$ 265,000	130,000	-	-	-	-	395,000
Lease liabilities	84,967	(30,141)	28,000	(20,410)	941	1,074	64,431
Long-term loans (including due in a year)	152,594	(129,694)	-	-	-	-	22,900
Total liabilities from financing activities	\$ 502,561	(29,835)	28,000	(20,410)	941	1,074	482,331

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	Non-Cash Changes							
	January 1, 2021	Cash flows	Acquisition of right-of- use assets	Lease modification	Effect of movements in exchange rates	Interest Expense	Rent Concessions	December 31, 2021
Short-term loans	\$ 465,000	(200,000)	-	-	-	-	-	265,000
Lease liabilities	104,737	(33,479)	13,763	(2,119)	454	1,665	(54)	84,967
Long-term loans (including due in a year)	700,541	(547,947)	-	-	-	-	-	152,594
Total liabilities from financing activities	<u>\$ 1,270,278</u>	<u>(781,426)</u>	<u>13,763</u>	<u>(2,119)</u>	<u>454</u>	<u>1,665</u>	<u>(54)</u>	<u>502,561</u>

(7) Related-party transactions:

(a) Name and relationship with related parties

The following are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Shining Biomedical Company Ltd.	Other related party
Te-Yang Tsai	First degree relative of the Company's general manager
Yubo IP Studio	Its responsible person is a first degree relative of the Company's general manager
Weigao Panion Biotech Holding Company Limited	Joint venture
Shandong Weigao Panion Pharmaceutical Company Limited	Joint venture
Shanghai Weigao Panion Pharmaceutical Company Limited	Joint venture
Panion Charity Foundation	Other related party

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions between the Group and its related parties were as follows:

	2022	2021
Other related parties		
Shining Biomedical Company Ltd.	<u>\$ 124,504</u>	<u>126,369</u>

The terms with related parties were not significantly different from those provided to other customers.

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(ii) Interest income

The interest charged by the Group to its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties		
Shining Biomedical Company Ltd.	\$ <u>-</u>	<u>35</u>

(iii) Consultant Fees

The consultant fees that the Group paid to its related parties as follows:

	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>2,042</u>	<u>1,971</u>

(iv) Donation

The donations that the Group made to its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>300</u>	<u>-</u>

(v) Receivable due from related parties

The receivables due from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable – related party	Other related parties Shining Biomedical Company Ltd.	\$ 31,435	35,936
Accounts receivable – related party	Other related parties Shining Biomedical Company Ltd.	21,760	9,804
		<u>\$ 53,195</u>	<u>45,740</u>

(vi) Payable due to related parties

The payables due from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables	Other related parties	\$ <u>643</u>	<u>727</u>

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(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 88,099	52,155
Post-employment benefits	1,081	914
	<u>\$ 89,180</u>	<u>53,069</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant, and equipment:			
Land	Short & long-term loans	\$ 784,440	798,978
Buildings	Short & long-term loans	169,198	178,800
Time deposits (recorded in refundable deposits)	Performance guarantee	-	3,000
		<u>\$ 953,638</u>	<u>980,778</u>

(9) Commitments and contingencies:

- (a) In July 2001, the Company signed a patent license agreement with Chen Hsing Hsu to obtain the right to put the patent on Nephoxil, a new drug for kidney disease, into practice, and further amended the agreement in August 2005. The terms and conditions in the agreement stipulated that the Company shall pay Chen Hsing Hsu royalty fees based on the net sales of the licensed products. For the years ended December 31, 2022 and 2021, the Company recorded its royalty payments due to Chen Hsing Hsu arising from the patent license agreement under operating costs.

The patents on Nephoxil in the United States, Taiwan and Japan have all expired as of November 14, 2022. The Company has terminated the above patent license agreement in accordance with the terms set forth in the agreement. The termination was effective upon the aforementioned patent expiration date.

- (b) The Company and Shandong Weigao Pharmaceutical Company Limited (“Shandong Weigao”) entered into a joint venture agreement on February 24, 2015 to establish a Company Weigao Panion Biotech Holding Company (“Weigao Panion”), with the companies holding of 49% and 51%, respectively. The Company then invested in Shandong Weigao Panion Pharmaceutical Company Limited (“Shandong Weigao Panion”) through Weigao Panion. The Company granted licenses to Shandong Weigao Panion through Weigao Panion with its patent rights to develop, manufacture and exclusively sell Nephoxil in mainland China, and the license fees for the rights granted were amounted to CNY 150,000 thousand, including the down payment of CNY 30,000 thousand and the milestone payment of CNY 120,000 thousand. The Company recognized the down payment and the milestone payment of each phase based on the development progress of Nephoxil, and reinvested part of the milestone payment in Weigao Panion, and Shandong Weigao would also invest according to the original shareholdings.

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PANION & BF BIOTECH INC. AND SUBSIDIARIES
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The Company had recognized revenue of \$42,975 thousand (including the milestone payment of CNY 10,000 thousand), \$44,388 thousand (including the milestone payment of CNY 10,000 thousand), \$23,200 thousand (including the milestone payment of CNY 5,000 thousand) and \$84,490 thousand (including the down payment of CNY 12,000 thousand and the milestone payment of CNY 4,900 thousand) in the years ended December 31, 2020, 2019, 2018 and 2015, respectively. The unrealized profit balances were \$84,608 thousand for both periods (recorded under the Company's credit balance of investments accounted for using equity method).

The Company entered into a consulting contract with the third parties separately. The contract provided that the Company shall pay relevant expenses to each third party based on the down payment and the milestone payments of each stage in accordance with the above-mentioned patent license agreement, amounting to a total of CNY 10,500 thousand. The Company made consulting costs payments of \$1,719 thousand (CNY 400 thousand), \$1,776 thousand (CNY 400 thousand), \$928 thousand (CNY 200 thousand) and \$25,749 thousand (CNY 5,176 thousand) in the years 2020, 2019, 2018 and 2015, respectively. In addition, the contract stipulated that each counterparty to the contract may subscribe to buy 2.5% of Weigao Panion shares at the same cost as the Company's original investment cost to Weigao Panion. The subscriptions were completed in 2016.

(10) Losses due to major disasters: None.

(11) Subsequent events: please refer to notes 6(d) and (n).

(12) Other:

(a) A summary of personnel costs, depreciation, depletion and amortization is as follows:

Function Account	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	143,161	291,219	434,380	136,388	248,802	385,190
Labor and health insurance	16,253	26,837	43,090	16,176	23,538	39,714
Pension	5,941	9,240	15,181	5,647	8,806	14,453
Remuneration to directors	-	26,940	26,940	-	14,430	14,430
Other personnel expense	8,469	10,031	18,500	7,851	9,169	17,020
Depreciation	93,815	65,636	159,451	84,185	55,341	139,526
Amortization	-	4,096	4,096	-	4,097	4,097

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- (b) The Company is the patentee and the licensor of the patents related to Auryxia (ferric citrate) in the United States, and the above-mentioned patents have been authorized by the Food and Drug Administration (FDA) and published in the Orange Book (“Approved Drug Products with Therapeutic Equivalences”). Since the fourth quarter of 2018, seven generic drug companies, listed here in the order received: Lupin Atlantis Holdings SA, Teva Pharmaceuticals USA Inc., Chemo Research SL, Mylan Pharmaceuticals Inc., Lupin Limited, Watson Laboratories Inc. and Par Pharmaceuticals Inc. had filed the drug registration to sell their products, i.e., Auryxia’s generic drugs with the FDA, claiming that their products were not infringing all, or part of, the Company’s Orange Book listed patents or claiming that the Company’s Orange Book listed patents to be wholly or partly ineffective or invalid. The Company, its licensee, Keryx Biopharmaceuticals Inc. (hereinafter Keryx, currently the subsidiary of Akebia Therapeutics Inc.), and Professor Chen Hsing Hsu, had filed the related patents’ infringement litigations as co-plaintiff against the above seven companies to assert their interests, claiming that the generic drug registration of the above seven companies shall not be approved during the patent terms or before the patents expire.

In August 2019, the Company and Keryx had settled the aforementioned patent infringement litigations and entered into the settlement and the license agreement with Par Pharmaceuticals Inc. (“Par”) to solve the lawsuit caused by the Auryxia’s generic drug registration, and the Company and Keryx granted a license to Par to market its generic drug of Auryxia in the United States from March 20, 2025 or any earlier point of time provided that the customary conditions in the similar type of the settlements are satisfied. In addition, the settlement and the license agreement are confidential and shall be under the review of the Federal Trade Commission and the United States Department of Justice. Thereafter, the Company and Keryx had settled with Teva Pharmaceuticals USA Inc. and Watson Laboratories Inc. in April 2020, with Lupin Atlantis Holdings SA and Lupin Limited in September 2020, with Chemo Research SL in March 2021, and with Mylan Pharmaceuticals Inc. in September 2021. In summary, the Company had settled with all the above seven generic drug companies, and the terms and the conditions of each agreement are substantially identical.

In February 2023, Zydus Worldwide DMCC as the eighth generic drug company has submitted Abbreviated New Drug Application to the United States Food and Drug Administration seeking approval to commercially market generic versions of Auryxia. Zydus claims that no valid and enforceable claims of parts of the Company’s and Keryx’s Orange Book listed patents will be infringed by its product. The Company, as co-plaintiff, with its licensee Keryx has filed a complaint for patent infringement against Zydus Worldwide DMCC, Zydus Pharmaceuticals (USA) Inc., and Zydus Lifesciences Limited, requesting the effective date of FDA approval of ANDA be the date which is not earlier than the later of the expiration of the patents-in-suit.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Cheng Fong Chemical Co., Ltd.	Other receivables — related party	Yes	50,000	-	-	1.25	2	-	Operating Capital	-	-	-	200,711	802,845

Note 1: The upper limit of the aggregate amount of the loans to all parties is forty percent (40%) of the Company's net worth.

Note 2: The upper limit of total amount of the loans to a single party is ten percent (10%) of the Company's net worth.

Note 3: The Company's loan to Cheng Fong Chemical Co., Ltd. was expired on November 11, 2022.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest amount of shareholding or capital contribution during the year	Remark
				Shares/Unit	Book value	Percentage of ownership	Fair value		
The Company	Beneficiary certification: Spectra SPC Powerfund	-	Financial assets measured at fair value through profit or loss — current	950,519	-	- %	-	116,804	
The Company	Stock: G Innings Medical Ltd.	-	Financial assets measured at fair value through profit or loss — non-current	420,000	2,728	9.00 %	2,728	2,728	
The Company	Neolink Capital Corp.	-	Financial assets measured at fair value through profit or loss — non-current	3,500,000	32,465	4.00 %	32,465	50,350	
Cheng Fong Chemical Co., Ltd.	Ta Yuan Cogeneration Company, Limited	-	Financial assets measured at fair value through profit or loss — non-current	959,231	39,904	1.00 %	39,904	39,904	

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Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes receivable/ Accounts receivable (Notes payable/ Accounts payable)		Remarks
			Purchase /Sale	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes receivable/ accounts receivable (Notes payable/ Accounts payable)	
The Company	Shining Biomedical Company Ltd.	Other related party	(Sales)	(124,504)	(6)%	120 days	Not significant different from those to third party	Not significant different from those to third party	53,195	18 %	

Note 1: Related-party transactions have been eliminated in the preparation of the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Zhuhai Panion & BF Biotech Inc.	Zhuhai Baozhan Trade Co., Ltd	3	Advances from Customers	49,873	Not significant different from those to third party	1.61%
1	Zhuhai Panion & BF Biotech Inc.	Zhuhai Panion Innovation Biotech Co., Ltd	3	Sales	30,289	Not significant different from those to third party	1.26%

Note 1: numbering is as follows:

1. Parent company is numbered as "0"
2. Subsidiaries are numbered sequentially in Arabic numerals according to companies.

Note 2: The types of nature of relationship are numbered as follows:

1. 1 represents downstream transactions.
2. 2 represents upstream transactions.
3. 3 represents side stream transactions.

Note 3: for balance sheet items, over 1 % of total consolidated assets, and for profit or loss items, over 1 % of total consolidated operating revenue

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Highest amount of shareholding or capital contribution during the year	Net income of investee	Investment income (losses) (note 5)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value				
The Company	Bowlin Biotech Corp.	United States of America	Investment	69,990	69,990	2,305	100.00 %	32,992	69,990	(36,639)	(36,616)	Note 1
The Company	Bowlin Holding Co., Ltd. (Cayman)	Cayman Island	Investment	123,743	76,184	4,250,000	100.00 %	107,515	123,743	(43,477)	(43,477)	Note 1
The Company	Bowlin Holding Co., Ltd.	Africa	Investment	74,795	74,795	2,500,000	53.19 %	37,470	74,795	(78,273)	(41,607)	Note 1
The Company	Cheng Fong Chemical Co., Ltd.	Taiwan	Manufacture and sales of active pharmaceutical ingredient	863,513	563,513	42,132,000	100.00 %	836,944	863,513	17,823	1,665	Note 1
The Company	Weigao Panion Biotech Holding Company Limited	Hong Kong	Investment	127,770	127,770	33,567,071	44.00 %	(16,624)	127,770	(18,593)	(8,181)	
Bowlin Biotech Corp.	Bowlin Holding Co., Ltd.	Africa	Investment	69,608	69,608	2,200,000	46.81 %	34,281	69,608	(78,273)	-	Note 1 & 3
Bowlin Holding Co., LTD. (Cayman)	Bowlin Holding (HK) Co., Limited	Hong Kong	Investment	109,985	64,553	3,770,000	100.00 %	98,651	109,985	(42,203)	-	Note 1 & 4
Bowlin Holding Co., LTD. (Cayman)	Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada	Macau	Trading	9,213	9,213	-	100.00 %	5,805	9,213	327	-	Note 1 & 4

Note 1: It has been eliminated when preparing the consolidated financial statements.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD 1 to NTD 30.725).

Note 3: The investment income (losses) that Bowlin Biotech Corp. recognized due to its investment in Bowlin Holding Co., Ltd. was included in the investment income (losses) that the Company recognized due to its investment in Bowlin Biotech Corp.

Note 4: The investment income (losses) that Bowlin Holding Co., Ltd. (Cayman). recognized due to its investment in Bowlin Holding (HK) Co., Limited and Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada was included in the investment income (losses) that the Company recognized due to its investment in Bowlin Holding Co., Ltd. (Cayman).

Note 5: The investment income (losses) was recognized under the equity method based on the financial statements audited by the auditor of the Company.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest amount of shareholding or capital contribution during the year	Investment income (losses) (note 2)	Book value (note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Zhuhai Baozhan Trade Co., Ltd	Trading	71,882	Note 1-2(1)	71,882	-	-	71,882	(48,997)	100.00 %	71,882	(48,997)	67,911	-
Zhuhai Panion & BF Biotech Inc.	Manufacture of cosmeceutical	91,390	Note 1-2(2)	65,564	25,826	-	91,390	(31,136)	100.00 %	91,390	(31,136)	(5,875)	-
Zhuhai Baoyi Biotech Co., Ltd	Trading	4,647	Note 1-2(3)	4,647	-	-	4,647	290	100.00 %	4,647	290	3,468	-

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest amount of shareholding or capital contribution during the year	Investment income (losses) (note 2)	Book value (note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Zhuhai Panion Innovation Biotech Co., Ltd	Trading	33,402	Note 1-2(2)	33,402	-	-	33,402	(12,128)	100.00 %	33,402	(12,128)	32,944	-
Shandong Weigao Panion Pharmaceutical Company Limited	Manufacture and sales of drugs	238,483	Note 1-2(4)	126,971	-	-	126,971	(18,267)	44.00 %	126,971	(8,037)	43,083	-
Shanghai Weigao Panion Pharmaceutical Company Limited	Manufacture and sales of drugs	15,342	Note 1-3	-	-	-	-	(5,456)	44.00 %	-	(2,401)	3,227	-

Note 1: The method of investment is divided into the following of four categories.

- (1) Invest directly in a company in Mainland China
- (2) Through the establishment of third-region companies then investing in Mainland China
 - 1) Through Bowlin Holdings Co., Ltd. then investing in Mainland China
 - 2) Through Bowlin Holding (HK) Co., Limited. then investing in Mainland China
 - 3) Through Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada then investing in Mainland China
 - 4) Through Weigao Panion Biotech Holding Company Limited then investing in Mainland China
- (3) Other methods: through Shandong Weigao Panion Pharmaceutical Company Limited then investing in Mainland China

Note 2: The investment income (losses) was recognized under the equity method based on the financial statements audited by the auditor of the Company.

Note 3: It has been eliminated when preparing the consolidated financial statements.

Note 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD 1 to NTD 30.725).

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	328,292	328,292	1,204,268 (Note 1)

Note 1: Sixty percent (60%) of the Company's net worth.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD 1 to TWD 30.725 and CNY 1 to NTD 4.406).

(iii) Significant transactions in China:

The significant direct and indirect transactions between the Company and the investees in Mainland China, which had been eliminated when preparing the consolidated financial statements, please refer to note 13(a)(x) business relationships and significant intercompany transactions.

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
PANION INVESTMENTS CO., LTD.		15,869,336	18.50 %
Citi Custodian UOB Kay Hian (Hong Kong) - Customer Dedicated Account		7,057,000	8.23 %

(14) Segment information:

(a) General information

Taiwan segment: mainly engages in the product sales to medical institutions, pharmacies and consumer channels, develops new products and authorizes contracts in Taiwan.

China, Hong Kong, and Macau segment: mainly engages in the product sales to medical institutions and consumer channels in China, Hong Kong and Macau.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity because taxation and extraordinary activity are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies.”

The Group’s operating segment information and reconciliation are as follows:

	2022			
	Taiwan segment	China, Hong Kong and Macau segment	Adjustment or elimination	Total
Operating revenue				
Revenue from external customers	\$ 2,296,300	102,348	-	2,398,648
Inter-segment revenue	5,619	2,042	(7,661)	-
Total revenue	<u>\$ 2,301,919</u>	<u>104,390</u>	<u>(7,661)</u>	<u>2,398,648</u>
Reportable segment profit or loss	<u>\$ 429,847</u>	<u>(96,438)</u>	<u>-</u>	<u>333,409</u>
Reportable segment assets	<u>\$ 2,845,920</u>	<u>247,619</u>	<u>-</u>	<u>3,093,539</u>
Reportable segment liabilities	<u>\$ 1,017,082</u>	<u>69,344</u>	<u>-</u>	<u>1,086,426</u>

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2021			
	Taiwan segment	China, Hong Kong and Macau segment	Adjustment or elimination	Total
Operating revenue				
Revenue from external customers	\$ 1,719,650	181,561	-	1,901,211
Inter-segment revenue	10,125	1,101	(11,226)	-
Total revenue	<u>\$ 1,729,775</u>	<u>182,662</u>	<u>(11,226)</u>	<u>1,901,211</u>
Reportable segment profit or loss	<u>\$ 249,324</u>	<u>(66,672)</u>	<u>-</u>	<u>182,652</u>
Reportable segment assets	<u>\$ 2,622,763</u>	<u>330,332</u>	<u>-</u>	<u>2,953,095</u>
Reportable segment liabilities	<u>\$ 928,404</u>	<u>91,677</u>	<u>-</u>	<u>1,020,081</u>

(c) Product and service information

Revenue from the external customers of the Group was as follows:

Product and services	2022	2021
Pharmaceutical	\$ 724,221	719,660
Supplement	183,929	163,910
Cosmeceutical	161,267	263,391
Diagnostic	724,634	313,144
Medical device	4,769	4,515
Active pharmaceutical ingredients	189,909	116,802
Milestone payments	8,831	-
Sales royalty fee	401,088	319,789
	<u>\$ 2,398,648</u>	<u>1,901,211</u>

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographical information	2022	2021
Revenue from external customers		
Taiwan	\$ 1,878,863	1,374,947
United States	401,088	320,000
China, Hong Kong and Macau	109,790	185,619
Other	8,907	20,645
	<u>\$ 2,398,648</u>	<u>1,901,211</u>

(Continued)

PANION & BF BIOTECH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Geographical information	December 31, 2022	December 31, 2021
Non-current assets		
Taiwan	\$ 1,516,157	1,444,811
China	<u>62,060</u>	<u>99,107</u>
	<u>\$ 1,578,217</u>	<u>1,543,918</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and prepayments for equipment, not including financial instruments and deferred tax assets.

(e) Information on major customers

	2022	2021
Client A of the Taiwan segment	\$ 401,088	319,789
Client B of the Taiwan segment	<u>341,550</u>	<u>-</u>
	<u>\$ 742,638</u>	<u>319,789</u>

PANION & BF BIOTECH INC.

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

Address: 16F., No. 3, Park St., Nangang Dist., Taipei City, Taiwan
(R.O.C.)
Telephone: (02)2655-8218

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of PANION & BF BIOTECH INC.:

Opinion

We have audited the accompanying parent company only financial statements of PANION & BF BIOTECH INC. ("the Company"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to notes 4(n) and 7(p) for the related disclosures on revenue recognition.

Description of key audit matter:

Revenue is one of the key performance indicators for evaluating the financial and operational performance of the Company. The risk for the revenue being recognized in an incorrect period or being recognized with incorrect amounts presents a material misstatement to the parent company only financial statements. Therefore, revenue recognition was considered one of the key audit matters in our audit.

How the matter was addressed in our audit:

Testing the effectiveness of the internal control over sales and receivable collection processes, including the evaluation of when to recognize the revenue from those significant contracts with customers; evaluating the sales to the top ten customers by considering the product type, the significant unusual changes in their receivables turnover ratio, and the changes, such as amount and ranking, in the current period to the last quarter, and to the same period in the prior year; selecting sales transactions throughout the year and within a period before and after the year-end, and vouching them with the related supporting documents to evaluate whether the revenue has been recognized in the correct accounting period and assess if the significant sales returns and allowances occur in the subsequent period.

2. Subsequent measurement of inventories

Please refer to notes 4(g), 5 and 6(c) for the related disclosures on subsequent measurement of inventories.

Description of key audit matter:

The inventories of the Company are mainly pharmaceutical drugs, health supplements, chemical products and test reagents. The products may be outdated or no longer meet the market demand due to the rapid development of new products. In addition, the price competition in the same industry, and the demand on related products and their prices which may fiercely fluctuate, may result in a risk wherein the cost of inventories may exceed its net realizable value. The subsequent measurement of inventories relies on the management's subjective judgment using internal and external evidences. Therefore, the subsequent measurement of inventories was considered one of the key audit matters in our audit.

How the matter was addressed in our audit:

Assessing the rationality of accounting policy for inventory subsequent measurement; obtaining the documents on inventory subsequent measurement to determine whether they are in compliance with the accounting policy; understanding the rationality of sales prices adopted by the management, selecting samples and verifying the accuracy of net realizable value of inventories by examining relevant documents, and determining the reasonableness of the inventory provision recognized by the management.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lily Lu and Min-Ju Chao.

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PANION & BF BIOTECH INC.

Parent Company Only Statements of Financial Position

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:											
1100	Cash and cash equivalents (note 6(a))	\$ 331,616	12	176,339	7	2100	Short-term loans (notes 6(i) and 8)	\$ 250,000	9	50,000	2
1110	Financial assets measured at fair value through profit and loss—current (note 6(d))	-	-	69,787	3	2170	Accounts payable (note 7)	119,010	4	124,825	5
1151	Notes receivable (notes 6(b) and (p))	87,214	3	79,533	3	2200	Other payables (notes 6(l), (q), 7 and 9)	248,024	9	183,110	8
1161	Notes receivable—related parties (notes 6(b), (p) and 7)	31,435	1	35,936	1	2230	Current tax liabilities	24,448	1	-	-
1170	Accounts receivable, net (notes 6(b) and (p))	153,775	6	134,359	6	2280	Current lease liabilities (note 6(j))	11,113	-	9,396	-
1181	Accounts receivable—related parties (notes 6(b), (p) and 7)	23,061	1	10,399	-	2399	Other current liabilities	42,123	2	39,897	2
1200	Other receivables	34	-	1,470	-		Total current liabilities	694,718	25	407,228	17
1210	Other receivables—related parties (note 7)	-	-	18,000	1	2570	Non-Current liabilities:				
1220	Current income tax assets	5,378	-	27,745	2	2580	Deferred tax liabilities (note 6(l))	19,729	1	19,729	1
130x	Inventories (note 6(c))	336,791	12	351,332	15	2640	Non-current lease liabilities (note 6(j))	14,463	1	14,603	1
1410	Prepayments (note 7)	15,036	1	5,486	-	2645	Net defined benefit liability—non-current (note 6(k))	11,122	-	17,477	1
1479	Other current assets	231	-	-	-	2650	Guarantee deposits	2,592	-	2,193	-
	Total current assets	984,571	36	910,386	38		Credit balance of investments accounted for using equity method (notes 6(e) and 9)	16,624	1	11,679	-
Non-current assets:											
1510	Financial assets measured at fair value through profit and loss—non-current (note 6(d))	35,193	1	53,523	2	31xx	Total non-current liabilities	64,530	3	65,681	3
1550	Investments accounted for using equity method (note 6(e))	1,014,921	37	773,407	32	3110	Total liabilities	759,248	28	472,909	20
1600	Property, plant and equipment (note 6(f))	664,743	24	600,028	25	3200	Equity attributable to owners of parent (notes 6(m) and (n)):				
1755	Right-of-use assets (note 6(g))	24,500	1	22,801	1		Common stock	857,391	31	857,391	36
1780	Intangible assets (note 6(h))	1,444	-	2,004	-	3310	Capital surplus	871,174	31	903,755	37
1840	Deferred tax assets (note 6(l))	21,122	1	21,258	1	3320	Retained earnings:				
1915	Prepayments for equipment	6,750	-	2,255	-	3350	Legal reserve	74,519	3	63,848	3
1920	Refundable deposits (note 8)	13,117	-	20,261	1		Special reserve	37,371	1	37,283	2
	Total non-current assets	1,781,790	64	1,495,537	62		Unappropriated earnings	188,497	7	108,108	4
							Subtotal	300,387	11	209,239	9
							Other equity:				
						3410	Foreign currency translation differences for foreign operations	(21,839)	(1)	(37,371)	(2)
							Total equity	2,007,113	72	1,933,014	80
1xxx	Total assets	\$ 2,766,361	100	2,405,923	100		Total liabilities and equity	\$ 2,766,361	100	2,405,923	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PANION & BF BIOTECH INC.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(p) and 7)	\$ 2,112,014	100	1,612,973	100
5000	Operating costs (notes 6(c), 7 and 9)	<u>811,597</u>	<u>39</u>	<u>718,775</u>	<u>45</u>
	Gross profit	1,300,417	61	894,198	55
5910	Less: Unrealized profit from intercompany sales	<u>(1,694)</u>	<u>-</u>	<u>(896)</u>	<u>-</u>
5900	Gross profit	<u>1,302,111</u>	<u>61</u>	<u>895,094</u>	<u>55</u>
6000	Operating expenses (notes 6(b) and 7):				
6100	Selling expenses	369,391	17	339,587	21
6200	Administrative expenses	171,391	8	132,133	8
6300	Research and development expenses	230,015	11	150,683	9
6450	(Reversal of) impairment loss for expected credit loss	<u>185</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
	Total operating expenses	<u>770,982</u>	<u>36</u>	<u>622,395</u>	<u>38</u>
6900	Operating income	<u>531,129</u>	<u>25</u>	<u>272,699</u>	<u>17</u>
7000	Non-operating income and expenses (notes 6(d), (e), (r) and 7):				
7100	Interest income	1,499	-	574	-
7010	Other income	34,311	2	50,267	3
7020	Other gains and losses	10	-	4,285	-
7050	Finance costs	(3,801)	-	(7,359)	-
7375	Share of losses from subsidiaries and joint ventures	(128,216)	(6)	(137,736)	(9)
7635	Loss on financial assets measured at fair value through profit and loss	<u>(103,081)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>
	Total non-operating income and expenses	<u>(199,278)</u>	<u>(9)</u>	<u>(89,969)</u>	<u>(6)</u>
	Profit from continuing operations before tax	331,851	16	182,730	11
7950	Less: Income tax expenses (note 6(l))	<u>149,506</u>	<u>7</u>	<u>78,328</u>	<u>5</u>
	Net income	<u>182,345</u>	<u>9</u>	<u>104,402</u>	<u>6</u>
8300	Other comprehensive income (loss) (notes 6(e), (k) and (l)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains on remeasurements of defined benefit plans	6,038	-	2,886	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>1,207</u>	<u>-</u>	<u>577</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit or loss	<u>4,831</u>	<u>-</u>	<u>2,309</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Foreign currency translation differences for foreign operations	12,296	1	(118)	-
8380	Share of other comprehensive income of joint ventures	3,236	-	30	-
8399	Less: income tax related to items that will be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>15,532</u>	<u>1</u>	<u>(88)</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>20,363</u>	<u>1</u>	<u>2,221</u>	<u>-</u>
	Total comprehensive income	<u>\$ 202,708</u>	<u>10</u>	<u>106,623</u>	<u>6</u>
Earnings per share (note 6(o))					
9710	Basic earnings per share (expressed in New Taiwan dollars)	<u>\$ 2.13</u>		<u>1.32</u>	
9810	Diluted earnings per share (expressed in New Taiwan dollars)	<u>\$ 2.12</u>		<u>1.32</u>	

See accompanying notes to parent company only financial statements.

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

PANION & BF BIOTECH INC.**Parent Company Only Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Common stock	Capital surplus	Retained earnings			Foreign currency translation differences for foreign operations	Total equity
			Legal reserve	Special reserve	Unappropriated earnings	subtotal	
Balance at January 1, 2021	\$ 767,391	391,983	61,154	28,877	27,845	117,876	(37,283) 1,239,967
Appropriation and distribution:							
Legal reserve	-	-	2,694	-	(2,694)	-	-
Special reserve appropriated	-	-	-	8,406	(8,406)	-	-
Cash dividends	-	-	-	-	(15,348)	(15,348)	(15,348)
Cash dividends from capital surplus	-	(38,369)	-	-	-	-	(38,369)
Net income for the year	-	-	-	-	104,402	104,402	104,402
Other comprehensive income for the year	-	-	-	-	2,309	2,309	(88) 2,221
Total comprehensive income for the year	-	-	-	-	106,711	106,711	(88) 106,623
Issue of shares	90,000	538,425	-	-	-	-	- 628,425
Share-based payments	-	11,716	-	-	-	-	- 11,716
Balance at December 31, 2021	857,391	903,755	63,848	37,283	108,108	209,239	(37,371) 1,933,014
Appropriation and distribution:							
Legal reserve	-	-	10,671	-	(10,671)	-	-
Special reserve appropriated	-	-	-	88	(88)	-	-
Cash dividends	-	-	-	-	(96,028)	(96,028)	- (96,028)
Cash dividends from capital surplus	-	(32,581)	-	-	-	-	- (32,581)
Net income for the year	-	-	-	-	182,345	182,345	- 182,345
Other comprehensive income for the year	-	-	-	-	4,831	4,831	15,532 20,363
Total comprehensive income for the year	-	-	-	-	187,176	187,176	15,532 202,708
Balance at December 31, 2022	\$ 857,391	871,174	74,519	37,371	188,497	300,387	(21,839) 2,007,113

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PANION & BF BIOTECH INC.

Parent Company Only Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before tax	\$ 331,851	182,730
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation expense	94,076	68,803
Amortization expense	560	561
(Reversal of) impairment loss for expected credit loss	185	(8)
Net loss (gain) on financial assets measured at fair value through profit or loss	103,081	(6,147)
Interest expense	3,801	7,359
Interest income	(1,499)	(574)
Dividend income	(1,541)	(5,035)
Share-based payment transactions	-	11,716
Share of losses of joint ventures accounted for using equity method	128,216	137,736
Loss on disposal of property, plant and equipment	280	-
Unrealized profit from intercompany sales	(1,694)	(896)
Total adjustments to reconcile profit and loss	325,465	213,515
Changes in operating assets and liabilities relating:		
Net changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	(29,964)	30,711
Notes receivable	(7,681)	(15,962)
Notes receivable — related parties	4,501	23,997
Accounts receivable	(19,601)	(6,177)
Accounts receivable — related parties	(12,662)	23,652
Other receivables	1,436	21,658
Other receivables — related parties	-	38,126
Inventories	14,541	(950)
Prepayments	(9,550)	14,700
Other current assets	(231)	191
Total net changes in operating assets	(59,211)	129,946
Net changes in operating liabilities:		
Accounts payable	(5,815)	(29,830)
Other payables	60,964	17,733
Other current liabilities	2,226	521
Net defined benefit liability	(317)	(252)
Total net changes in operating liabilities	57,058	(11,828)
Total net changes in operating assets and liabilities	(2,153)	118,118
Total adjustments	323,312	331,633
Cash inflow generated from operations	655,163	514,363
Income taxes paid	(103,762)	(82,383)
Net cash flows from operating activities	551,401	431,980
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	15,000	-
Acquisition of investments accounted for using equity method	(347,559)	(42,157)
Acquisition of property, plant and equipment	(142,071)	(135,437)
Proceeds from disposal of property, plant and equipment	202	-
(Increase) decrease in refundable deposits	7,144	(9,487)
(Increase) decrease in other receivables — related parties	18,000	(18,000)
Increase in prepayments for equipment	(6,750)	(14,958)
Interest received	1,499	574
Dividends received	1,541	5,035
Net cash flows used in investing activities	(452,994)	(214,430)
Cash flows from financing activities:		
Increase in short-term loans	1,395,000	1,500,590
Decrease in short-term loans	(1,195,000)	(1,700,590)
Repayments of long-term loans	-	(573,954)
Increase in guarantee deposits	399	-
Repayment of the principal portion of lease liabilities	(11,175)	(8,024)
Cash dividends paid	(128,609)	(53,717)
Proceeds from issue of common stock	-	628,425
Interest paid	(3,745)	(7,335)
Net cash flows from (used in) financing activities	56,870	(214,605)
Effect of movements in exchange rates on cash and cash equivalents held	-	983
Net increase in cash and cash equivalents	155,277	3,928
Cash and cash equivalents, beginning of year	176,339	172,411
Cash and cash equivalents, end of year	\$ 331,616	176,339

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PANION & BF BIOTECH INC.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

PANION & BF BIOTECH INC. (the “Company”) was established on January 7, 1976, as a corporation limited by shares in accordance with the Republic of China (“ROC”) Company Act. The Company is a PIC/S GMP certified manufacturer, and is mainly engaged in the manufacture and sales of pharmaceutical, cosmeceutical, supplement, diagnostic and medical device.

(2) Approval date and procedures of the financial statements:

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

(3) Application of new and revised standards, amendments and interpretations:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

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

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

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

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

- (c) The impact of IFRSs issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have been issued by IASB but have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

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

- (a) Statement of compliance

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except otherwise specified in the notes to accounting policies.

- (ii) Functional and presentation currency

The Company determined its functional currency based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

- (c) Foreign currencies

- (i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the spot rate at that date. Exchange differences are recognized in profit or loss.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

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

Cash or cash equivalents, excluding the asset that is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, and assets held for trading purposes and expected to be converted to cash within twelve months after the reporting period are classified as current assets; all other assets are classified as non-current assets.

Liabilities that are held primarily for the purpose of trading and must be settled within twelve months after the reporting period are classified as current liabilities; all other liabilities are classified as non-current liabilities.

(e) Cash and cash equivalents

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

The Company's time deposits are held for short-term commitments rather than for investment or other purposes. These time deposits are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. As such, the time deposits are recorded under cash and cash equivalents.

(f) Financial instruments

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets measured at amortized cost and financial assets measured at fair value through profit or loss (FVTPL).

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, and refundable deposits, etc.) and contract assets.

(Continued)

PANION & BF BIOTECH INC.

Notes to the Parent Company Only Financial Statements

Loss allowance for notes and accounts receivable and contract assets are measured at an amount equal to lifetime ECL. Other financial assets measured at amortized cost are considered reasonable and supportable information that are relevant and available, without undue cost or effort. This includes both quantitative and qualitative information, as well as analysis, based on the Company's historical experience, informed credit assessment, and forward-looking information. Loss allowance for other financial assets measured at amortized cost are measured by using the 12-month ECL, in which the credit risk did not increase significantly since initial recognition. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to the lifetime ECL

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof; the Company usually determines the financial assets with no reasonable expectations of recovery when the debtors' assets or income sources cannot generate sufficient cash flows to repay the financial assets. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definition of financial liabilities and equity instruments.

2) Equity instruments

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

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(h) Investments accounted for using equity method

Investments accounted for using the equity method include investments in associates and joint ventures. Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies. A joint venture is a joint arrangement whereby the Company has joint control of the arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control, and the Company has rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investments includes transaction costs. The carrying amount of the investment in associates and joint ventures includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates and joint ventures, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate or a joint venture's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

Unrealized gains resulting from transactions between the Company and an associate or a joint venture are eliminated only to the extent of unrelated Company's interests in the associate or the joint venture. Unrealized losses are eliminated in the same way as unrealized gains, but only if there is no evidence of impairment losses.

When the Company's share of losses of an associate or a joint venture equals or exceeds its interests in an associate or a joint venture, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate or a joint venture. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates or the joint ventures had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. If the Company's ownership interest in an associate or a joint venture is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Company subscribes to additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate or the joint venture. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent company only financial statements, the investments in subsidiaries are recognized by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the parent company only financial statements are equivalent to those attributable to the shareholders of the parent company in the consolidated financial statements.

Changes in the Company's ownership interest in subsidiaries that do not result in the Company losing control over its subsidiaries are accounted for as equity transactions.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(j) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Interest expenses that are directly attributable to bringing the asset to the condition necessary for its intended use are capitalized as costs of the assets.

Subsequent expenditures should be recognized as part of the carrying amount of an item of property, plant and equipment, if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be reliably measured. The carrying amount of the replaced part should be derecognized. Routine maintenance expenditures for items of property, plant and equipment are recognized in profit or loss as incurred.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

Except that land is not depreciated, depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	6~50 years
Machinery equipment	1~21 years
Other equipment	1~20 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate when the expectations differ from the previous estimates.

(k) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term and in future lease payments the lease liability is remeasured. The Company remeasures the lease liabilities with a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit and loss, if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Intangible assets

Patent is measured at cost, less accumulated impairment losses. Amortization begins when the asset is available for use, with the estimated useful lives 5 to 15 years on a straight-line basis, and is recognized in profit or loss.

Residual values, useful lives and amortization methods are reviewed at each annual reporting date. Any changes will be treated as changes in the accounting estimates.

Goodwill is measured at cost, less accumulated impairment losses. The Company conducts an impairment test at the end of each annual reporting period. An impairment loss is recognized by the amount which the carrying amount exceeds its recoverable amount. Reversal of an impairment loss in the subsequent periods for goodwill is prohibited.

(m) Impairment — non-financial assets

With regard to non-financial assets (other than inventories, deferred tax assets and employee benefits), the Company assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

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The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

(n) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(ii) Patent licensing

The Company grants its patent licenses to customers, and receives royalty fees based on the contract terms. The Company recognizes revenue when the performance obligation has been satisfied, the control of the licenses has been transferred, and the customer can direct the use of the licenses and obtains the benefits. A sales-based royalty fee is recognized only when the later of the subsequent sale occurs, and the performance obligation to which the royalty fees has been allocated has been satisfied.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

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

(Continued)

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(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, expenses resulting from the portion of the increased benefit relating to past service by employees are recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses; (2) the return on plan assets excluding the amounts included in net interest on the net defined benefit liability (assets); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (assets); the Company recognizes the remeasurements of the defined benefit liability (asset) in other comprehensive.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)

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(p) Share-based payments

The grate-date fair value of equity-settled share-based payments awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The Company offsets deferred tax assets and liabilities only if the following criteria are both met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) levied by the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

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

The Company and a domestic subsidiary file income tax returns under the linked-tax system and elect to file income tax returns under the linked-tax system with the Company as the taxpayer, and to file additional income tax returns on undistributed earnings with the subsidiary that have been held for 12 months or more in a taxable year in accordance with the Income Tax Act. The Company proportionately allocates the effect on current income tax expense (gain), deferred income tax and income tax payable (refund receivable) resulting from the adoption of the linked-tax system between the Company and the subsidiary.

(r) Earnings per share

The Company discloses its basic and diluted earnings per share attributable to common stockholders of the Company. Basic earnings per share is calculated as the profit attributable to common stockholders of the Company divided by the weighted average number of common stocks outstanding. Diluted earnings per share is calculated as the profit attributable to common stockholders of the Company divided by the weighted average number of common stock outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Segment information

The Company has disclosed segment information in the consolidated financial statements, and hence does not disclose such information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these parent company only financial statements, the management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are no critical judgments in applying accounting policies that have a significant effect on the amounts recognized in these parent company only financial statements

Subsequent measurement of inventories is the main accounting assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year.

Subsequently, inventories are measured at the lower of cost or net realizable value. The Company assesses the net realizable value of inventories for normal waste, short shelf life, and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. There may be significant changes in the net realizable value of inventories due to future market prices and, future demand and supply.

(Continued)

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 336	336
Demand deposits and foreign currency demand deposits	177,626	162,190
Time deposits	153,654	13,813
Cash and cash equivalents in the consolidated statement of cash flows	\$ 331,616	176,339

Please refer to note 6(s) for the disclosure of the Company's interest rate risk and the sensitivity analysis related to the financial assets and liabilities.

(b) Notes receivable, accounts receivable, and overdue receivables

	December 31, 2022	December 31, 2021
Notes receivable	\$ 87,214	79,533
Notes receivable—related parties	31,435	35,936
Accounts receivable	153,776	134,364
Accounts receivable—related parties	23,061	10,399
Overdue receivables	1,577	1,388
Less: loss allowance (overdue receivables included)	1,578	1,393
	\$ 295,485	260,227

The Company applies the simplified approach of IFRS 9 to provide for its expected credit losses, i.e., the use of lifetime expected credit loss provision for notes receivable, accounts receivable, and overdue receivable. To measure the expected credit losses, notes receivable, accounts receivable, and overdue receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The Company's analysis of the expected credit loss of its notes receivable, accounts receivable, and overdue receivable was as follows:

	December 31, 2022		
	Gross carrying amount	Weight average expected credit loss rate	Loss allowance for lifetime expected credit loss
Not past due	\$ 294,723	0%	-
Past due 1~30 days	686	0.11%	1
Past due 31~60 days	34	0.32%	-
Past due 61~90 days	43	0.39%	-
Past due over 181 days	1,577	100%	1,577
	\$ 297,063		1,578

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	December 31, 2021		
	Gross carrying amount	Weight average expected credit loss rate	Loss allowance for lifetime expected credit loss
Not past due	\$ 256,736	0%	-
Past due 1~30 days	3,397	0.15%	5
Past due 31~60 days	74	0.44%	-
Past due 61~90 days	25	0.54%	-
Past due over 181 days	<u>1,388</u>	100%	<u>1,388</u>
	<u>\$ 261,620</u>		<u>1,393</u>

The movement in the loss allowance for impairment with respect to notes receivable, accounts receivable, and overdue receivable was as follows:

	2022	2021
Balance at the beginning of the period	\$ 1,393	1,401
Impairment loss	185	-
Reversal of impairment loss	-	(8)
Balance at the end of the period	<u>\$ 1,578</u>	<u>1,393</u>

The Company had not pledged its notes receivable, accounts receivable, and overdue receivable as collateral or factor them for cash.

(c) Inventories

	December 31, 2022	December 31, 2021
Merchandise and finished goods	\$ 146,989	146,469
Work in process	40,119	48,249
Raw materials	99,937	106,249
Supplies	<u>49,746</u>	<u>50,365</u>
	<u>\$ 336,791</u>	<u>351,332</u>

In addition to the normal cost of goods sold, the following items were included in the Company's operating costs:

	2022	2021
Losses on market price decline	\$ 20,527	21,742
Physical count variance	<u>31</u>	<u>14</u>
	<u>\$ 20,558</u>	<u>21,756</u>

The Company had not pledged its inventory as collateral

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- (d) Financial assets measured at fair value through profit or loss

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss		
Current:		
Beneficiary certification	\$ -	69,787
Non-current:		
Unlisted stocks – domestic companies		
G Innings Medical Ltd.	2,728	2,728
Neolink Capital Corp.	32,465	50,795
	<u>35,193</u>	<u>53,523</u>
Total	<u><u>\$ 35,193</u></u>	<u><u>123,310</u></u>

Neolink Capital Corp. carried out a capital reduction in December 2022, wherein the amount of \$15,000 thousand share capital had been returned to the Company, and 1,500 thousand of its shares which were held by the Company, were cancelled. As a result, the Company recovered the original investment cost of \$15,000 thousand and reduced the number of shares by 1,500 thousand shares.

The Company invested beneficiary certificate Spectra SPC Powerfund through Ayers Alliance Group Limited. On December 22, 2022, the Company submitted its request for a complete fund-redemption of the investment of 950,519 units. However, the fund redemption payment has not been received prior to the stipulated payment date. An event of default occurs.

The Company received notification related to Spectra SPC Powerfund from Ayers Alliance Group Limited on March 3, 2023, informing that, based upon the terms of its offering memorandum, the Board of Spectra SPC has declared a suspension of calculation of Net Asset Value of Spectra SPC attributed to Spectra SPC Powerfund and a deferral of redemption of Participating Shares with immediate effect from March 1, 2023 until further notice.

Based on Ayers Alliance Group Limited's notification in March 2023:

- (i) Ayers Alliance Group Limited is experiencing issues arising out of the highly unusual delay in the settlement of obligations by third parties towards Ayers Alliance Group Limited.
- (ii) Starting from March 13, 2023, Ayers Alliance Group Limited will not be accepting any deposits from existing clients and will not be onboarding any new clients.
- (iii) All Ayers Alliance Group Limited clients' accounts will be inactive.

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In summary, the Company has already submitted a request to Ayers Alliance Group Limited for a complete fund-redemption of the investment in the Spectra SPC Powerfund in accordance with the agreement. However, the fund redemption payment has not been received prior to the stipulated payment date. Despite several requests by the Company, Ayers Alliance Group Limited and Spectra SPC Powerfund have still not provided the Company with the basic information such as the address of their operation unit and contact details. In addition, considering all the factors including whether Ayers Alliance Group Limited and Spectra SPC Powerfund will continue to operate, the existence of the company and the fair value of the assets of Spectra SPC Powerfund, the financial asset losses of \$99,751 thousand have been recorded on December 31, 2022.

(e) Investments accounted for using equity method

The Company's investments accounted for using the equity method was as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 1,014,921	773,407
	December 31, 2022	December 31, 2021
Credit balance of investments accounted for using equity method:		
Joint ventures	\$ 16,624	11,679

(i) Subsidiaries

Please refer to the consolidated financial statements.

The Company owned 100% of the shares in Cheng Fong Chemical Co., Ltd. ("CFC"). During CFC's Board of Directors meeting held on January 7, 2022, CFC resolved to increase its capital and issue 30,000 thousand new shares, each with a par value of \$10, amounting to \$300,000 thousand. All the new shares were subscribed by the Company. The registration was completed on January 28, 2022.

(ii) Joint ventures

Weigao Panion Biotech Holding Company Limited is the Company's only Joint Ventures. Its main business activities are the research and development of new drugs and sells drugs in China.

On March 16, 2021, the Board of Directors of the Company resolved to participate in the capital increase of Weigao Panion Biotech Holding Company Limited, by increasing its investment amounting to \$21,560 thousand (about CNY 5,000 thousand), and then to invest Shandong Weigao Panion Pharmaceutical Company Limited through Weigao Panion Biotech Holding Company. The investment was made on June 10, 2021, and the registration of the above investment was completed.

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On November 12, 2020, the Board of Directors of the Company resolved to participate in the capital increase of Weigao Panion Biotech Holding Company Limited, by increasing its investment amounting to \$21,450 thousand (about CNY 5,000 thousand), and then to invest Shandong Weigao Panion Pharmaceutical Company Limited through Weigao Panion Biotech Holding Company. The investment was made on January 4, 2021, and the registration of the above investment was completed.

The following table summarizes the financial information of Weigao Panion Biotech Holding Company Limited as included in its own financial statements,

	December 31, 2022	December 31, 2021
Percentage ownership interest	<u>44.00 %</u>	<u>44.00 %</u>
Non-current assets	\$ 152,415	163,560
Current assets	2,191	2,276
Non-current liabilities	-	-
Current liabilities	<u>(97)</u>	<u>(88)</u>
Net assets	<u>\$ 154,509</u>	<u>165,748</u>
Cash and cash equivalents	<u>\$ 2,191</u>	<u>2,276</u>
Non-current financial liabilities (excluding accounts payable and other payables and provision)	<u>\$ -</u>	<u>-</u>
The Company's share of net assets	\$ 67,984	72,929
Elimination of unrealized profit on downstream sales	<u>(84,608)</u>	<u>(84,608)</u>
Carrying amount of interest in joint venture	<u>\$ (16,624)</u>	<u>(11,679)</u>
	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ -</u>	<u>-</u>
Net losses for the year from the continuing operations	\$ (18,593)	(27,667)
Other comprehensive income	<u>7,353</u>	<u>69</u>
Total comprehensive income	<u>\$ (11,240)</u>	<u>(27,598)</u>
The Company's share of total comprehensive income	<u>\$ (4,946)</u>	<u>(12,143)</u>

(iii) Collateral

The Company did not pledge any collateral on investments accounted for using the equity method.

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(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings and Constructions</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Constructions in process</u>	<u>Total</u>
Cost of deemed cost:						
Balance at January 1, 2022	\$ 155,012	176,451	245,345	173,998	81,459	832,265
Additions	-	960	34,064	23,270	87,672	145,966
Disposals	-	(3,126)	(10,943)	(12,126)	-	(26,195)
Reclassification	-	1,440	47,790	45,948	(92,923)	2,255
Balance at December 31, 2022	<u>\$ 155,012</u>	<u>175,725</u>	<u>316,256</u>	<u>231,090</u>	<u>76,208</u>	<u>954,291</u>
Balance at January 1, 2021	\$ 155,012	179,485	142,103	142,617	29,488	648,705
Additions	-	82	21,881	15,556	100,625	138,144
Disposals	-	(4,570)	(16,686)	(10,889)	-	(32,145)
Reclassification	-	1,454	98,047	26,714	(48,654)	77,561
Balance at December 31, 2021	<u>\$ 155,012</u>	<u>176,451</u>	<u>245,345</u>	<u>173,998</u>	<u>81,459</u>	<u>832,265</u>
Depreciation and impairment:						
Balance at January 1, 2022	\$ -	60,970	104,239	67,028	-	232,237
Depreciation	-	5,503	46,767	30,754	-	83,024
Disposals	-	(3,126)	(10,673)	(11,914)	-	(25,713)
Balance at December 31, 2022	<u>\$ -</u>	<u>63,347</u>	<u>140,333</u>	<u>85,868</u>	<u>-</u>	<u>289,548</u>
Balance at January 1, 2021	\$ -	59,848	89,664	54,851	-	204,363
Depreciation	-	5,692	31,261	23,066	-	60,019
Disposals	-	(4,570)	(16,686)	(10,889)	-	(32,145)
Balance at December 31, 2021	<u>\$ -</u>	<u>60,970</u>	<u>104,239</u>	<u>67,028</u>	<u>-</u>	<u>232,237</u>
Carrying amount:						
Balance at December 31, 2022	<u>\$ 155,012</u>	<u>112,378</u>	<u>175,923</u>	<u>145,222</u>	<u>76,208</u>	<u>664,743</u>
Balance at December 31, 2021	<u>\$ 155,012</u>	<u>115,481</u>	<u>141,106</u>	<u>106,970</u>	<u>81,459</u>	<u>600,028</u>

As of December 31, 2022 and 2021, the property, plant and equipment of the Company had been pledged as collateral for long-term loans and credit lines; please refer to note 8.

(g) Right-of-use assets

The cost, depreciation, and impairment of the land, buildings and constructions, and other equipment that the Company leases were as follows

	<u>Land, buildings and constructions</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 34,567	3,801	38,368
Additions	12,184	567	12,751
Balance at December 31, 2022	<u>\$ 46,751</u>	<u>4,368</u>	<u>51,119</u>

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	Land, buildings and constructions	Other equipment	Total
Balance at January 1, 2021	\$ 23,123	3,801	26,924
Additions	11,444	-	11,444
Balance at December 31, 2021	<u>\$ 34,567</u>	<u>3,801</u>	<u>38,368</u>
Depreciation and impairment:			
Balance at January 1, 2022	\$ 14,413	1,154	15,567
Depreciation	9,940	1,112	11,052
Balance at December 31, 2022	<u>\$ 24,353</u>	<u>2,266</u>	<u>26,619</u>
Balance at January 1, 2021	\$ 6,695	88	6,783
Depreciation	7,718	1,066	8,784
Balance at December 31, 2021	<u>\$ 14,413</u>	<u>1,154</u>	<u>15,567</u>
Carrying amount:			
Balance at December 31, 2022	<u>\$ 22,398</u>	<u>2,102</u>	<u>24,500</u>
Balance at December 31, 2021	<u>\$ 20,154</u>	<u>2,647</u>	<u>22,801</u>

(h) Intangible assets

The cost, amortization, and impairment of the Company's intangible assets were as follows:

	Patent
Cost:	
Balance at December 31, 2022 (as of balance at January 1, 2022)	\$ <u>18,087</u>
Balance at December 31, 2021 (as of balance at January 1, 2021)	\$ <u>18,087</u>
Amortization and impairment	
Balance at January 1, 2022	\$ 16,083
Amortization	560
Balance at December 31, 2022	<u>\$ 16,643</u>
Balance at January 1, 2021	\$ 15,522
Amortization	561
Balance at December 31, 2021	<u>\$ 16,083</u>
Carrying Amount:	
Balance at December 31, 2022	<u>\$ 1,444</u>
Balance at December 31, 2021	<u>\$ 2,004</u>

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(i) Long-term loans and short-term loans

(i) Short-term loans

December 31, 2022				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured bank loans	NTD	1.725	2023	\$ 50,000
Unsecured bank loans	NTD	1.531	2023	200,000
Total				<u><u>\$ 250,000</u></u>

December 31, 2021				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured bank loans	NTD	1.1	2022	<u><u>\$ 50,000</u></u>

As of December 31, 2022 and 2021, the unused credit lines of the Company's short-term loans were amounted to \$550,000 thousand and \$450,000 thousand, respectively.

(ii) Long-term loans

As of December 31, 2022 and 2021, the unused credit lines of the Company's long term loans were amounted to \$300,000 thousand and \$0 thousand, respectively.

(iii) Bank loan collateral

For the details of assets pledged as collateral, please refer to note 8.

(j) Lease liabilities

The carrying amounts of the Company's lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	<u><u>\$ 11,113</u></u>	<u><u>9,396</u></u>
Non-current	<u><u>\$ 14,463</u></u>	<u><u>14,603</u></u>

For the maturity analysis, please refer to note 6(s) financial instruments

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	<u><u>\$ 363</u></u>	<u><u>356</u></u>
Expenses relating to short-term leases	<u><u>\$ 5,878</u></u>	<u><u>4,234</u></u>

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

	2022	2021
Total cash outflow for leases	<u><u>\$ 17,415</u></u>	<u><u>12,590</u></u>

(Continued)

PANION & BF BIOTECH INC.
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(k) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets for the Company were as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 61,530	64,754
Fair value of plan assets	(50,408)	(47,277)
Net defined benefit asset	<u><u>\$ 11,122</u></u>	<u><u>17,477</u></u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standard) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$50,408 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Company's defined benefit obligations were as follows

	2022	2021
Defined benefit obligation at January 1	\$ 64,754	66,664
Current service costs and interest	673	736
Remeasurements of the net defined benefit asset		
— Actuarial gains and losses arising from changes in financial assumptions	(2,342)	(2,336)
Benefits paid	(1,555)	(310)
Defined benefit obligation at December 31	<u><u>\$ 61,530</u></u>	<u><u>64,754</u></u>

(Continued)

PANION & BF BIOTECH INC.
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3) Movements in fair value of plan assets

The movements in the fair value of the Company's plan assets were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 47,277	46,049
Interest income	276	273
Remeasurements of the net defined benefit asset		
— The return on plan assets (excluding amounts included in the interest during this period)	3,696	550
Contributions made	714	715
Benefits paid	<u>(1,555)</u>	<u>(310)</u>
Fair value of plan assets at December 31	<u><u>\$ 50,408</u></u>	<u><u>47,277</u></u>

4) Expenses recognized in profit or loss

The Company's expenses recognized on profit or loss were as follows

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 290	336
Net interest on the defined benefit asset	<u>107</u>	<u>127</u>
Operating costs and expenses	<u><u>\$ 397</u></u>	<u><u>463</u></u>

5) Actuarial assumptions

The Company's significant actuarial assumptions used in calculating the present value of the defined benefit obligation at the reporting date were as follow:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.500 %	0.625 %
Future salary increases	3.000 %	3.000 %

The expected contribution to be made by the Company to the defined benefit plans for the one-year period after the 2022 reporting date is \$700 thousand.

The weighted average lifetime of the defined benefits plans is 9.98 years.

(Continued)

PANION & BF BIOTECH INC.
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6) Sensitivity analysis

As of December 31, 2022 and 2021, the effect of changes in the principle actuarial assumptions on the present value of the defined benefit obligations were as follows:

	Impact on the defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
At December 31, 2022		
Discount rate	\$ (786)	809
Future salary increases	779	(758)
At December 31, 2021		
Discount rate	(941)	977
Future salary increases	936	(905)

The above sensitivity analysis is based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension asset is the same.

The method used for sensitivity analysis for this year is the same as the method used in the previous year.

(ii) Defined contribution plans

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

The Company's pension costs under the defined contribution method were \$12,947 thousand and \$12,141 thousand for the years ended December 31, 2022 and 2021, respectively.

(l) Income taxes

(i) Income tax expenses

The Company's income tax expenses consisted of the following:

	2022	2021
Current income tax expense		
Current period	\$ 147,017	83,691
Adjustment for prior periods	3,560	-
	<u>150,577</u>	<u>83,691</u>

(Continued)

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	<u>2022</u>	<u>2021</u>
Deferred tax expense (benefit)		
The origination and reversal of temporary differences	\$ (1,071)	(5,363)
Income tax expense from continuing operations	<u>\$ 149,506</u>	<u>78,328</u>

The Company's income tax expense (benefit) recognized

	<u>2022</u>	<u>2021</u>
Items that may not be reclassified into profit and loss:		
Remeasurements of defined benefit plan	<u>\$ 1,207</u>	<u>577</u>

Reconciliations of the Company's income tax expense and income before tax were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 331,851</u>	<u>182,730</u>
Income tax using the Company's domestic tax rate	\$ 66,370	36,546
Effect of tax rates in foreign jurisdiction	30,461	22,346
Adjustments according to tax laws	49,115	19,436
Adjustments on prior years' tax expense	<u>3,560</u>	<u>-</u>
Income tax expense	<u>\$ 149,506</u>	<u>78,328</u>

The Company and its subsidiary, Cheng Fong Chemical Co., Ltd., file tax returns under the linked-tax system, and the related payable due to the related party as of December 31, 2021 and 2020 was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payable due to associate (recorded under other payables – related parties)	<u>\$ 129</u>	<u>5,490</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

The Company is not able to assure that the temporary differences associated with investments in subsidiaries, as of December 31, 2022 and 2021, will be reversed in the foreseeable future, or to consider it is probable that taxable profit will be sufficient to allow the temporary differences to be deducted. A deferred tax asset for these temporary differences is therefore not recognized. Details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 67,981</u>	<u>-</u>
Unrecognized deferred tax assets	<u>\$ 13,596</u>	<u>-</u>

(Continued)

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The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021, and considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ -</u>	<u>53,768</u>
Unrecognized deferred tax liabilities	<u>\$ -</u>	<u>10,754</u>

2) Recognized deferred tax assets and liabilities

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

Deferred tax assets

	Defined benefit plans	Loss from investment using equity method	Allowance for inventory devaluation loss	Others	Total
Balance at January 1, 2022	\$ 3,495	10,220	6,934	609	21,258
Recognized in profit or loss	(1,747)	1,636	1,791	(609)	1,071
Recognized in other comprehensive income	(1,207)	-	-	-	(1,207)
Balance at December 31, 2022	<u>\$ 541</u>	<u>11,856</u>	<u>8,725</u>	<u>-</u>	<u>21,122</u>
Balance at January 1, 2021	\$ 4,123	7,786	3,775	788	16,472
Recognized in profit or loss	(51)	2,434	3,159	(179)	5,363
Recognized in other comprehensive income	(577)	-	-	-	(577)
Balance at December 31, 2021	<u>\$ 3,495</u>	<u>10,220</u>	<u>6,934</u>	<u>609</u>	<u>21,258</u>

Deferred tax liabilities

	Reserve for land value increment tax
Balance at December 31, 2022 (as of balance at January 1, 2022)	<u>\$ 19,729</u>
Balance at December 31, 2021 (as of balance at January 1, 2021)	<u>\$ 19,729</u>

(iii) Income tax examination

The tax authorities have examined the income tax returns of the Company through 2020.

(Continued)

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(m) Share capital and other equity

(i) Issuance of common stock

As of December 31, 2022 and 2021, the total value of authorized ordinary shares amounted to \$1,000,000 thousand, with a par value of \$10 per share, of which 85,739 thousand shares were outstanding. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	(In thousands of shares)	
	2022	2021
Balance at January 1	85,739	76,739
Issued for cash	-	9,000
Balance at December 31	85,739	85,739

On June 24, 2021, a resolution was passed by the Board of Directors for the issuance of 9,000 thousand new shares for cash with issue price of \$70 per share. The Company received approval from the FSC for this capital increase on July 21, 2021 (Rule No. 1100349127), with September 24, 2021 as the effective date of capital increase. The relevant statutory registration procedures were completed.

(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

	December 31, 2022	December 31, 2021
Paid-in capital in excess of par value	\$ 865,694	898,275
Employee share options	5,480	5,480
	\$ 871,174	903,755

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

The Company's Articles of Incorporation revised on June 9, 2020, provided that the Company may distribute legal reserve and capital surplus in compliance with laws and regulations. For distribution by way of new shares issuance, a resolution shall be passed during the general meeting of shareholders; for distribution by way of cash, a resolution shall be passed by the Board of Directors with at least two-thirds of the directors present and a majority of the directors agree, and shall be reported to the general meeting of shareholders.

Details of cash dividends from capital surplus, please refer to note 6(m) (iii) Retained earnings.

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(iii) Retained earnings

The Company's Articles of Incorporation provided that, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' deficits, and appropriate 10% of net income to legal reserve until the accumulated legal reserve capital equals the Company's paid-in capital. The Company may also appropriate special reserve capital based on business needs and in compliance with laws and regulations. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors. For distribution by way of new shares issuance, a resolution shall be passed during the general meeting of shareholders; for distribution by way of cash, a resolution shall be passed by the Board of Directors with at least two-thirds of the directors present and a majority of the directors agree, and shall be reported to the general meeting of shareholders.

The Company's dividend policy adopts the principle of prudence with consideration of its profitability and financial structure and future development. The Company stipulated a dividend policy that distributes at least 40% of accumulated earnings as shareholders' dividends and at least 10% of the distribution shall be by way of cash. However, the Board of Directors may adjust the percentage of distribution based on the actual operating performances upon the approval from the general meeting of the shareholders.

1) Legal reserve

If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

PANION & BF BIOTECH INC.
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3) Distribution of earnings

The amounts of cash dividends on the appropriations of 2021 and 2020 earnings and the distribution of cash dividends from capital surplus were approved during the board meeting on March 15, 2022 and March 16, 2021, respectively. The appropriations and dividends per share were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common stockholders:				
Cash—retained earnings	\$ 1.12	96,028	0.20	15,348
Cash—capital surplus	0.38	<u>32,581</u>	0.50	<u>38,369</u>
Total		<u>\$ 128,609</u>		<u>53,717</u>

The amounts of cash dividends on the appropriation of 2022 earnings and the distribution of cash dividends from capital surplus were approved by the Board of Directors on March 30, 2023. The appropriations and dividends per share were as follows:

	2022	
	Amount per share	Total amount
Dividends distributed to common stockholders:		
Cash—retained earnings	\$ 1.95	167,191
Cash—capital surplus	0.05	<u>4,287</u>
Total		<u>\$ 171,478</u>

(n) Share-based payments

The Company's cash capital increase reserved for employee subscription for 2021 was as follows:

	Unit: thousand shares	
	Cash capital increase reserved for employee subscription	
	Employees	Management
Grant date	2021.7.21	2021.7.28
Number of shares granted	723	177
Contract term	-	
Recipients	Employees of the Company and its affiliated who meet the specific conditions	
Vesting conditions	Immediately vested	

(Continued)

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(i) Determining the fair value of equity instruments granted

The Company used Black-Scholes Option Pricing Model in measuring the fair value of the share-based payments at the grant date. The measurement inputs were as follows:

	Cash capital increase reserved for employee subscription	
	Employees	Management
Fair value at the grant date (New Taiwan Dollars)	\$13.70	8.70
Share price at grant date (New Taiwan Dollars)	\$84.00	79.00
Exercise price (New Taiwan Dollars)		\$70.00
Expected volatility (%)		38.00
Expected life (years)		0.002
Risk-free interest rate (%)		0.39

(ii) Description of share-based payment arrangements

	Unit: thousand shares 2021	
	Weighted average exercise price	Number of options
Outstanding at January 1	\$ -	-
Granted during the year (number)	70.00	900
Exercised during the year (number)	(70.00)	(535)
Expired during the year (number)	-	(365)
Exercisable at December 31	-	-

(iii) Expense recognized in profit or loss

For the year ended December 31, 2021, the Company recorded the cost of the above share-based payment amounting to \$11,716 thousand under operating costs and expenses.

(o) Earnings per share

The calculation of the Company's basic and diluted earnings per share were as follows:

i) Basic earnings per share

	2022	2021
Net income attributable to common shareholders of the Company	\$ <u><u>182,345</u></u>	<u><u>104,402</u></u>
Weighted-average number of common shares outstanding	<u><u>85,739</u></u>	<u><u>79,180</u></u>
Basic earnings per share (New Taiwan Dollar)	\$ <u><u>2.13</u></u>	<u><u>1.32</u></u>

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Net income attributable to common shareholders of the Company	\$ <u>182,345</u>	<u>104,402</u>
Weighted-average number of common shares outstanding	85,739	79,180
Influence of potentially dilutive shares		
Remuneration to employees	<u>89</u>	<u>56</u>
Weighted-average number of shares outstanding (diluted)	<u>85,828</u>	<u>79,236</u>
Diluted earnings per share (New Taiwan Dollar)	\$ <u>2.12</u>	<u>1.32</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Taiwan	\$ 1,688,958	1,258,145
United States	401,088	320,000
China, Hong Kong and Macau	13,061	14,183
Other	<u>8,907</u>	<u>20,645</u>
	<u>\$ 2,112,014</u>	<u>1,612,973</u>
Major products/services lines:		
Pharmaceutical	\$ 724,221	719,660
Supplement	183,929	164,061
Cosmeceutical	64,308	88,398
Diagnostic	724,639	313,144
Medical device	4,998	4,901
Milestone payments	8,831	-
Sales royalty fee	401,088	319,789
Authorization fee	<u>-</u>	<u>3,020</u>
	<u>\$ 2,112,014</u>	<u>1,612,973</u>

(Continued)

PANION & BF BIOTECH INC.
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(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 87,214	79,533	63,571
Notes receivable—related party	31,435	35,936	59,933
Accounts receivable	153,776	134,364	129,575
Accounts receivable—related party	23,061	10,399	34,051
Overdue receivables	1,577	1,388	-
Less: allowance for impairment	<u>1,578</u>	<u>1,393</u>	<u>1,401</u>
Total	<u><u>\$ 295,485</u></u>	<u><u>260,227</u></u>	<u><u>285,729</u></u>

For details on notes receivable, accounts receivable, overdue receivables and allowance for impairment, please refer to note 6(b)

(q) Remuneration to employees and directors

The Company's articles of incorporation provided that the Company should contribute no less than 2% of profit as employee remuneration and less than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

The remuneration to employees can be in the form of stock or cash, wherein the recipients may include the employees of the Company's affiliated who meet certain specific conditions set forth by the Board of Directors. The remuneration to directors can only be in the form of cash.

For the years ended December 31, 2022 and 2021, the Company accrued its remuneration to employees amounting to \$14,587 thousand and \$3,847 thousand, respectively, and remuneration to directors amounting to \$18,233 and \$5,770, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association. The remunerations were expensed under operating expenses during each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in these parent company only financial statements, are identical to those of the actual distributions for 2022 and 2021.

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(r) Non-operating income and expenses

(i) Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ <u>1,499</u>	<u>574</u>

(ii) Other income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ <u>1,541</u>	<u>5,035</u>
Other income — others		
Management Service income	30,801	34,038
Others	<u>1,969</u>	<u>11,194</u>
Subtotal of other income – others	<u>32,770</u>	<u>45,232</u>
Total other income	\$ <u>34,311</u>	<u>50,267</u>

(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Losses on disposal of property, plant and equipment	\$ (280)	-
Foreign exchange gains (losses), net	290	(1,860)
Gains on financial assets measured at fair value through profit and loss	-	6,147
Others	<u>-</u>	<u>(2)</u>
Other gains and losses, net	\$ <u>10</u>	<u>4,285</u>

(iv) Financial costs

	<u>2022</u>	<u>2021</u>
Interest expenses	\$ <u>3,801</u>	<u>7,359</u>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The Company's notes and accounts receivable concentrated on related parties, which accounted for 18% of the total notes and accounts receivable as of December 31, 2022 and 2021.

(Continued)

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(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractua l cash flows</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 250,000	251,628	251,628	-	-
Accounts payable (including related parties)	119,010	119,010	119,010	-	-
Other payables (including related parties)	248,024	248,024	248,024	-	-
Lease liabilities	25,576	26,072	11,384	14,688	-
Guarantee deposit	<u>2,592</u>	<u>2,592</u>	<u>-</u>	<u>2,592</u>	<u>-</u>
	<u>\$ 645,202</u>	<u>647,326</u>	<u>630,046</u>	<u>17,280</u>	<u>-</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 50,000	50,273	50,273	-	-
Accounts payable	124,825	124,825	124,825	-	-
Other payables	183,110	183,110	183,110	-	-
Lease liabilities	23,999	24,521	9,668	14,853	-
Guarantee deposit	<u>2,193</u>	<u>2,193</u>	<u>-</u>	<u>2,193</u>	<u>-</u>
	<u>\$ 384,127</u>	<u>384,922</u>	<u>367,876</u>	<u>17,046</u>	<u>-</u>

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

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(iii) Currency Risk

1) Exposure to Foreign Currency Risk

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

	December 31, 2022				December 31, 2021		
	Foreign Currency	Exchange Rate		TWD	Foreign Currency	Exchange Rate	TWD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	5,575	30.7250	171,304	2,324	27.6770	64,321
JPY		3,394	0.2323	788	1,494	0.2406	359
CNY		522	4.4060	2,300	889	4.3430	3,861
<u>Non-monetary items</u>							
USD	-		30.7250	-	2,526	27.6770	69,913
<u>Financial Liabilities</u>							
<u>Monetary items</u>							
USD		9	30.7250	277	217	27.6770	6,006
CNY		109	4.4060	480	4	4.3430	17

2) Sensitivity Analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets measured at fair value through profit and loss, accounts receivable and accounts payable that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the USD, JPY, and CNY as of December 31, 2022 and 2021 would have increased (decreased) the net income before tax for the year ended December 31, 2022 and 2021 by \$1,736 thousand and \$625 thousand, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for both periods.

3) Foreign Exchange gain and loss on monetary items

Due to the numerous types of functional currency of the Company, the Company disclose its exchange gains and losses of monetary items aggregately. The Company's exchange gain (loss), including realized and unrealized, were \$290 thousand and \$(1,860) thousand for the years ended December 31, 2022 and 2021, respectively.

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(iv) Interest rate analysis

The Company's exposure to interest rate risk were as follows:

	Carrying Amount	
	December 31, 2022	December 31, 2021
Instruments with variable interest rates		
Bank deposits	\$ 331,280	176,003
Long and short-term loans	\$ 250,000	50,000

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 1% with all other variable factors remaining constant, the Company's net income before tax will have increased or decreased by \$813 thousand and \$1,260 thousand, for the years ended December 31, 2022 and 2021, respectively.

(v) Fair value information

1) Categories and fair value of financial instruments

The carrying amount and fair value of the financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

		December 31, 2022			
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 35,193	-	-	35,193	35,193
		December 31, 2022			
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 123,310	69,787	-	53,523	123,310

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

2) Valuation techniques and assumptions used in fair value determination -Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the market price is established as the fair value. Quoted prices from an exchange and actively traded government bonds traded over the counter are used as the basis for the fair value measurement of listed equity instruments and debt instruments with quoted prices in active markets.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the above-mentioned conditions are not met, the market would be considered as inactive. Generally, wide bid-ask spreads, increases in bid-ask spreads or low transaction volumes are indicators of an inactive market.

For equity instruments that there is no quoted price available, the Company uses the discounted cash flow model to estimate their fair values. The estimation is based on the investee's expected future cash flows, discounted to their present value using the discount rate that reflects the time value of money and the riskiness of the investment.

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped into Levels 1 to 3 as follows:

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

4) Reconciliation of Level 3 fair values

	Mandatorily measured at fair value through profit or loss	Unquoted equity instruments	Total
Balance at January 1, 2022	\$ -	53,523	53,523
Recognize in profit or loss	(99,751)	(3,330)	(103,081)
Return of capital	-	(15,000)	(15,000)
Reclassified from Level 1	99,751	-	99,751
Balance at December 31, 2022	<u>\$ -</u>	<u>35,193</u>	<u>35,193</u>

(Continued)

PANION & BF BIOTECH INC.
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	Mandatorily measured at fair value through profit or loss	Unquoted equity instruments	Total
Balance at January 1, 2021	\$ -	52,728	52,728
Recognize in profit or loss	-	795	795
Balance at December 31, 2021	<u>\$ -</u>	<u>53,523</u>	<u>53,523</u>

In accordance with IFRS 13 Fair Value Measurement, the reliability and restrictions of the information used in measuring fair value should be regularly evaluated. The Company can no longer obtain the quoted price of Spectra SPC Powerfund, and the current volume and level of activity of the fund exists significant uncertainty. The Company, therefore, reclassified its level of fair value hierarchy from Level 1 to Level 3, and recorded the losses under loss on financial assets measured at fair value through profit and loss.

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

Item	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss—equity investments without an active market	Income Approach	• Discount rate (7.000% for both periods) • Sustainable growth rate (1.50% and 1.45% at December 31, 2022 and 2021) • Discount for lack of marketability (30%for both periods) • Minority interest discount (26.49% for both periods)	• The estimated fair value would decrease if the discount rate were higher • The higher the sustainable growth rate, the higher the estimated fair value • The estimated fair value would decrease if the liquidity discount were higher • The estimated fair value would decrease if the minority interest discount were higher
Financial assets at fair value through profit or loss—venture capital	Asset approach	Net asset value	The estimated fair value would increase if the net asset value were higher.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss—foreign fund	Asset approach	Net asset value, liquidity, marketability and credit risk adjustment (including risk of default) were 100%	• The estimated fair value would increase if the net asset value were higher • The estimated fair value would decrease if the liquidity discount were higher • The estimated fair value would decrease if the credit risk were higher

- (vi) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement for fair values for financial instruments is reasonable. However, a different valuation technique or possible changes to one or more assumptions would have different effects. For fair value measurement in Level 3, changing in assumptions would have the following effects:

	<u>Inputs</u>	<u>Increase/ decrease</u>	<u>Profit or loss</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2022				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Discount rate	1%	\$ 149	(102)
	Sustainable growth rate	1%	115	(78)
December 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Discount rate	1%	\$ 527	(367)
	Sustainable growth rate	1%	402	(281)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(t) Financial risk management

(i) Overview

The Company has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks, and the Company's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Board of Directors of the Company is full responsible for the establishment and management of the Company's risk management framework and policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

1) Notes and accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the customer segmentation to which customers belong, as these factors may have an influence on credit risk.

(Continued)

PANION & BF BIOTECH INC.

Notes to the Parent Company Only Financial Statements

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis.

The Company discloses the estimation of notes and accounts receivable's loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investment and other financial instruments are measured and monitored by the Company's finance department and reported to the management by authority. Since those who transact with the Company are banks with good credit standing, there are no non-compliance issues. Hence, there is no significant credit risk.

3) Guarantees

As of December 31, 2022 and 2021, the Company has no outstanding guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short-term bank facilities of \$850,000 thousand and \$450,000 thousand, respectively, as of December 31, 2022 and 2021.

(v) Market risk

Market risk is the risk that changes in interest rate, foreign exchange rates or the price of financial products will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's bank deposits are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(u) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and other equity of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to common stockholders.

Debt-to-capital ratios as of December 31, 2022 and 2021 were as follows

	December 31, 2022	December 31, 2021
Total liabilities	\$ 759,248	472,909
Less: cash and cash equivalents	<u>331,616</u>	<u>176,339</u>
Net debt	<u>\$ 427,632</u>	<u>296,570</u>
Total equity	<u>\$ 2,007,113</u>	<u>1,933,014</u>
Debt-to-capital ratio	<u>21 %</u>	<u>15 %</u>

As of December 31, 2022, there were no changes in the Company's approach of capital management.

(v) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were derived from the acquisition of its right-of-use assets from its lease liabilities

(w) Reconciliations of liabilities arising from financing activities

The reconciliations of liabilities arising from financing activities in the years ended December 31, 2022 and 2021 were as follows:

	January 1, 2022	Cash flows	Non-Cash Changes		December 31, 2022
			Acquisition of right-of- use assets	Interest Expense	
Short-term loans	\$ 50,000	200,000	-	-	250,000
Lease liabilities	<u>23,999</u>	<u>(11,537)</u>	<u>12,751</u>	<u>363</u>	<u>25,576</u>
Total liabilities from financing activities	<u>\$ 73,999</u>	<u>188,463</u>	<u>12,751</u>	<u>363</u>	<u>275,576</u>

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

			Non-Cash Changes		
	January 1, 2021	Cash flows	Acquisition of right-of- use assets	Interest Expense	December 31, 2021
Short-term loans	\$ 250,000	(200,000)	-	-	50,000
Lease liabilities	20,555	(8,356)	11,444	356	23,999
Long-term loans	573,954	(573,954)	-	-	-
Total liabilities from financing activities	<u>\$ 844,509</u>	<u>(782,310)</u>	<u>11,444</u>	<u>356</u>	<u>73,999</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the subsidiaries.

- (b) Name and relationship with related parties

The following are entities that have had transactions with related parties during the periods covered in parent company only financial statements.

Name of related party	Relationship with the Company
Bowlin Biotech Corp.	Subsidiaries
Bowlin Holding Co., Ltd. (Cayman)	Subsidiaries
Bowlin Holding Co. Ltd.	Subsidiaries
Bowlin Holding (HK) Co., Limited	Subsidiaries
Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada	Subsidiaries
Zhuhai Baozhan Trade Co., Ltd.	Subsidiaries
Zhuhai Panion & BF Biotech Inc.	Subsidiaries
Zhuhai Baoyi Biotech Co., Ltd.	Subsidiaries
Zhuhai Panion Innovation Biotech Co., Ltd.	Subsidiaries
Cheng Fong Chemical Co., Ltd.	Subsidiaries
Shining Biomedical Company Ltd.	Other related party
Te-Yang Tsai	First-degree relative of the Company's general manager
Yubo IP Studio	Its responsible person is a first-degree relative of the Company's general manager
Weigao Panion Biotech Holding Company Limited	Joint venture

(Continued)

PANION & BF BIOTECH INC.
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<u>Name of related party</u>	<u>Relationship with the Company</u>
Shandong Weigao Panion Pharmaceutical Company Limited	Joint venture
Shanghai Weigao Panion Pharmaceutical Company Limited	Joint venture
Panion Charity Foundation	Other related party

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions between the Company and its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries		
Zhuhai Panion & BF Biotech Inc.	\$ 5,390	9,588
Zhuhai Panion Innovation Biotech Co., Ltd.	229	537
Cheng Fong Chemical Co., Ltd.	5	-
Other related parties		
Shining Biomedical Company Ltd.	124,504	126,369
	<u>\$ 130,128</u>	<u>136,494</u>

The terms with related parties were not significantly different from those provided to other customers.

(ii) Interest income

The interest charged by the Company to its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries		
Cheng Fong Chemical Co., Ltd.	\$ 43	200
Other related parties		
Shining Biomedical Company Ltd.	-	35
	<u>\$ 43</u>	<u>235</u>

(iii) Consultant Fees

The consultant fees that the Company paid to its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ 2,042</u>	<u>1,971</u>

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(iv) Donation

The donations that the Company made to its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u><u>300</u></u>	<u><u>-</u></u>

(v) Service revenue

The Company provided administrative services to its related parties. The service revenue was recorded under non-operating income and expenses – other income as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries		
Bowlin Holding Co. Ltd.	\$ 23,601	28,438
Cheng Fong Chemical Co., Ltd.	<u>7,200</u>	<u>5,600</u>
	<u><u>\$ 30,801</u></u>	<u><u>34,038</u></u>

(vi) Receivable due from related parties

The receivables due from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable – related party	Other related parties Shining Biomedical Company Ltd.	\$ 31,435	35,936
Accounts receivable – related party	Subsidiaries Zhuhai Panion & BF Biotech Inc.	1,301	595
Accounts receivable – related party	Other related parties Shining Biomedical Company Ltd.	21,760	9,804
Other receivables – related party	Subsidiaries Cheng Fong Chemical Co., Ltd.	-	18,000
		<u><u>\$ 54,496</u></u>	<u><u>64,335</u></u>

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(vii) Purchase

The amounts of purchases transactions between the Company and its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries		
Cheng Fong Chemical Co., Ltd.	\$ 2,204	6,187
Zhuhai Panion & BF Biotech Inc.	1,215	1,064
Zhuhai Panion Innovation Biotech Co., Ltd.	450	-
Zhuhai Baozhan Trade Co., Ltd.	<u>-</u>	<u>70</u>
	<u><u>\$ 3,869</u></u>	<u><u>7,321</u></u>

The terms with related parties were not significantly different from those provided by other vendors.

(viii) Payable due to related parties

The payables due from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables	Subsidiaries		
	Cheng Fong Chemical Co., Ltd.	\$ 5,619	5,511
Accounts payable	Zhuhai Panion & BF Biotech Inc.	304	-
	Zhuhai Panion Innovation Biotech Co., Ltd.	178	-
Other payables	Other related parties	<u>643</u>	<u>727</u>
		<u><u>\$ 6,744</u></u>	<u><u>6,238</u></u>

(ix) Prepayment

The details of prepayment were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Cheng Fong Chemical Co., Ltd.	<u>\$ -</u>	<u>47</u>

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PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(x) Loans to related parties

The Company's loans to its related parties (recorded in other receivables – related parties) were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	<u>\$ -</u>	<u>18,000</u>

The loans to related parties are set at an 1.25% per annum interest rate, and are unsecured. There is no loss allowance required after the assessment.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 81,917	46,856
Post-employment benefits	978	763
	<u>\$ 82,895</u>	<u>47,619</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Object	December 31, 2022	December 31, 2021
Property, plant, and equipment:			
Land	Short & long-term loans	\$ 155,012	155,012
Buildings	Short & long-term loans	112,378	115,481
Time deposits (recorded in refundable deposits)	Performance guarantee	-	3,000
		<u>\$ 267,390</u>	<u>273,493</u>

(9) Commitments and contingencies:

- (a) In July 2001, the Company signed a patent license agreement with Chen Hsing Hsu to obtain the right to put the patent on Nephoxil, a new drug for kidney disease, into practice, and further amended the agreement in August 2005. The terms and conditions in the agreement stipulated that the Company shall pay Chen Hsing Hsu royalty fees based on the net sales of the licensed products. For the years ended December 31, 2022 and 2021, the Company recorded its royalty payments due to Chen Hsing Hsu arising from the patent license agreement under operating costs.

The patents on Nephoxil in the United States, Taiwan and Japan have all expired as of November 14, 2022. The Company has terminated the above patent license agreement in accordance with the terms set forth in the agreement. The termination was effective upon the aforementioned patent expiration date.

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PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

- (b) The Company and Shandong Weigao Pharmaceutical Company Limited (“Shandong Weigao”) entered into a joint venture agreement on February 24, 2015 to establish a Company Weigao Panion Biotech Holding Company (“Weigao Panion”), with the companies holding of 49% and 51%, respectively. The Company then invested in Shandong Weigao Panion Pharmaceutical Company Limited (“Shandong Weigao Panion”) through Weigao Panion. The Company granted licenses to Shandong Weigao Panion through Weigao Panion with its patent rights to develop, manufacture and exclusively sell Nephoxil in mainland China, and the license fees for the rights granted were amounted to CNY 150,000 thousand, including the down payment of CNY 30,000 thousand and the milestone payment of CNY 120,000 thousand. The Company recognized the down payment and the milestone payments of each phase based on the development progress of Nephoxil, and reinvested part of the milestone payment in Weigao Panion, and Shandong Weigao would also invest according to the original shareholdings.

The Company had recognized revenue of \$42,975 thousand (including the milestone payment of CNY 10,000 thousand), \$44,388 thousand including the (milestone payment of CNY 10,000 thousand), \$23,200 thousand (including the milestone payment of CNY 5,000 thousand) and \$84,490 thousand (including the down payment CNY 12,000 thousand and the milestone payment of CNY 4,900 thousand) in the years ended December 31, 2020, 2019, 2018 and 2015, respectively. The unrealized profit balances were \$84,608 thousand for both periods (recorded under the Company’s credit balance of investments accounted for using equity method).

The Company entered into a consulting contract with the third parties, separately. The contract provided that the Company shall pay relevant expenses to each third party based on the down payment and the milestone payments of each stage in accordance with the above-mentioned patent license agreement, amounting to a total of CNY 10,500 thousand. The Company made consulting costs payments of \$1,719 thousand (CNY 400 thousand), \$1,776 thousand (CNY 400 thousand), \$928 thousand (CNY 200 thousand) and \$25,749 thousand (CNY 5,176 thousand) in the years 2020, 2019, 2018 and 2015, respectively. In addition, the contract stipulated that each counterparty to the contract may subscribe to buy 2.5% of Weigao Panion shares at the same cost as the Company’s original investment cost to Weigao Panion. The subscriptions were completed in 2016.

(10) Losses due to major disasters: None.

(11) Subsequent events: please refer to notes 6(d) and (m).

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PANION & BF BIOTECH INC.
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(12) Other:

- (a) A summary of personnel costs, depreciation, depletion and amortization is as follows:

Function Account	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	96,356	248,158	344,514	90,786	207,590	298,376
Labor and health insurance	9,442	18,597	28,039	8,978	17,031	26,009
Pension	4,351	8,993	13,344	4,070	8,534	12,604
Remuneration to directors	-	26,695	26,695	-	14,155	14,155
Other personnel expense	6,546	9,238	15,784	6,114	8,272	14,386
Depreciation	47,426	46,650	94,076	33,444	35,359	68,803
Amortization	-	560	560	-	561	561

The Company's number of employees and additional information on employee benefits for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Number of employees	<u><u>369</u></u>	<u><u>352</u></u>
Number of non-employees directors	<u><u>8</u></u>	<u><u>8</u></u>
Average employees' benefit	<u><u>\$ 1,113</u></u>	<u><u>1,021</u></u>
Average salary	<u><u>\$ 954</u></u>	<u><u>867</u></u>
Adjustment of employees' average salary	<u><u>10.03 %</u></u>	
Supervisor remuneration	<u><u>\$ -</u></u>	<u><u>-</u></u>

The Company's salary and remuneration policy (including directors, managers and employees) were as follows:

- (i) In accordance with the Company's 'Rules for Distribution Compensation to Directors and Independent Directors, the Company should contribute \$50,000~\$120,000 to each independent director on a monthly basis, the amounts of compensation should be reviewed by the Compensation Committee and reported to the Board of Directors. Different levels of compensation are determined by the responsibility, functions and riskiness that is accounted by each director in the functional committee.
- (ii) The managers' salary includes their basic salary, year-end bonus, and performance bonus which is evaluated based on their achievement of the performance index.
- (iii) The employees' salary includes their basic salary, year-end bonus, performance bonus and employee remuneration. The employees' salary will be adjusted according to their performance evaluation and price index.

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PANION & BF BIOTECH INC.**Notes to the Parent Company Only Financial Statements**

- (b) The Company is the patentee and the licensor of the patents related to Auryxia (ferric citrate) in the United States, and the above-mentioned patents have been authorized by the Food and Drug Administration (FDA) and published in the Orange Book ("Approved Drug Products with Therapeutic Equivalences"). Since the fourth quarter of 2018, seven generic drug companies, listed here in the order received: Lupin Atlantis Holdings SA, Teva Pharmaceuticals USA Inc., Chemo Research SL, Mylan Pharmaceuticals Inc., Lupin Limited, Watson Laboratories Inc. and Par Pharmaceuticals Inc. had filed the drug registration to sell their products, i.e., Auryxia's generic drugs with the FDA, claiming that their products were not infringing all, or part of, the Company's Orange Book listed patents or claiming that the Company's Orange Book listed patents to be wholly or partly ineffective or invalid. The Company, its licensee, Keryx Biopharmaceuticals Inc. (hereinafter Keryx, currently the subsidiary of Akebia Therapeutics Inc.), and Professor Chen Hsing Hsu, had filed the related patents' infringement litigations acting as co-plaintiff against the above seven companies to assert their interests, claiming that the generic drug registration of the above seven companies shall not be approved during the patent terms or before the patents expire.

In August 2019, the Company and Keryx had settled the aforementioned patent infringement litigations and entered into the settlement and the license agreement with Par Pharmaceuticals Inc. ("Par") to solve the lawsuit caused by the Auryxia's generic drug registration, and the Company and Keryx granted a license to Par to market its generic drug of Auryxia in the United States from March 20, 2025 or any earlier point of time, provided that the customary conditions in the similar type of the settlements are satisfied. In addition, the settlement and the license agreement are confidential and shall be under the review of the Federal Trade Commission and the United States Department of Justice. Thereafter, the Company and Keryx had settled with Teva Pharmaceuticals USA Inc. and Watson Laboratories Inc. in April 2020, with Lupin Atlantis Holdings SA and Lupin Limited in September 2020, with Chemo Research SL in March 2021, and with Mylan Pharmaceuticals Inc. in September 2021. In summary, the Company had settled with all the above seven generic drug companies, and the terms and the conditions of each agreement are substantially identical.

In February 2023, Zydus Worldwide DMCC as the eighth generic drug company has submitted Abbreviated New Drug Application to the United States Food and Drug Administration seeking approval to commercially market generic versions of Auryxia. Zydus claims that no valid and enforceable claims of parts of the Company's and Keryx's Orange Book listed patents will be infringed by its product. The Company, as co-plaintiff, with its licensee Keryx has filed a complaint for patent infringement against Zydus Worldwide DMCC, Zydus Pharmaceuticals (USA) Inc., and Zydus Lifesciences Limited, requesting the effective date of FDA approval of ANDA be the date which is not earlier than the later of the expiration of the patents-in-suit.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Cheng Fong Chemical Co., Ltd.	Other receivables — related party	Yes	50,000	-	-	1.25	2	-	Operating Capital	-	-	-	200,711	802,845

Note 1: The upper limit of the aggregate amount of the loans to all parties is forty percent (40%) of the Company's net worth.

Note 2: The upper limit of total amount of the loans to a single party is ten percent (10%) of the Company's net worth.

Note 3: The Company's loan to Cheng Fong Chemical Co., Ltd. was expired on November 11, 2022.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units	Book value	Percentage of ownership	Fair value	
The Company	Beneficiary certification: Spectra SPC Powerfund	-	Financial assets measured at fair value through profit or loss — current	950,519	-	- %	-	
The Company	Stock: G Innings Medical Ltd.	-	Financial assets measured at fair value through profit or loss — non-current	420,000	2,728	9.00 %	2,728	
The Company	Neolink Capital Corp.	-	Financial assets measured at fair value through profit or loss — non-current	3,500,000	32,465	4.00 %	32,465	
Cheng Fong Chemical Co., Ltd.	Ta-Yuan Cogeneration Company, Limited	-	Financial assets measured at fair value through profit or loss — non-current	959,231	39,904	1.00 %	39,904	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes receivable/ Accounts receivable (Notes payable/ Accounts payable)		Remarks
			Purchase /Sale	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes receivable/ accounts receivable (Notes payable/ Accounts payable)	
The Company	Shining Biomedical Company Ltd.	Other related party	(Sales)	(124,504)	(6)	120 days	Not significant different from those to third party	Not significant different from those to third party	53,195	18	

- (viii) Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock: None.

- (ix) Trading in derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses) (note 5)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value			
The Company	Bowlin Biotech Corp.	United States of America	Investment	69,990	69,990	2,305	100.00 %	32,992	(36,639)	(36,616)	
The Company	Bowlin Holding Co., Ltd. (Cayman)	Cayman Island	Investment	123,743	76,184	4,250,000	100.00 %	107,515	(43,477)	(43,477)	
The Company	Bowlin Holding Co., Ltd.	Africa	Investment	74,795	74,795	2,500,000	53.19 %	37,470	(78,273)	(41,607)	
The Company	Cheng Fong Chemical Co., Ltd.	Taiwan	Manufacture and sales of active pharmaceutical ingredient	863,513	563,513	42,132,000	100.00 %	836,944	17,823	1,665	
The Company	Weigao Panion Biotech Holding Company Limited	Hong Kong	Investment	127,770	127,770	33,567,071	44.00 %	(16,624)	(18,593)	(8,181)	
Bowlin Biotech Corp.	Bowlin Holding Co., Ltd.	Africa	Investment	69,608	69,608	2,200,000	46.81 %	34,281	(78,273)	-	Note 2
Bowlin Holding Co., LTD. (Cayman)	Bowlin Holding (HK) Co., Limited	Hong Kong	Investment	109,985	64,553	3,770,000	100.00 %	98,651	(42,203)	-	Note 3
Bowlin Holding Co., LTD. (Cayman)	Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada	Macau	Trading	9,213	9,213	-	100.00 %	5,805	327	-	Note 3

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD 1 to NTD 30.725).

Note 2: The investment income (losses) that Bowlin Biotech Corp. recognized due to its investment in Bowlin Holding Co., Ltd. was included in the investment income (losses) that the Company recognized due to its investment in Bowlin Biotech Corp.

Note 3: The investment income (losses) that Bowlin Holding Co., Ltd. (Cayman). recognized due to its investment in Bowlin Holding (HK) Co., Limited and Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada was included in the investment income (losses) that the Company recognized due to its investment in Bowlin Holding Co., Ltd. (Cayman).

Note 4: The investment income (losses) was recognized under the equity method based on the financial statements audited by the auditor of the Company.

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 2)	Book value (note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Zhuhai Baozhan Trade Co., Ltd	Trading	71,882	Note 1-2(1)	71,882	-	-	71,882	(48,997)	100.00 %	(48,997)	67,911	-
Zhuhai Panion & BF Biotech Inc.	Manufacture of cosmeceutical	91,390	Note 1-2(2)	65,564	25,826	-	91,390	(31,136)	100.00 %	(31,136)	(5,875)	-
Zhuhai Baoyi Biotech Co., Ltd	Trading	4,647	Note 1-2(3)	4,647	-	-	4,647	290	100.00 %	290	3,468	-
Zhuhai Panion Innovation Biotech Co., Ltd	Trading	33,402	Note 1-2(2)	33,402	-	-	33,402	(12,128)	100.00 %	(12,128)	32,944	-
Shandong Weigao Panion Pharmaceutical Company Limited	Manufacture and sales of drugs	238,483	Note 1-2(4)	126,971	-	-	126,971	(18,267)	44.00 %	(8,037)	43,083	-
Shanghai Weigao Panion Pharmaceutical Company Limited	Manufacture and sales of drugs	15,342	Note 1-3	-	-	-	-	(5,456)	44.00 %	(2,401)	3,227	-

Note 1: The method of investment is divided into the following of four categories.

- (1) Invest directly in a company in Mainland China
- (2) Through the establishment of third-region companies then investing in Mainland China
 - 1) Through Bowlin Holdings Co., Ltd. then investing in Mainland China
 - 2) Through Bowlin Holding (HK) Co., Limited. then investing in Mainland China
 - 3) Through Pou Ling Sang Kei Macau Sociedade Unipessoal Limitada then investing in Mainland China
 - 4) Through Weigao Panion Biotech Holding Company Limited then investing in Mainland China
- (3) other methods: through Shandong Weigao Panion Pharmaceutical Company Limited

Note 2: The investment income (losses) was recognized under the equity method based on the financial statements audited by the auditor of the Company.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD 1 to 30.725).

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
328,292	328,292	1,204,268 (Note 1)

Note 1: Sixty percent (60%) of the Company's net worth.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD 1 to TWD 30.725).

(iii) Significant transactions in China:

The significant direct and indirect transactions between the Company and the investees in Mainland China, please refer to note 7 "Related-party transactions".

(Continued)

PANION & BF BIOTECH INC.
Notes to the Parent Company Only Financial Statements

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
PANION INVESTMENTS CO., LTD.		15,869,336	18.50 %
Citi Custodian UOB Kay Hian (Hong Kong) - Customer Dedicated Account		7,057,000	8.23 %

(14) Segment information:

Please refer to the year 2022 consolidated financial statements.

PANION & BF BIOTECH INC.**Statement of cash and cash equivalents****December 31, 2022****(All amounts expressed in thousands of New Taiwan dollars)**

Type	Description	Amount
Cash and cash equivalents		\$ <u>336</u>
Bank deposits	Demand deposits	137,853
	Foreign currency deposits	
	USD 1,226 thousand @30.7250	37,662
	EUR 10 thousand @32.69	316
	JPY 3,394 thousand @0.2323	789
	HKD 2 thousand @3.9435	6
	CNY 227 thousand @4.0600	1,000
	Time deposit	
	USD 4,350 thousand (maturity date: November 1, 2022, to March 13, 2023)	133,654
	TWD (maturity date: November 1, 2022, to February 4, 2023)	20,000
	Subtotal	<u>331,280</u>
		<u>\$ 331,616</u>

PANION & BF BIOTECH INC.**Statement of notes receivable****December 31, 2022****(All amounts expressed in thousands of New Taiwan dollars)**

<u>Customer name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Related parties:			
Shining Biotech Company Ltd.	Arising from operating activities	\$ <u>31,435</u>	
Non-related parties:			
L600001	"	15,955	
C830034	"	5,978	
M115010	"	7,135	
Others (amount individually less than 5%)	"	<u>58,146</u>	
Subtotal		<u>87,214</u>	
Total		<u><u>\$ 118,649</u></u>	

PANION & BF BIOTECH INC.**Statement of accounts receivable****December 31, 2022****(All amounts expressed in thousands of New Taiwan dollars)**

<u>Customer name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Related parties:			
Shining Biotech Company Ltd.	Arising from operating activities	\$ 21,760	
Zhuhai Panion & BF Biotech Inc.	"	1,301	
		<u>23,061</u>	
Non-related parties:			
L600001	Arising from operating activities	8,392	
F407007	"	8,335	
H115003	"	18,837	
Others (amount individually less than 5%)	"	118,212	
Subtotal		153,776	
Less: loss allowance		<u>1</u>	
		<u>153,775</u>	
Total		<u><u>\$ 176,836</u></u>	

PANION & BF BIOTECH INC.

Statement of inventories

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

Item	Amount		Remark
	Cost	Net realizable value (NBV)	
Merchandise and finished goods	\$ 164,725	373,206	Market value is represented by NRV
Work-in-process	52,129	40,119	"
Raw materials	106,658	99,937	"
Supplies	56,905	49,746	"
Total	380,417	563,008	
Less: allowance for losses	43,626		
	\$ 336,791		

Statement of prepayments

Item	Description	Amount	Remark
Prepaid expenses		\$ 8,118	
Prepayment for purchases		6,918	
		\$ 15,036	

PANION & BF BIOTECH INC.

Statement of changes in financial assets measured at fair value through profit or loss - non-current

For the year ended December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

Financial instrument name	Beginning balance		Increase		Decrease		Ending balance		Collateral or pledge	Remark
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value		
G Innings Medical Ltd.	420,000	\$ 2,728	-	-	-	-	420,000	2,728	None	
Neolink Capital Corp.	5,000,000	50,795	-	-	1,500,000	18,330	3,500,000	32,465	None	Note 1
		<u>\$ 53,523</u>		<u>-</u>		<u>18,330</u>		<u>35,193</u>		

Note 1: The decrease was due to the unrealized valuation loss of \$3,330 thousand and the return of capital reduction of \$15,000 thousand.

PANION & BF BIOTECH INC.

Statement of changes in investments accounted for under equity method

For the year ended December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

Name	Beginning balance		Increase		Decrease		Ending balance			Market price or net assets value		Collateral or pledge	Remark
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Ownership (%)	Amount	Unit price	Gross value		
Bowlin Biotech Corp.	2,305	\$ 67,500	-	-	-	34,508	2,305	100.00	32,992	14,901.28	34,347	None	
						(Note 1)							
Bowlin Holding Co., Ltd. (Cayman)	2,550,000	93,944	1,700,000	47,559	-	33,988	4,250,000	100.00	107,515	24.93	105,966	None	
			(Note 2)	(Note 2)		(Note 3)							
Bowlin Holding Co., Ltd.	2,500,000	76,684	-	-	-	39,214	2,500,000	53.19	37,470	15.61	39,014	None	
						(Note 4)							
Cheng Fong Chemical Co., Ltd.	12,132,000	535,279	30,000,000	301,665	-	-	42,132,000	100.00	836,944	19.86	836,944	None	
			(Note 2)	(Note 5)									
		<u>\$ 773,407</u>		<u>349,224</u>		<u>107,710</u>			<u>1,014,921</u>		<u>1,016,271</u>		
Credit balance of investments accounted for using equity method													
Weigao Panion Biotech Holding Company Limited	33,567,071	<u>(11,679)</u>	-	<u>-</u>	-	<u>4,945</u>	33,567,071	44.00	<u>(16,624)</u>	2.03	<u>67,984</u>	None	
						(Note 6)							

Note1: Included investment losses of \$(36,616) thousand, and cumulated translation differences of \$2,108 thousand.

Note2: Due to an increase in the investment.

Note3: Included investment losses of \$(43,477) thousand, cumulated translation differences of 7,795 thousand and unrealized gains on affiliate transactions of 1,694 thousand.

Note4: Included investment losses of \$(41,607) thousand, and cumulated translation differences of \$2,393 thousand.

Note5: Included investment gains of \$1,665 thousand, and an increase in the investment of 300,000 thousand.

Note6: Included investment losses of \$(8,181) thousand, and cumulated translation differences of \$3,236 thousand.

PANION & BF BIOTECH INC.

Statement of short-term loans

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Type</u>	<u>Lender</u>	<u>Ending balance</u>	<u>Term</u>	<u>Rang of interest rates (%)</u>	<u>Line of Credit</u>	<u>Pledged as collateral</u>	<u>Remark</u>
Secured loan	Chang Hwa Bank	\$ 50,000	2023	1.725	300,000	Office in Nangang \$330,000 thousand, and land and buildings in Pingzhen \$270,000 thousand	
Unsecured loan	Chang Hwa Bank	-	2023	2.1	300,000	None	
Unsecured loan	Taiwan Cooperative Bank	200,000	2023	1.531	200,000	None	
		<u>\$ 250,000</u>					

Statement of long-term borrowings

<u>Type</u>	<u>Lender</u>	<u>Ending balance</u>	<u>Term</u>	<u>Rang of interest rates (%)</u>	<u>Line of Credit</u>	<u>Pledged as collateral</u>	<u>Remark</u>
Secured loan	Chang Hwa Bank	\$ -		2.1	300,000	Office in Nangang \$330,000 thousand, and land and buildings in Pingzhen \$270,000 thousand	Note 1

Note 1: The line of credit will be expired on June 30, 2023. The line of credit will be expended for a grace period of one year, and the principal and interest will be repaid in 36 equal installments upon the expiration of the grace period.

PANION & BF BIOTECH INC.**Statement of accounts payable****December 31, 2022****(All amounts expressed in thousands of New Taiwan dollars)**

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Related parties:			
Zhuhai Panion & BF Biotech Inc.	Arising from operating activities	\$ 304	
Zhuhai Panion Innovation Biotech Co., Ltd.	"	178	
Subtotal		482	
Non-related parties:			
AP04351082	Arising from operating activities	7,586	
AP59369419	"	6,614	
AR12932921	"	6,729	
AR22443021	"	6,419	
Others (amount individually less than 5%)	"	91,180	
Subtotal		118,528	
		\$ 119,010	

PANION & BF BIOTECH INC.**Statement of other payables****December 31, 2022****(All amounts expressed in thousands of New Taiwan dollars)**

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Related parties:			
Accrued expenses – bonuses		\$ 53,025	
Accrued expenses – payroll and year-end bonuses		50,736	
Accrued expenses – commission		27,008	
Accrued expenses – remuneration to directors		18,233	
Accrued payables on equipment and construction		19,393	
Accrued expenses – remuneration to employees		14,587	
Other (amount individually less than 5%)		<u>58,780</u>	
Subtotal		<u>241,762</u>	
Non-related parties:			
Cheng Fong Chemical Co., Ltd.	CIT on profit-making business under the linked-tax system	5,619	
Others (amount individually less than 5%)		<u>643</u>	
Subtotal		<u>6,262</u>	
		<u>\$ 248,024</u>	

PANION & BF BIOTECH INC.

Statement of other current liabilities

December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Temporary receipts and receipts on behalf of others		\$ 37,282	
Accrued business tax		2,837	
Others (amount individually less than 5%)		2,004	
		<u>\$ 42,123</u>	

Statement of operating revenue

For the year ended December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Remark</u>
Pharmaceutical	-	\$ 724,221	
Supplement	-	183,929	
Cosmeceutical	-	64,308	
Diagnostic	-	724,639	
Medical device	-	4,998	
Milestone payments	-	8,831	
Sales royalty fee	-	401,088	
		<u>\$ 2,112,014</u>	

PANION & BF BIOTECH INC.

Statement of operating costs

For the year ended December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

Item	Amount	
	Subtotal	Total
Cost of finished goods sold:		
Raw materials:		
Beginning raw materials inventory	\$ 108,356	
Add: purchase	221,862	
Less: ending raw materials inventory	106,658	
Disposal	453	
Transfer to expenses	5,063	
Raw materials subtotal	<u>218,044</u>	
Supplies:		
Beginning supplies inventory	53,624	
Add: purchases	208,100	
Less: ending supplies inventory	56,905	
Disposal	351	
Transfer to expenses	790	
Supplies subtotal	<u>203,678</u>	
Cost of raw material and supplies used in production	421,722	
Direct labor	54,375	
Manufacturing expenses	<u>200,014</u>	
Manufacturing costs	676,111	
Add: beginning work-in-process inventory	53,720	
Less: ending work-in-process inventory	52,129	
Transfer to expenses	<u>3,244</u>	
Cost of goods manufactured	674,458	
Add: beginning finished goods inventory	140,465	
Purchase	16,146	
Returns of goods sold	1,344	
Less: ending finished goods inventory	136,054	
Disposal	9,471	
Transfer to expenses	9,008	
Physical count variance	<u>19</u>	
Cost of finished goods sold		677,861
Cost of merchandise sold:		
Beginning merchandise inventory	29,837	
Add: purchase	27,826	
Returns of goods sold	409	
Less: ending merchandise inventory	28,671	
Physical count variance	12	
Disposal	1,296	
Transfer to expenses	97	
Cost of merchandise sold		<u>27,996</u>
Cost of goods sold		705,857
Physical count variance		31
Losses on market price decline		20,527
Others		<u>85,182</u>
Total operating costs	\$	<u><u>811,597</u></u>

PANION & BF BIOTECH INC.

Statement of selling expenses

For the year ended December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Salary		\$ 126,769	
Printing expenses		23,625	
Channel expenses		44,688	
Commission expenses		60,056	
Shipping expenses		46,487	
Others (amount individually less than 5%)		67,766	
		<u>\$ 369,391</u>	

Statement of administrative expenses

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Salary		\$ 85,742	
Others (amount individually less than 5%)		85,649	
		<u>\$ 171,391</u>	

PANION & BF BIOTECH INC.

Statement of research and development expenses

For the year ended December 31, 2022

(All amounts expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Remark
Salary		\$ 35,647	
Clinical trial expense		83,127	
Product development expense		52,320	
Depreciation expenses		25,560	
Others (amount individually less than 5%)		33,361	
		<u>\$ 230,015</u>	

Please refer to note 6 (f) for the statement of change in property, plant and equipment.

Please refer to note 6 (f) for the statement of change in accumulated depreciation of property, plant and equipment.

Please refer to note 6 (g) for the statement of change in right-of-use assets.

Please refer to note 6 (g) for the statement of change in accumulated depreciation of right-of-use assets.

Please refer to note 6 (h) for the statement of change in intangible assets.

Please refer to note 6 (r) for the details of other income.

Please refer to note 6 (r) for the details of other gains or losses, net.

Please refer to note 6 (r) for the details of finance costs.

Panion & BF Biotech Inc.

Chairman: Chang, Li-Chiou