PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE SIX -MONTH PERIOD ENDED

JUNE 30, 2022 and 2021

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English Translation of Review' Report Originally Issued in Chinese

Review Report of Independent Accountants

To PharmaEssentia Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of PharmaEssentia Corp. (the "Company") and its subsidiaries as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2022 and 2021, changes in equity and cash flows for the six-month period ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements"). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Accountants of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NTD 150,733 thousand and NTD 712,667 thousand, constituting 2.05% and 17.58% of the consolidated total assets, and total liabilities of NTD 31,802 thousand and NTD 347,215 thousand, constituting 1.84% and 24.15% of the consolidated total liabilities as of June 30, 2022 and 2021, respectively; and total comprehensive income of NTD (100,946) thousand, NTD (260,264) thousand, NTD (151,304) thousand and NTD (657,038) thousand, constituting 37.62%, 47.33%, 18.55% and 53.00% of the consolidated total comprehensive income for the three-month and six-month periods ended June 30, 2022 and 2021, respectively. The information related to above subsidiaries disclosed in Note 13 was also not reviewed by independent accountants.

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Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries and the information been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2022 and 2021, and their consolidated financial performance for the three-month and six-month periods ended June 30, 2022 and 2021, and cash flows for the six-month period ended June 30, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Yu, Chien-Ju

Lin, Li-Huang

Ernst & Young, Taiwan
August 11, 2022

Taipei, Taiwan
Republic of China

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2022, December 31, 2021 and June 30, 2021

(June 30, 2022 and 2021 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of					
		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	6	$4,210,410	57	$3,453,645	56	$1,611,802	40
Current financial assets at amortised cost	6,8,9	-	-	-	-	1,566	-
Accounts receivable, net	6	713,694	10	466,044	8	401,809	10
Other receivables		77,584	1	26,788	-	33,346	1
Current tax assets		441	-	383	-	443	-
Current inventories	6	771,349	11	861,378	13	539,180	13
Prepayments	6	255,483	3	76,488	1	98,523	2
Other current assets		46,855	1	41,935	1	43,938	1
Total current assets		6,075,816	83	4,926,661	79	2,730,607	67
Non-current assets							
Non-current financial assets at fair value through other comprehensive income	6	38,297	1	39,220	1	17,435	-
Non-current financial assets at amortised cost	6,8	27,627	-	27,085	-	27,054	1
Property, plant and equipment	6,8	348,878	5	359,538	6	403,622	10
Right-of-use assets	6	515,755	7	405,389	7	439,204	11
Intangible assets	6,7	239,270	3	246,249	4	248,493	6
Prepayments for business facilities		33,036	-	14,846	-	7,762	-
Other non-current assets, others	6	64,934	1	179,195	3	179,652	5
Total non-current assets		1,267,797	17	1,271,522	21	1,323,222	33
Total assets		$7,343,613	100	$6,198,183	100	$4,053,829	100

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

June 30, 2022, December 31, 2021 and June 30, 2021

(June 30, 2022 and 2021 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of					
		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%
Current liabilities							
Current borrowings	6,8	$24,774	-	$20,000	-	$30,000	1
Current contract liabilities	6	-	-	-	-	8,268	-
Notes payable		84	-	75	-	47	-
Accounts payable		185,627	3	176,300	3	146,191	4
Other payables	6	406,518	6	495,637	8	250,387	6
Other payables to related parties	7	-	-	296	-	414	-
Current lease liabilities	6	88,349	1	78,591	2	83,700	2
Long-term borrowings, current portion	6,8	12,074	-	12,052	-	10,005	-
Other current liabilities, others	6,9	328,162	4	629,011	10	409,791	10
Total current liabilities		1,045,588	14	1,411,962	23	938,803	23
Non-current liabilities							
Non-current portion of non-current borrowings	6,8	81,058	1	87,090	1	92,708	2
Non-current lease liabilities	6	441,291	6	338,505	5	365,371	9
Net defined benefit liability, non-current		3,816	-	3,950	-	4,198	-
Other non-current liabilities, others		157,238	3	106,295	2	36,687	1
Total non-current liabilities		683,403	10	535,840	8	498,964	12
Total liabilities		1,728,991	24	1,947,802	31	1,437,767	35
Equity attributable to owners of parent	6						
Share capital							
Ordinary share		2,849,566	39	2,769,036	45	2,635,393	65
Capital surplus		6,539,723	89	4,697,388	76	3,749,462	93
Retained earnings							
Accumulated deficit		(3,626,712)	(50)	(2,811,152)	(45)	(3,367,884)	(83)
Other equity interest		(60,453)	(1)	(60,150)	(1)	(56,168)	(1)
Treasury shares		(87,502)	(1)	(344,741)	(6)	(344,741)	(9)
Non-controlling interests		-	-	-	-	-	-
Total equity		5,614,622	76	4,250,381	69	2,616,062	65
Total liabilities and equity		$7,343,613	100	$6,198,183	100	$4,053,829	100

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month and for the six-month periods ended June 30, 2022 and 2021

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

Item	Notes	For the three-month period ended				For the six-month period ended			
		June 30, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
		Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue	6	$977,725	100	$86,762	100	$1,229,469	100	$184,440	100
Operating costs	6	(396,771)	(41)	(69,710)	(80)	(517,498)	(42)	(145,318)	(79)
Gross profit from operations		580,954	59	17,052	20	711,971	58	39,122	21
Operating expenses	6,7								
Selling expenses		(347,785)	(36)	(138,286)	(159)	(572,895)	(47)	(411,124)	(223)
Administrative expenses		(247,132)	(25)	(154,960)	(179)	(451,922)	(37)	(330,609)	(179)
Research and development expenses		(312,633)	(32)	(267,315)	(308)	(570,704)	(46)	(464,624)	(252)
Total operating expenses		(907,550)	(93)	(560,561)	(646)	(1,595,521)	(130)	(1,206,357)	(654)
Net operating loss		(326,596)	(34)	(543,509)	(626)	(883,550)	(72)	(1,167,235)	(633)
Non-operating income and expenses	6,9								
Interest income		2,676	-	1,834	2	4,061	-	7,107	4
Other income		6,771	1	3,258	4	8,926	1	9,790	5
Other gains and losses, net		45,202	5	260	-	60,094	5	(68,339)	(37)
Finance costs, net		(2,755)	-	(2,521)	(3)	(5,091)	-	(5,179)	(3)
Total non-operating income and expenses		51,894	6	2,831	3	67,990	6	(56,621)	(31)
Loss before tax		(274,702)	(28)	(540,678)	(623)	(815,560)	(66)	(1,223,856)	(664)
Total tax expense	6	-	-	-	-	-	-	-	-
Loss		(274,702)	(28)	(540,678)	(623)	(815,560)	(66)	(1,223,856)	(664)
Other comprehensive income	6								
Components of other comprehensive income that will not be reclassified to profit or loss									
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(923)	-	-	-	(923)	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	-	-	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss									
Exchange differences on translation of foreign financial statements		7,293	1	(9,196)	(11)	620	-	(15,733)	(8)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-	-	-	-	-
Other comprehensive income, net		6,370	1	(9,196)	(11)	(303)	-	(15,733)	(8)
Total comprehensive income		$(268,332)	(27)	$(549,874)	(634)	$(815,863)	(66)	$(1,239,589)	(672)
Loss, attributable to:									
Loss, attributable to owners of parent		$(274,702)		$(540,678)		$(815,560)		$(1,223,856)	
Loss, attributable to non-controlling interests		-		-		-		-	
		$(274,702)		$(540,678)		$(815,560)		$(1,223,856)	
Comprehensive income attributable to:									
Comprehensive income, attributable to owners of parent		$(268,332)		$(549,874)		$(815,863)		$(1,239,589)	
Comprehensive income, attributable to non-controlling interests		-		-		-		-	
		$(268,332)		$(549,874)		$(815,863)		$(1,239,589)	
Earnings per share (in NTD)	6								
Basic loss per share		$(0.98)		$(2.08)		$(2.93)		$(4.71)	

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month period ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Summary	Equity attributable to owners of parent							Non-controlling interests	Total equity
			Retained earnings	Other equity interest		Treasury shares			
	Share capital	Capital surplus	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to owners of parent		
Balance on January 1, 2021	$2,634,183	$3,727,229	$(2,144,028)	$(4,870)	$(35,565)	$(257,239)	$3,919,710	$-	$3,919,710
Loss for the six-month period ended June 30, 2021	-	-	(1,223,856)	-	-	-	(1,223,856)	-	(1,223,856)
Other comprehensive income for the six-month period ended June 30, 2021	-	-	-	(15,733)	-	-	(15,733)	-	(15,733)
Total comprehensive income for six-month period ended June 30, 2021	-	-	(1,223,856)	(15,733)	-	-	(1,239,589)	-	(1,239,589)
Share-based payments	1,210	22,233	-	-	-	-	23,443	-	23,443
Purchase of treasury shares	-	-	-	-	-	(87,502)	(87,502)	-	(87,502)
Balance on June 30, 2021	$2,635,393	$3,749,462	$(3,367,884)	$(20,603)	$(35,565)	$(344,741)	$2,616,062	$-	$2,616,062
Balance on January 1, 2022	$2,769,036	$4,697,388	$(2,811,152)	$(21,370)	$(38,780)	$(344,741)	$4,250,381	$-	$4,250,381
Loss for the six-month period ended June 30, 2022	-	-	(815,560)	-	-	-	(815,560)	-	(815,560)
Other comprehensive income for the six-month period ended June 30, 2022	-	-	-	620	(923)	-	(303)	-	(303)
Total comprehensive income for six-month period ended June 30, 2022	-	-	(815,560)	620	(923)	-	(815,863)	-	(815,863)
Issue of shares	73,340	1,760,160	-	-	-	-	1,833,500	-	1,833,500
Share-based payments	7,190	82,175	-	-	-	257,239	346,604	-	346,604
Balance on June 30, 2022	$2,849,566	$6,539,723	$(3,626,712)	$(20,750)	$(39,703)	$(87,502)	$5,614,622	$-	$5,614,622

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

ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE

PHARMAESSENTIA CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six-month period ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	For the six-month period ended	
	June 30, 2022	June 30, 2021
Cash flows from (used in) operating activities:		
Loss before tax	$(815,560)	$(1,223,856)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	110,625	108,188
Amortization expense	11,805	2,211
Interest expense	5,091	5,179
Interest income	(4,061)	(7,107)
Share-based payments	32,539	13,537
Loss on disposal of property, plant and equipment	-	22
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(247,650)	48,788
Decrease (increase) in other receivables	25,293	(30,988)
Decrease (increase) in inventories	90,029	(144,333)
Decrease (increase) in prepayments	(159,875)	(56,189)
Decrease (increase) in other current assets	(5,002)	(1,156)
Increase (decrease) in contract liabilities	-	8,268
Increase (decrease) in notes payable	9	(28)
Increase (decrease) in accounts payable	9,327	(30,799)
Increase (decrease) in other payables	(89,119)	(148,712)
Increase (decrease) in other payables to related parties	(296)	(151)
Increase (decrease) in other current liabilities	(11,356)	46,593
Increase (decrease) in net defined benefit liability	(134)	170
Increase (decrease) in other non-current liabilities, others	50,943	15,896
Cash inflow (outflow) generated from operations	(997,392)	(1,394,467)
Interest received	4,143	7,232
Income taxes paid	(58)	(58)
Net cash flows from (used in) operating activities	(993,307)	(1,387,293)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	(145)	(1,566)
Proceeds from repayments of financial assets at amortised cost	-	62,751
Acquisition of property, plant and equipment	(46,598)	(46,421)
Acquisition of intangible assets	(2,509)	(28,278)
Increase in prepayments for business facilities	(20,222)	(444)
Decrease (increase) in other non-current assets, others	20,209	(16,680)
Net cash flows from (used in) investing activities	(49,265)	(30,638)
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,000	-
Decrease in short-term loans	-	(20,000)
Repayments of long-term debt (including current portion)	(6,010)	(2,989)
Payments of lease liabilities	(55,970)	(54,341)
Proceeds from issuing shares	1,833,500	-
Exercise of employee share options	28,346	9,906
Payments to acquire treasury shares	-	(87,502)
Interests paid	(1,144)	(1,233)
Net cash flows from (used in) financing activities	1,799,722	(156,159)
Effect of exchange rate changes on cash and cash equivalents	(385)	(14,486)
Net increase (decrease) in cash and cash equivalents	756,765	(1,588,576)
Cash and cash equivalents at the beginning of period	3,453,645	3,200,378
Cash and cash equivalents at the end of period	$4,210,410	$1,611,802

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

English translation of consolidated financial statements originally issued in Chinese

PHARMAESSENTIA CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2022 and 2021

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

1. History and organization

PharmaEssentia Corp. (the "Company"), was established on May 9, 2000. The Company primarily engages in medicine discovery, supplements in developing specialty pharmaceutical reagents, API and new drug patterns developments. The Company commenced business since October 2003.

In a board of directors meeting held in February 2012, the Company resolved to build a plant for producing pharmaceutical protein medicine at Central Taiwan Science Park, which was completed and put into use in October 2012 for producing, for clinical trial, pegylated interferon (Ropeginterferon alfa-2b) (P1101). The pegylated interferon (Ropeginterferon alfa-2b) (P1101) produced by the plant has, as of January 2018, received GMP certifications from both the European Medicines Agency (EMA) and the Taiwan Ministry of Health and Welfare. These certifications demonstrate that the plant complies with Good Manufacturing Practice to produce medicine. This Company's product has also received certification of medicine exportation from the Ministry of Health and Welfare in March 2018. Ropeginterferon alfa-2b (proprietary name of Besremi®), licensed to the European company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP), received approval of EU marketing authorization application (MAA) for a medicinal product, announced February 19, 2019 on the EC (European Commission) website. In addition, the Company's Besremi 500 mcg/mL solution for injection in prefilled syringe was approved on April 30, 2020 by the Taiwan Ministry of Health and Welfare (hereinafter referred to as MoHW) new drug application review, MOHW-BM No. 000143. U.S. Food and Drug Administration (FDA) approved the Company's new drug Ropeginterferon alfa-2b (proprietary name of Besremi®) for the treatment of adults with Polycythemia Vera (PV), on November 13, 2021.

The Company's shares have been listed on the Taipei Exchange since July 19, 2016. The Company's registered address and main operating site are located at 2F and 13F, No.3, Park St., Nangang Dist., Taipei City. The Company also set up its Taichung branch, located at No. 28, Keya W. Rd., Daya Dist., Taichung City.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of PharmaEssentia Corp. and its subsidiaries (the Group) for the six-month period ended June 30, 2022 and 2021 were authorized for issue by the Board of Directors on August 11, 2022.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2022. The new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
B	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
C	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

A. Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

B. Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

C. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The Group is still currently determining the potential impact of the aforementioned standards and interpretations.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023

A. IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A) and (C), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the six-month period ended June 30, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effectiveness by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NTD") unless otherwise stated.

(3) Basis of consolidation

The same principles of consolidation have been applied in the Group's consolidated financial statements as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For the principles of consolidation, please refer to the Group's consolidated financial statements for the year ended December 31, 2021.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%) June 30, 2022	December 31, 2021	June 30, 2021
The Company	PharmaEssentia (Hong Kong) Limited	Biotechnology Service, etc.	Note 1	Note 1	Note 1
〃	PharmaEssentia Asia (Hong Kong) Limited	〃	100%	100%	100%
〃	PharmaEssentia Japan KK	〃	100%	100%	100%
〃	PharmaEssentia USA Corporation	〃	100%	100%	100%
〃	PharmaEssentia Korea Corporation	〃	100%	100%	100%
〃	Panco Healthcare Co., Ltd.	〃	100%	100%	100%
〃	PharmaEssentia Singapore Pte. Ltd. (Note 2)	〃	100%	100%	-
PharmaEssentia Asia (Hong Kong) Limited	PharmaEssentia Biotechnology (Beijing) Limited	〃	100%	100%	100%

Note 1: In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in 2013. However, as of June 30, 2022, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

Note 2: According to operation plan, the Company invested in PharmaEssentia Singapore Pte.Ltd. with 100% shares in September 2021 and included it in the consolidated financial statements since then.

Some of the financial statements of the consolidated subsidiaries listed above had not been reviewed by accountants. As of June 30, 2022 and 2021, the related assets of the subsidiaries which were unreviewed by independent accountants amount to $150,733 thousand and $712,667 thousand, respectively, and the related liabilities amount to $31,802 thousand and $347,215 thousand, respectively. The comprehensive income of these subsidiaries amounted to $(100,946) thousand, $(260,264) thousand, $(151,304) thousand and $(657,038) thousand for the three-month and six-month periods ended June 30, 2022 and 2021, respectively.

(4) The same accounting policies applied in the Group's consolidated financial statements for the six-month period ended June 30, 2022 as those applied in the Group's consolidated financial statements for the year ended December 31, 2021 except for description below. For summary of other significant accounting policies, please refer to the Group's consolidated financial statements for the year ended December 31, 2021.

A. Pension cost for an interim period is calculated on a year-to-date by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

B. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

5. Significant accounting judgments, estimates and assumptions

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the six-month period ended June 30, 2022 as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For significant accounting judgments, estimates and assumptions, please refer to the Group's consolidated financial statements for the year ended December 31, 2021.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand / petty cash	$1,354	$981	$922
Cash in banks	2,400,566	3,444,174	706,870
Time deposits	1,808,490	8,490	904,010
Total	$4,210,410	$3,453,645	$1,611,802

Please refer to Note 12 for more details on credit risk.

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

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Equity instrument investments measured at fair value through other comprehensive income – non-current:			
Unlisted company stocks	$38,297	$39,220	$17,435

A. Please refer to Table 3 of Note 13 for more details on the relevant information of unlisted company stocks held by the Group.

B. Financial assets at fair value through other comprehensive income were not pledged.

(3) Financial assets at amortized cost

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Cash in banks	$27,627	$27,085	$28,620
Less: loss allowance	-	-	-
Total	$27,627	$27,085	$28,620
Current	$-	$-	$1,566
Non-current	27,627	27,085	27,054
Total	$27,627	$27,085	$28,620

A. The credit risk of financial assets at amortized cost is low based on evaluation (same as the initial assessment) as of June 30, 2022, December 31, 2021 and June 30, 2021; therefore, there should be no significant expected credit losses.

B. The Group classified certain financial assets as financial assets at amortized cost. Please refer to Note 8 for more details on financial assets at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Accounts receivable

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	$713,694	$466,044	$401,809
Less: loss allowance	-	-	-
Total	$713,694	$466,044	$401,809

A. Accounts receivable were not pledged.

B. Accounts receivable credit terms are generally from 30 to 180 days. The total carrying amount as of June 30, 2022, December 31, 2021 and June 30, 2021 was $713,694 thousand, $466,044 thousand and $401,809 thousand, respectively. Please refer to Note 12 for more details on credit risk.

C. The Group measures the allowance of its receivables at an amount equal to lifetime expected credit losses. The historical credit loss experience shows that different customer segments do not have significantly different loss patterns. Therefore, the loss allowance is measured at an amount equal to lifetime expected credit losses and with no distinction between groups. In addition, based on the historical default rate and subsequent collections, the Group assesses that receivables which are not overdue or overdue within 90 days from customers with great credit ratings, or the counterparties are domestic hospitals, foundation and government agencies, were no material impairment loss incurred. The relevant information of provision matrix as of June 30, 2022, December 31, 2021 and June 30, 2021, was as follows:

	As of June 30, 2022					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$436,767	$69,589	$30,495	$7,321	$169,522	$713,694
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$436,767	$69,589	$30,495	$7,321	$169,522	$713,694

	As of December 31, 2021					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$232,266	$27,026	$19,125	$17,070	$170,557	$466,044
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$232,266	$27,026	$19,125	$17,070	$170,557	$466,044

	As of June 30, 2021					
		Overdue				
	Not yet due	<=30 days	31-60 days	61-90 days	>90 days	Total
Gross carrying amount	$173,175	$1,282	$23,972	$20,516	$182,864	$401,809
Loss rate	-%	-%	-%	-%	-%	
Lifetime expected credit loss	-	-	-	-	-	-
Carrying amount	$173,175	$1,282	$23,972	$20,516	$182,864	$401,809

As of June 30, 2022, December 31, 2021 and June 30, 2021, allowance of the Group was both $0 thousand; there was no movement of allowance during the six-month period ended June 30, 2022 and June 30, 2021, respectively.

D. The Group has an international arbitration event with counterparty – AOP Orphan Pharmaceuticals GmbH. As of June 30, 2022, December 31, 2021 and June 30, 2021, accounts receivable due from the counterparty was overdue for 91 days. Please refer to Note 9 for more details of such arbitration event. The Group has recognized related provision for overdue receivable.

(5) Inventories

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	$13,190	$8,827	$10,590
Supplies	61,318	42,883	57,078
Work in progress	69,685	59,725	121,852
Finished goods	604,586	698,693	331,387
Purchased merchandise inventory	22,570	51,250	18,273
Total	$771,349	$861,378	$539,180

A. Expense and loss incurred on inventories were as follows:

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cost of inventories sold	$403,025	$65,729	$518,799	$135,932
Expense recognized (reversed) from inventory write-down to net realizable value	(13,339)	3,086	(13,867)	8,161
Others	1,794	(3)	1,889	(7)
Total	$391,480	$68,812	$506,821	$144,086

Expense reversed from inventory write-down of $13,339 thousand and $13,867 thousand for the three-month and six-month periods ended June 30, 2022, respectively. As the inventories which had recognized allowance have been sold in the current period, the related allowances has decreased, resulting in the reversal of write-down of inventories.

B. Inventories were not pledged.

(6) Prepayments

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Current:			
Prepaid expenses (Note 1)	$75,635	$49,015	$71,752
Prepaid bid bond	94,502	-	-
Other prepayments (Note 1)	68,342	27,473	26,771
Excess business tax paid	17,004	-	-
Subtotal	255,483	76,488	98,523
Non-current:			
Excess business tax paid	-	115,277	117,174
Prepaid application patent fees and others	9,802	9,169	8,937
Subtotal (Note 2)	9,802	124,446	126,111
Total	$265,285	$200,934	$224,634

Note 1: Prepaid expenses and other prepayments were mainly prepaid for operating expenses such as arbitration and commissioned trial expenses.

Note 2: Accounting for other non-current assets, other.

(7) Property, plant and equipment

A. Movements of property, plant and equipment of the Group for the six-month period ended June 30, 2022 and 2021 were as follows:

	Land	Buildings and structures	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost:								
As of January 1, 2022	$58,241	$70,523	$433,603	$2,309	$50,668	$341,609	$36,489	$993,442
Additions	-	-	6,069	-	3,341	18,624	18,564	46,598
Other changes (Note)	-	62	27	-	(238)	1,983	(1,983)	(149)
As of June 30, 2022	$58,241	$70,585	$439,699	$2,309	$53,771	$362,216	$53,070	$1,039,891
As of January 1, 2021	$58,241	$70,543	$410,980	$3,295	$27,938	$317,684	$42,561	$931,242
Additions	-	-	14,638	-	20,965	3,767	7,051	46,421
Disposals	-	-	-	-	-	(1,436)	-	(1,436)
Other changes (Note)	-	(25)	-	-	(889)	11,700	(6,553)	4,233
As of June 30, 2021	$58,241	$70,518	$425,618	$3,295	$48,014	$331,715	$43,059	$980,460
Accumulated depreciation and impairment:								
As of January 1, 2022	$-	$17,645	$298,792	$1,969	$18,938	$296,560	$-	$633,904
Depreciation	-	995	16,403	73	3,479	35,843	-	56,793
Other changes (Note)	-	25	-	-	291	-	-	316
As of June 30, 2022	$-	$18,665	$315,195	$2,042	$22,708	$332,403	$-	$691,013
As of January 1, 2021	$-	$15,646	$267,214	$2,809	$13,359	$223,991	$-	$523,019
Depreciation	-	1,011	16,249	73	2,613	35,378	-	55,324
Disposals	-	-	-	-	-	(1,414)	-	(1,414)
Other changes (Note)	-	(7)	-	-	(84)	-	-	(91)
As of June 30, 2021	$-	$16,650	$283,463	$2,882	$15,888	$257,955	$-	$576,838
Net carrying amount as of:								
June 30, 2022	$58,241	$51,920	$124,504	$267	$31,063	$29,813	$53,070	$348,878
December 31, 2021	$58,241	$52,878	$134,811	$340	$31,730	$45,049	$36,489	$359,538
June 30, 2021	$58,241	$53,868	$142,155	$413	$32,126	$73,760	$43,059	$403,622

Note: Other changes included reclassifications from prepaid equipment, transfer out by nature, and exchange rate impacts.

B. There was no capitalization on interest expense to property, plant and equipment for the six-month period ended June 30, 2022 and 2021.

C. Please refer to Note 8 for more details on property, plant and equipment under pledge.

(8) Intangible assets

A. Movements of the intangible assets of the Group for the six-month period ended June 30, 2022 and 2021 were as follows:

	Trademarks	Patents	Computer software	Other intangible assets	Intangible assets in development	Total
Cost						
As of January 1, 2022	$6,501	$38,874	$16,335	$228,008	$-	$289,718
Additions－acquired separately	-	-	2,509	-	-	2,509
Other changes (Note)	910	146	113	1,228	-	2,397
As of June 30, 2022	$7,411	$39,020	$18,957	$229,236	$-	$294,624
As of January 1, 2021	$5,713	$35,894	$13,111	$-	$203,506	$258,224
Additions－generated internally	-	-	-	-	27,670	27,670
Additions－acquired separately	-	-	608	-	-	608
Other changes (Note)	399	1,705	153	-	(497)	1,760
As of June 30, 2021	$6,112	$37,599	$13,872	$-	$230,679	$288,262
Accumulated Amortization and Impairment:						
As of January 1, 2022	$1,936	$28,340	$11,818	$1,375	$-	$43,469
Amortization	398	1,263	1,059	9,085	-	11,805
Other changes (Note)	19	-	35	26	-	80
As of June 30, 2022	$2,353	$29,603	$12,912	$10,486	$-	$55,354
As of January 1, 2021	$1,221	$25,611	$10,738	$-	$-	$37,570
Amortization	345	1,388	478	-	-	2,211
Other changes (Note)	(5)	-	(7)	-	-	(12)
As of June 30, 2021	$1,561	$26,999	$11,209	$-	$-	$39,769
Net carrying amount as of:						
June 30, 2022	$5,058	$9,417	$6,045	$218,750	$-	$239,270
December 31, 2021	$4,565	$10,534	$4,517	$226,633	$-	$246,249
June 30, 2021	$4,551	$10,600	$2,663	$-	$230,679	$248,493

Note: Other changes included reclassifications by nature and exchange rate impacts.

B. Amortization expense of intangible assets was stated as follows:

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating costs	$4,576	$135	$9,247	$245
Selling expenses	183	155	351	299
Administrative expenses	579	143	943	279
Research and development expenses	614	675	1,264	1,388
Total	$5,952	$1,108	$11,805	$2,211

C. On November 12, 2021 (US time), the Group officially received notice from the U.S. Food and Drug Administration (FDA) that the Company's Besremi® (Ropeginterferon alfa-2b, namely P1101) had obtained FDA approval for the treatment of adults with Polycythemia Vera (PV). In December, 2021, the Company reclassified intangible assets in development to other intangible assets and started to amortize since then.

(9) Current borrowings

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	$24,774	$20,000	$20,000
Secured bank loans	-	-	10,000
Total	$24,774	$20,000	$30,000
Unused credit	$49,000	$40,000	$80,000
Interest Rates	1.00%~1.50%	1.16%	1.50%~1.97%

Please refer to Note 8 for more details on assets pledged as security for current borrowings.

(10) Other payables

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Salaries and bonus payable	$125,242	$129,160	$63,842
Commissioned research and clinical trial payable	41,487	68,664	38,515
Service expenses payable	137,555	207,383	104,340
Payable on machinery and equipment	3,508	2,382	892
Others (Note)	98,726	88,048	42,798
Total	$406,518	$495,637	$250,387

Note：Individual payables amount not exceeded $10,000 thousand were aggregated as others.

(11) Long-term borrowings

A. Details of long-term borrowings as of June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

Creditor	As of June 30, 2022	Interest Rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$71,735	2.32%	The period of the loan is from June 3, 2014 to June 2, 2034. After receiving the loan 1 month later, the principal should be repaid monthly in 240 installments.
Taiwan Cooperative Bank – Secured loan	3,358	1.845%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Taiwan Cooperative Bank – Secured loan	18,039	2.22%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Subtotal	93,132		
Less: current portion	(12,074)		
Total	$81,058		

Creditor	As of December 31, 2021	Interest Rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$74,724	2.06878%	The period of the loan is from June 3, 2014 to June 2, 2034. After receiving the loan 1 month later, the principal should be repaid monthly in 240 installments.
Taiwan Cooperative Bank – Secured loan	3,840	1.845%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Taiwan Cooperative Bank – Secured loan	20,578	1.845%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Subtotal	99,142		
Less: current portion	(12,052)		
Total	$87,090		

Creditor	As of June 30, 2021	Interest Rate (%)	Maturity date and terms of repayments
Mega Bank – Secured loan	$77,713	2.06867%	The period of the loan is from June 3, 2014 to June 2, 2034. After receiving the loan 1 month later, the principal should be repaid monthly in 240 installments.
Taiwan Cooperative Bank – Secured loan	4,000	0.155%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Taiwan Cooperative Bank – Secured loan	21,000	1.00%	The period of the loan is from November 5, 2020 to November 5, 2025. After receiving the loan 1 year later, the principal should be repaid monthly in 48 installments.
Subtotal	102,713		
Less: current portion	(10,005)		
Total	$92,708		

B. The Group’ s unused credit of long-term borrowings was $0 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021.

C. Please refer to Note 8 for more details on assets pledged as security for long-term borrowings.

(12) Post-employment benefits

A. Defined contribution plan

Pension expenses under the defined contribution plan for the three-month period ended June 30, 2022 and 2021 were $8,838 thousand and $8,117 thousand, respectively. Pension expenses under the defined contribution plan for the six-month period ended June 30, 2022 and 2021 were $15,782 thousand and $14,290 thousand, respectively.

B. Defined benefits plan

Pension expenses under the defined benefits plan for the three-month period ended June 30, 2022 and 2021 were $0 thousand and $2 thousand, respectively. Pension expenses under the defined benefits plan for the six-month period ended June 30, 2022 and 2021 were $0 thousand and $4 thousand, respectively.

(13) Equity

A. Common stock

As of January 1, 2021, the Company’s authorized capital was $4,000,000 thousand and the issued capital was $2,634,183 thousand divided into 263,418 thousand shares, each at a par value of $10.

The Company issued employee share options in January 2018 and September 2018. For the year ended December 31, 2021 and the six-month period ended June 30, 2022, 253 thousand shares (within 121 thousand shares were completed during the six -month period ended June 30, 2021) and 719 thousand shares of employee share options were converted to common shares and the registration was completed. Please refer to Note 6(14) for more details on employee share options.

On December 3, 2021, the Company’s interim board of directors resolved to issue 6,602 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $177 per share, the capital increase date was set as December 13, 2021 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on December 22, 2021.

On December 23, 2021, the Company’s interim board of directors resolved to issue 6,631 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $235 per share, the capital increase date was set as December 30, 2021 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on January 11, 2022.

On April 19, 2022, the Company’s interim board of directors resolved to issue 7,334 thousand ordinary shares with a par value of $10 through private placement for cash. The new shares issued by cash were at a premium of $250 per share, the capital increase date was set as May 4, 2022 and the full amount of the shares was received on that date. The aforementioned additions in capital were approved and registered by the competent authority on May 16, 2022.

As of June 30, 2022 and 2021, the Company’s authorized capital was both $4,000,000 thousand and the issued capital was $2,849,566 thousand and $2,635,393 thousand, respectively, which was divided into 284,957 thousand shares and 263,539 thousand shares, respectively, each at a par value of $10.

B. Capital surplus

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Additional paid-in capital arising from ordinary share	$5,834,566	$3,964,932	$3,492,913
Transaction of treasury shares	457,433	-	-
Employee share options	247,724	731,996	256,089
Restricted stock	-	460	460
Total	$6,539,723	$4,697,388	$3,749,462

According to the Company Act, the capital surplus shall not be used except for offsetting the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury shares

The Board of Directors of the Company had passed resolutions to purchase the Company’s share for 3,200 thousand shares and 1,500 thousand shares on October 28, 2020 and January 6, 2021, respectively. Purchase period were during October 29, 2020 to December 27, 2020 and January 7, 2021 to March 5, 2021, respectively; the purchase shares were 2,935 thousand shares and 904 thousand shares, respectively; and the purchase price interval were $57 to $126 and $64 to $112, respectively.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the treasury shares held by the Company were $87,502 thousand, $344,741 thousand and $344,741 thousand; the number of treasury shares held by the Company was 904 thousand shares, 3,839 thousand shares and 3,839 thousand shares, respectively.

Please refer to Note 6(14) for further information on share-based payment plan for employees of the Company.

D. Retained earnings and dividend policy

According to the Company Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order: Payment of all taxes and dues; Offset prior years’ deficits; set aside 10% of the remaining amount after deducting items mentioned above as legal reserve; set aside or reverse special reserve in accordance with law and regulations; and the distribution of the remaining portion, if any, will be distributed according to the distribution plan proposed by the Board of Directors and resolved in the shareholders’ meeting.

Considering the industry environment and the growth of the Company, it will take into account the Company's future capital expenditure budget and funding needs when distributing earnings to keep in line with the business development and expansion. As of the current period, no less than 10% of current distributable earnings (by cash or issuing new shares) shall be distributed as bonus, and no less than 10% of the total dividend shall be cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The Company resolved by the shareholders' meeting on August 5, 2021 to cover accumulated deficit by capital surplus – additional paid-in capital of $2,144,028 thousand.

The Company had accumulated deficit for the year ended December 31, 2021, therefore the Company had resolved the distribution of the remaining portion by the shareholders' meeting on May 27, 2022 , that there was no available earnings for distribution.

Please refer to Note 6(16) for further details on employees' compensation and remuneration to directors and supervisors.

(14) Share-based payment plan

A. Related to employee transactions

Certain employees of the Company are entitled to share-based payments as part of their remunerations. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payments transactions.

(a) Share-based payment plan for employees of the Company

On August 11, 2017 and March 26, 2021, the Company passed the resolution in the board of directors meeting to issue employee share options with a total number of 4,400 thousand units (Share-based payments plan A) and 3,000 thousand units (Share-based payments plan B), respectively. Each unit entitles an optionee to subscribe for 1 share of the Company’s common share. The relevant details of aforementioned share-based payments plan were as follows:

Share-based payments plan A
The exercise price of the option was set not less than 50% of the closing price of the Company’s common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

Share-based payments plan B
The exercise price of the option was set not less than 50% of the closing price of the Company’s common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date.

Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

The contractual terms of each option granted are 7 years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan were as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (NT$)
January 12, 2018	2,166	$74
September 18, 2018	2,234	$88
June 24, 2021	3,000	$45

The following table lists the inputs to the model used for the plan granted during the year of 2018 and 2021:

	Year of 2018	Year of 2021
Dividend yield (%)	0%	0%
Expected volatility (%)	44.54% and 43.03%	39.43%
Risk-free interest rate (%)	0.73% and 0.72%	0.30%
Expected option life (years)	4.88years	4.88years
Weighted average share price (NT$)	$146.50 and $175	$90
Option pricing model	Black-Scholes Model	Black-Scholes Model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The further details on the aforementioned share-based payment plans were as follows:

	For the six-month period ended June 30,			
	2022		2021	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	5,891	$63	3,352	$81
Granted	-	-	3,000	45
Forfeited	-	-	(56)	88
Exercised (Note)	(719)	60	(121)	82
Expired	-	-	-	-
Outstanding at end of period	5,172	$60	6,175	$64
Exercisable at end of period	1,789	$80	1,836	$80
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)		$-		$52

Note: The weighted average price at the implementation date of those options for the six-month period ended June 30, 2022 and 2021 was $329 and $95 respectively.

The information on the outstanding share options was as follows:

	Range of exercise price	Weighted average remaining contractual life (years)
As of June 30, 2022		
Share options outstanding at the end of the period	$74, $88 and $45	2.58、3.22 and 6.00
As of December 31, 2021		
Share options outstanding at the end of the period	$74, $88 and $45	3.08、3.72 and 6.50
As of June 30, 2021		
Share options outstanding at the end of the period	$74, $88 and $45	3.58、4.22 and 7.00

(b) Treasury shares transferred to employees of the parent entity

To motivate the employees and retain the best talent, a resolution of repurchasing and transferring shares to the employees was approved through the board of directors' meeting held on October 28, 2020 and January 6, 2021. The number of shares to be repurchased was 3,200 thousand shares and 1,500 thousand shares, respectively. The repurchasing period has been expired and the Company has repurchased for 2,935 thousand shares and 904 thousand shares, respectively, but has not yet transferred the shares to employees as of the date this financial report was authorized for issue.

The Company passed the resolution in the board of directors meeting on December 3, 2021 to transfer treasury shares to employees and the details were as follows:

Agreement type	Date of grant	Shares (in thousands)	Contract period	Vested condition	Date of transferring
Treasury shares transferred to employees	December 3,2021	2,935	-	Vested immediately	January 7, 2022

The fair value of treasury shares transferred to employees was as follow:

Agreement type	Date of grant	Stock price	Exercise price	Fair value (per unit)
Treasury shares transferred to employees	December 3, 2021	$243.50	$87.48	$156.02

(c) Expenses incurred on share-based payment transactions were shown as follows:

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Total expense arising from equity-settled share-based payment transactions	$16,255	$5,779	$32,539	$13,537

B. Related to non-employee transactions

The Company entered a joint venture agreement with Luck Shine Enterprises, Limited (LSE as short) in January 2014, for the purpose of conducting P1101 clinical trials and its marketing after obtaining drug license in China. According to the joint venture agreement, the Company should provide the PharmaEssentia Asia (Hong Kong) Limited's stock options for LSE successively based on the completion of each milestones. Thus, if the milestones mentioned above can be all completed on schedule, LSE would get 2,000 thousand shares (approximately 25% of total shares) of PharmaEssentia Asia (Hong Kong) Limited. Even if the option is exercised, the Company would still have the majority rights in Board meeting and significant operational and financial decisions would still be made by the Company. Due to the arrangement of the agreement framework and time schedule, the agreement was arranged in December 2015. As of June 30, 2022, the Company haven't exercised the share option yet, application of share-based payment is not used. In addition, although the execution schedule has been adjusted, LSE continued to perform agreed milestone. Because of this the Company evaluate that the share option could have great possibility to be exercised, therefore, it is optimal estimates to be recognized as liability. The total recognized liabilities as of June 30, 2022, December 31, 2021 and June 30, 2021 were $1,453 thousand, $1,367 thousand and $1,366 thousand, respectively, it was putted under the other current liabilities-other account.

(15) Operating revenue

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue from contracts with customers				
Sale of goods	$977,109	$86,131	$1,228,362	$176,146
Revenue arising from rendering of services	616	631	1,107	8,294
Total	$977,725	$86,762	$1,229,469	$184,440

A. The Group is a single operating department. The revenue from contracts with customers for the six-month period ended June 30, 2022 and June 30, 2021 were sale of goods and recognized as revenue at a point in time; revenue arising from rendering of services was recognized based on the scope of the services performed and the rights to the completed services are enforceable.

B. Contract liabilities – current

	As of			
	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Sale of goods	$-	$-	$8,268	$-

The increase in the Group's contract liabilities for the six-month period ended June 30, 2021 was due to the performance obligations not satisfied yet. It was excluding the amount incurred and transferred to revenue during the period.

C. Transaction price allocated to unsatisfied performance obligations

No such circumstances.

D. Assets recognized from costs to fulfill a contract

No such circumstances.

(16) Summary statement of employee benefits, depreciation and amortization expenses by function

A. Summary statement of employee benefits, depreciation and amortization expenses by function was as follows:

By function / By feature	For the three-month period ended					
	June 30, 2022			June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Wages and salaries	$33,912	$320,310	$354,222	$29,141	$230,731	$259,872
Labor and health insurance	2,858	4,423	7,281	2,460	3,377	5,837
Pension	1,631	7,207	8,838	1,413	6,706	8,119
Other employee benefits expense	1,175	6,635	7,810	1,032	1,911	2,943
Depreciation	22,169	28,013	50,182	27,744	26,834	54,578
Amortization	5,041	911	5,952	135	973	1,108

By function / By feature	For the six-month period ended					
	June 30, 2022			June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Wages and salaries	$62,801	$576,371	$639,172	$57,559	$548,202	$605,761
Labor and health insurance	5,322	9,066	14,388	4,805	7,406	12,211
Pension	3,058	12,724	15,782	2,754	11,540	14,294
Other employee benefits expense	2,257	12,663	14,920	2,039	20,552	22,591
Depreciation	55,153	55,472	110,625	55,268	52,920	108,188
Amortization	9,248	2,557	11,805	245	1,966	2,211

B. According to the Articles of Incorporation of the Company, no lower than 1% of profit of the current year is distributable as employees’ compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated deficit shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the Board of Directors’ resolution regarding the employees’ compensation and remuneration to directors can be obtained from the “Market Observation Post System” on the website of the TWSE.

For the six-month period ended June 30, 2022 and 2021, because of the net loss before tax, there was no estimated amounts of the employees' compensation and remuneration to directors.

(17) Non-operating income and expenses

A. Interest income

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest income from bank deposits	$2,668	$1,827	$4,030	$7,075
Other interest income	8	7	31	32
Total	$2,676	$1,834	$4,061	$7,107

B. Other income

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Others (Note)	$6,771	$3,258	$8,926	$9,790

Note: The Group received government relief subsidy revenue (including rent concession) amounted to $0 thousand, $1,016 thousand, $0 thousand and $4,950 thousand due to Novel Coronavirus (COVID-19) for the three-month and six-month period ended June 30, 2022 and 2021.

C. Other gains and losses

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Loss on disposal of property, plant and equipment	$-	$-	$-	$(22)
Foreign exchange gains, net	45,513	670	64,374	4,037
Other losses	(311)	(410)	(4,280)	(72,354)
Total	$45,202	$260	$60,094	$(68,339)

D. Finance costs

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest expenses of borrowings from bank	$606	$557	$1,144	$1,233
Interest expenses on lease liabilities	2,149	1,964	3,947	3,946
Total	$2,755	$2,521	$5,091	$5,179

(18) Components of other comprehensive income

For the three-month period ended June 30, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	$(923)	$-	$(923)	$-	$(923)
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	7,293	-	7,293	-	7,293
Total of other comprehensive income	$6,370	$-	$6,370	$-	$6,370

For the three-month period ended June 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	$(9,196)	$-	$(9,196)	$-	$(9,196)

For the six-month period ended June 30, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will not be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	$(923)	$-	$(923)	$-	$(923)
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	620	-	620	-	620
Total of other comprehensive income	$(303)	$-	$(303)	$-	$(303)

For the six-month period ended June 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	$(15,733)	$-	$(15,733)	$-	$(15,733)

The Group has great amount of accumulated deficit deductible for use, therefore the other comprehensive income would not cause deferred income tax effect.

(19) Income tax

A. The Group recognized current tax expense and deferred tax expense for both $0 thousand for the three-month and six-month periods ended June 30, 2022 and 2021.

B. The assessment of the income tax returns of the Company and its subsidiaries in Taiwan were as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019
Panco Healthcare Co., Ltd	Assessed and approved up to 2019

(20) Earnings per share

Basic earnings (losses) per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
A. Basic earnings (losses) per share				
Loss attributable to ordinary equity holders of the Company (in thousands of NTD)	$(274,702)	$(540,678)	$(815,560)	$(1,223,856)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	281,271	259,650	278,617	259,851
Basic earnings (losses) per share (NTD)	$(0.98)	$(2.08)	$(2.93)	$(4.71)

B. There have been no other transactions involving ordinary shares or potential ordinary shares between the financial report date and the date of the financial statements were authorized for issue.

C. For the three-month and six-month periods ended June 30, 2022 and 2021 were both loss after tax which caused the potential ordinary shares into anti-dilutive. Therefore, the Company only disclosed basic losses per share.

(21) Leases

A. Group as a lessee

The Group leases various properties, including real estate (such as land, buildings and structures) transportation equipment. The lease terms range from 1 to 20 years.

The Group's leases effect on the financial position, financial performance and cash flows were as follows:

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Land	$295,006	$299,702	$308,687
Buildings and structures	219,660	105,266	129,916
Transportation equipment	1,089	421	601
Total	$515,755	$405,389	$439,204

During the three-month and six-month periods ended June 30, 2022 and 2021, the Group had additions to right-of-use assets amounted to $142,745 thousand, $13,032 thousand, $162,635 thousand and $13,476 thousand, respectively.

ii. Lease liabilities

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Lease liabilities	$529,640	$417,096	$449,071
Current	$88,349	$78,591	$83,700
Non-current	$441,291	$338,505	$365,371

Please refer to Note 6(17)D for the interest expense on lease liabilities recognized for the six-month period ended June 30, 2022 and 2021, and refer to Note 12 for the maturity analysis of lease liabilities as of June 30, 2022, December 31, 2021 and June 30, 2021.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Land	$4,723	$4,492	$9,215	$8,984
Buildings and structures	22,268	22,088	44,469	43,721
Transportation equipment	74	79	148	159
Total	$27,065	$26,659	$53,832	$52,864

(c) Income and costs relating to leasing activities

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	$124	$121	$242	$236
The expenses relating to variable lease payments not included in the measurement of lease liabilities	125	163	234	228
Total	$249	$284	$476	$464

For the rent concession arising as a direct consequence of the COVID-19 pandemic, the Group recognized in other income for the three-month and six-month periods ended June 30, 2022 and 2021 amounted to $0 thousand, $1,024 thousand, $0 thousand and $1,171 thousand to reflect changes in lease payments that arise from such rent concessions to which the Group has applied the practical expedient.

(d) Cash outflow relating to leasing activities

During for the three-month and six-month periods ended June 30, 2022 and 2021, the Group’s total cash outflows for leases amounted to $27,573 thousand, $28,484 thousand, $56,446 thousand and $54,805 thousand, respectively.

(e) Other information relating to leasing activities

Extension and termination options

Some of the Group’s building and equipment rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period was as follows:

(1) Name and relationship of related parties

Name of the related parties	Relationship with the Group
Ching-Leou, Teng	Key management personnel
Ko-Chung, Lin	Key management personnel
Sage Advisors, LLC	Other related party (the Company’s key management personnel is the Company’s substantive related party)

(2) Significant transactions with the related parties

A. The Group’s purchase of services

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Sage Advisors, LLC	$284	$715	$320	$2,067

Above purchase of services were separately recorded as operating expenses of $284 thousand and $320 thousand for the three-month and six-month periods ended June 30, 2022, respectively. Above purchase of services were separately recorded as operating expenses of $616 thousand and $1,607 thousand; recorded as intangible assets of $99 thousand and $460 thousand for the three-month and six-month periods ended June 30, 2021, respectively. As of June 30, 2022, December 31, 2021 and June 30, 2021, the above transaction which had not been paid was recorded as other payables to related parties amounted to $0 thousand, $296 thousand and $414 thousand, respectively.

B. Key management personnel compensation

	For the three-month period ended		For the six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Short-term employee benefits	$36,243	$24,836	$117,430	$65,886
Post-employment benefits	1,098	584	1,995	989
Share-based payment	6,712	3,521	13,382	6,568
Total	$44,053	$28,941	$132,807	$73,443

C. The Company’s Chairman and Chief Executive Officer act as joint guarantor for the borrowings from bank.

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

	Carrying amount as of			
Assets pledged for security	June 30, 2022	December 31, 2021	June 30, 2021	Secured liabilities
Financial assets at amortized cost	$27,627	$27,085	$28,620 (Note)	Current borrowings, performance bonds
Property, plant and equipment – land and buildings, net	109,131	109,933	110,734	Long-term borrowings
Total	$136,758	$137,018	$139,354	

Note：Including the money lodged at courts of $1,566 thousand which was released in November 2021.

9. Significant contingencies and unrecognized contractual commitments

Other than unsettled litigation, endorsement and guarantee, the Group discloses contract amount over NTD 50,000 thousand as of June 30, 2022 as below:

(1) As of June 30, 2022, the Group provided endorsement and guarantee to subsidiaries were amounted to USD 25,382 thousand.

(2) The Company and Luck Shine Enterprises Limited signed a joint venture agreement to proceed into the conduct of clinical trials, obtaining marketing authorization, post marketing sales work, etc. for P1101 in China. Please refer to Note 6(14) for more details.

(3) The Company and Athenex, Inc. signed a license agreement for the trial and development of novel, oral cancer drug in Taiwan, Singapore and Vietnam. The payable license fees are USD 11,050 thousand, which the Company will pay at each stage in installments based on the agreement. In the future, based on the sales situation, certain percentages should be paid as license fees. As of June 30, 2022, the Company has paid USD 3,550 thousand in license fees.

(4) The Company and Athenex, Inc. signed a license agreement for the trial and development of an ointment preparation for psoriasis (KX01) in Taiwan, China (including Hong Kong and Macau), Singapore, and Malaysia. The payable license fees are USD 1,640 thousand and USD 13,500 thousand, which the Company will pay at each stage in installments based on the agreement. In the future, based on the sales situation, certain percentages should be paid as license fees. As of June 30, 2022, the Company has paid USD 40 thousand and USD 500 thousand, respectively.

(5) The Company and a Taiwan contract research organization (CRO) signed a contract research agreement which includes commissioning this CRO to conduct P1101 hepatitis C virus genotype 2 phase III clinical trials in Taiwan and South Korea, and KX01 psoriasis phase I/II clinical trial in Taiwan related work. The payable commissioned service fees total $225,655 thousand, which the Company will pay at each stage based on the agreement. As of June 30, 2022, the Company has paid $129,079 thousand.

(6) The Company and a Hong Kong contract research organization (CRO) signed a contract research agreement which includes commissioning this CRO to conduct the P1101 treatment of Hepatitis C virus genome type 2 phase III clinical trials related work in China. The payable commissioned research fees total $89,735 thousand, which the Company will pay at each stage based on the agreement. As of June 30, 2022, the Company has paid $49,720 thousand and CNY 1,352 thousand.

(7) The Company and a Taiwan pharmaceutical science company signed a contract research agreement that covers the conduct of comparing the efficacy of P1101 versus anagrelide for the treatment of essential thrombocythemia (ET) in a Phase III clinical trial. The payable commissioned research fees total USD 9,364 thousand, which the Company will pay at each stage based on the agreement. As of June 30, 2022, the Company has paid USD 3,669 thousand.

(8) The Company and a German drug product contract manufacturer signed a fill finish line change agreement, with an agreement cost totaling EUR 3,432 thousand. As of June 30, 2022, the Company has paid related costs of EUR 589 thousand.

(9) The Company's US subsidiary and a US consulting company signed a service agreement which includes commissioning this consulting company to provide human resources, sales & marketing, and training plans. Commissioned service fees are estimated at USD 10,762 thousand. This consulting company's commissioned service payments and related incurred expenses will be invoiced to the Company based on actual amounts. As of June 30, 2022, the Company's US subsidiary has paid related amounts of USD 8,382 thousand.

(10) In 2009, the Company and company AOP Orphan Pharmaceuticals GmbH (former name AOP orphan Pharmaceuticals AG, hereinafter referred to as AOP) entered into an agreement with promises as to certain license, territory, and data sharing rights, where the Company provided chemistry, manufacturing, and controls (CMC) data to AOP, and AOP provided clinical development data to the Company. However, AOP failed to provide the clinical development data pursuant to the contractual provisions. According to the contract, if any party did not provide data within 30 days, then such would form the basis for contract termination. Therefore, in November 2017, the Company retained German lawyers to send a notice letter to AOP, that if AOP did not cure its material breach, then the license agreement would be terminated. However, in late March 2018, AOP brought International Chamber of Commerce ("ICC") arbitration claims, asserting that because the Company did not assist in providing CMC data, it caused AOP's inability to receive a marketing authorization and financial loss, and that if the Company continued to breach the agreement, it might cause an EU marketing authorization result of a negative opinion or a stop to the pending application review. In April 2018, the Company received notice of the foregoing. In June 2018, the Company's Board of Directors resolved that, in the same arbitration proceedings, to raise an arbitration counterclaim for confirmation of effectiveness of termination of the license agreement.

On October 21, 2020, the Company received an unfavorable arbitration award. To protect the rights and interests of the Company, the Company retained legal counsels to file a lawsuit to revoke the arbitration award. On February 15, 2022, the Company was notified by a German counsel of the final rulings of the revocation lawsuit. The German Federal Court of Justice held that the original rulings in the ICC arbitration award should be officially set aside regarding AOP's damages claims and the part regarding the costs sharing of the arbitration costs borne by the Company. Although the counterclaim filed by the Company against AOP to terminate the license agreement in the same arbitration proceeding was dismissed. As of the date this financial report was authorized for issue, both of the foregoing disputes have reached a definitive end.

Since the rulings of the German Federal Court of Justice had already been finalized, AOP's damages claim previously awarded had been invalidated. The Company has considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter.

(11) The Company, in order to protect the rights of shareholders, separately on November 18, 2020 and December 22, 2020, filed arbitration damages claims with the ICC Court that AOP's delay in providing clinical trial data caused delay damages during the Company's US BLA process, and that AOP's violation of the license agreement in not initiating clinical trials for three other clinical indications caused the Company losses.

On February 18, 2021, the ICC notified the Company that the two separate requests for arbitration were consolidated (hereinafter referred to as the "New Arbitration"), and the arbitrators appointed by each party collectively chose the chief arbitrator to constitute the arbitral tribunal. In accordance with the arbitration timetable, the first statement of claim was filed on October 22, 2021 by the Company (Statement of Claim). Against the Statement of Claim filed by the Company, AOP filed a statement of defense and counterclaim with the ICC on March 25, 2022 (Statement of Defense and Counterclaim). In addition to submitting the defenses, AOP filed a counterclaim asserting damages claims as follows: (1) the losses arising from violation of License Agreement by the Company; (2) illegal use of AOP's clinical trial data by the Company; (3) the service fees that should be paid by the Company to AOP and the overpaid product prices paid by AOP. In sum, AOP counterclaimed to the Company for compensation amounting to approximately EUR 6,000,000 thousand, and the Company is actively responding to this.

The Company has considered suitable measures and going forward, for each financial reporting period, will evaluate the reasonableness of related matter. The Company, in accordance with the rules of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), paragraph 92, is not disclosing normally required information under such rules, because disclosure of this information may affect the results of the foregoing matter.

10. Losses due to major disasters

No such circumstances.

11. Significant subsequent events

(1) On July 14, 2022, the Company's interim board of directors resolved the budget of capital expenditure amounting to $6,804,000 thousand. The forementioned budget of capital expenditure is for the Company's plan to build plants and purchase machinery for the production to meet the increasing drug demand in the international market. The investment will be made in phases starting from the quarter of 2022.

(2) On July 14, 2022, the Company's interim board of directors resolved to raise fund through issuance of new common shares up to 20,000 thousand shares. The purpose of forementioned fund raising is to build plants and purchase machinery, the par value of new share is $10. Upon the registration approval by Financial Supervisory Commission, the chairperson is authorized to determine the issue price in consideration of market conditions, and relevant laws and regulations.

(3) On June 17, 2022, the Company's interim board of directors resolved to participate a real estate tender located at Taoyuan Aerotropolis Industry Area of Taoyuan City Government, the Company has prepaid $94,502 thousand and book under prepayments account. The forementioned tender was acquired by the Company on July 28, 2022 with $1,100,029 thousand, and the real estate is located at Taoyuan Aerotropolis Industry Area base E (land area is about 14,362 square meters); the forementioned transaction price is determined by referring to the market price of the land in nearby area and reserve price.

12. Others

(1) Financial instruments

Financial assets

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at fair value through other comprehensive income (include non-current)	$38,297	$39,220	$17,435
Financial assets at amortized cost			
Cash and cash equivalents	4,210,410	3,453,645	1,611,802
Receivables	713,694	466,044	401,809
Other receivables	77,584	26,788	33,346
Financial assets at amortized cost (including non-current)	27,627	27,085	28,620
Subtotal	5,029,315	3,973,562	2,075,577
Total	$5,067,612	$4,012,782	$2,093,012

Financial liabilities

	As of		
	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities at amortized cost:			
Current borrowings	$24,774	$20,000	$30,000
Notes and accounts payable	185,711	176,375	146,238
Other payables (including related parties)	406,518	495,933	250,801
Long-term borrowings (including current portion)	93,132	99,142	102,713
Lease liabilities (including non-current)	529,640	417,096	449,071
Total	$1,239,775	$1,208,546	$978,823

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency).

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates. The information of the sensitivity analysis, please refer to Note 12(9).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments at variable interest rates and bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. As at the end of the reporting period, an increase or a decrease of 10 basis points of interest rate cause the loss for the six-month period ended June 30, 2022 and 2021 to decrease/increase by $845 thousand and $386 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for receivables) and from its financing activities (primarily for cash in banks).

The Group only trades with third parties whom have already approved and with good credit rating. The Group's policy also requires conducting credit confirmation procedures before open account transaction, and continuously assesses the collection of receivables.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

Expect for the loss allowance of receivables measured at lifetime expected credit losses, the Group assess the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group maintains a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	Later than 5 years	Total
As of June 30, 2022					
Current borrowings (including interest to be paid)	$24,920	$-	$-	$-	$24,920
Payables (including other payables)	592,229	-	-	-	529,229
Long-term borrowings (including interest to be paid)	14,107	27,803	17,006	45,722	104,638
Lease liabilities (including non-current)	97,151	74,933	168,986	240,854	581,924
As of December 31, 2021					
Current borrowings (including interest to be paid)	$20,196	$-	$-	$-	$20,196
Payables (including other payables)	672,308	-	-	-	672,308
Long-term borrowings (including interest to be paid)	13,977	27,611	20,107	51,748	113,443
Lease liabilities (including non-current)	84,043	40,360	94,295	246,351	465,049
As of June 30, 2021					
Current borrowings (including interest to be paid)	$30,332	$-	$-	$-	$30,332
Payables (including other payables)	397,039	-	-	-	397,039
Long-term borrowings (including interest to be paid)	11,896	27,739	23,013	52,269	114,917
Lease liabilities (including non-current)	90,384	52,083	100,119	261,221	503,807

(6) Reconciliation of liabilities arising from financing activities

For the six-month period ended June 30, 2022:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	$20,000	$99,142	$417,096	$536,238
Cash flows	1,000	(6,010)	(55,970)	(60,980)
Non-cash changes	3,774	-	168,514	172,288
As of June 30, 2022	$24,774	$93,132	$529,640	$647,546

For the six-month period ended June 30, 2021:

	Current borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	$50,000	$105,702	$491,028	$646,730
Cash flows	(20,000)	(2,989)	(54,341)	(77,330)
Non-cash changes	-	-	12,384	12,384
As of June 30, 2021	$30,000	$102,713	$449,071	$581,784

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other payables approximate their fair value due to their short maturities.

(b) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(c) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments at amortized cost

Among the Group's financial assets and financial liabilities measured at amortized cost, the carrying amount approximate their fair value.

C. Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$38,297	$38,297

As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$39,220	$39,220

As of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$17,435	$17,435

Transfers between Level 1 and Level 2 during the period

During the six-month period ended June 30, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy movements during the period was as follows:

	At fair value through other comprehensive income
	Stocks
As of January 1, 2022	$39,220
Total gains (losses) recognized for the six-month period ended June 30, 2022:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(923)
As of June 30, 2022	$38,297

	At fair value through other comprehensive income
	Stocks
As of January 1, 2021	$17,435
Total gains (losses) recognized for the six-month period ended June 30, 2021:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-
As of June 30, 2021	$17,435

<u>Information on significant unobservable inputs to valuation</u>

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy was as follows:

As of June 30, 2022：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group’s equity by $547 thousand

As of December 31, 2021：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease / increase in the Group’s equity by $488 thousand

As of June 30, 2021：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease / increase in the Group's equity by $244 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value was disclosed

As of June 30, 2022：

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Financial assets measured at amortized cost				
Time deposits	$-	$27,627	$-	$27,627
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including current portion)	-	93,132	-	93,132

As of December 31, 2021：

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Financial assets at amortised cost				
Time deposits	$-	$27,085	$-	$27,085
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including currents portion)	-	99,142	-	99,142

As of June 30, 2021：

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Financial assets at amortised cost				
Time deposits	$-	$28,620	$-	$28,620
Financial liabilities did not measure at fair value but for which the fair value was disclosed:				
Long-term borrowings (including currents portion)	-	102,713	-	102,713

(9) Significant assets and liabilities denominated in foreign currencies

(In thousands)

	As of June 30, 2022				
				Sensitivity analysis	
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
EUR	$10,465	31.1300	$325,765	1%	$3,258
USD	35,871	29.7400	1,066,818	1%	10,668
CNY	7,433	4.4190	32,845	1%	328
JPY	266	0.2208	59	1%	1
HKD	1,086	3.7880	4,116	1%	41
Financial liabilities					
Monetary items					
EUR	3,256	31.1300	101,353	1%	1,014
USD	197	29.7400	5,850	1%	59
CNY	532	4.4190	2,352	1%	24
JPY	70,519	0.2208	15,571	1%	156

(In thousands)

	As of December 31, 2021				
				Sensitivity analysis	
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
EUR	$11,994	31.3200	$375,649	1%	$3,756
USD	2,405	27.8000	66,861	1%	669
CNY	7,433	4.3630	32,428	1%	324
JPY	173,934	0.2445	42,527	1%	425
HKD	1,818	3.5620	6,475	1%	65
Financial liabilities					
Monetary items					
EUR	3,643	31.3200	$114,110	1%	1,141
USD	1,251	27.8000	34,786	1%	348
CNY	290	4.3630	1,263	1%	13
JPY	97,484	0.2445	23,835	1%	238
HKD	3,984	3.5620	14,191	1%	142

(In thousands)

	As of June 30, 2021				
				Sensitivity analysis	
	Foreign currencies	Exchange rate	Carrying amount (NTD)	Fluctuation	Effect on income
Financial assets					
Monetary items					
EUR	$9,128	33.5800	$306,524	1%	$3,065
USD	1,267	27.6450	35,036	1%	350
CNY	7,324	4.3170	31,619	1%	316
Financial liabilities					
Monetary items					
EUR	6,824	33.5800	229,163	1%	2,292
USD	716	27.6450	19,976	1%	198
CNY	508	4.3170	2,192	1%	22

The Group’s foreign currency transactions were denominated in multiple currencies; therefore, the information of the foreign exchange gains (losses) of monetary assets and liabilities denominated by each currency was not applicable for disclosure. For the six-month period ended June 30, 2022 and 2021 the Group’s incurred foreign exchange gains (losses) were $64,374 thousand and $4,037 thousand, respectively.

The above information was disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares.

(11) Other

The impact from the COVID-19 outbreak

Due to the impact from the COVID-19 outbreak in the year of 2020, some countries where the Group's subsidiaries are located in the locations that in implemented lockdowns to slow down the spread of the pandemic. However, because the main research and development and manufacturing center of the Group are located in Taiwan, the pandemic caused no material impact on the Group's operations.

Governments released relief packages to deal with the significant economic uncertainty due to the pandemic. These packages are expected to narrow the scale and magnitude of the economic impacts. Please refer to Note 6(17) for more details of the Group's subsidy received from the government (including rent concession), as of June 30, 2022. In addition, the Group's American subsidiary applied for the Paycheck Protection Program (PPP) which was provided by the local government and received a loan of USD 127 thousand during the year of 2021. In accordance with the terms defined in PPP, the enterprises are allowed to apply for loan forgiveness if they use the loan to pay for expenditures in line with the loan forgiveness terms and no lay-offs or pay-cut within the 8 weeks following receipt of the loans. It has been determined that the loan of USD 127 thousand which was received in the second quarter of 2021 did not meet the criteria for the application of PPP. Therefore, the temporary receipts originally accounted for other current liabilities have been reclassified to current borrowings during the second quarter of 2022.

13. Other disclosure

(1) Information at significant transactions

A. Financings provided to others, please refer to table 1 for more details.

B. Endorsements/guarantees provided to others, please refer to table 2 for more details.

C. Marketable securities held (not including subsidiaries, associates and joint ventures), please refer to table 3 for more details.

D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20 percent of the capital stock, please refer to table 4 for more details.

E. Acquisition of individual real estate properties at costs of at least NTD 300 million or 20 percent of the paid-in capital, no such circumstances.

F. Disposal of individual real estate properties at costs of at least NTD 300 million or 20 percent of the paid-in capital, no such circumstances.

G. Total purchases from or sales to related parties of at least NTD 100 million or 20 percent of the paid-in capital, please refer to table 5 for more details.

H. Receivables due from related parities amounting to at least NTD 100 million or 20 percent of the paid-in capital, please refer to table 6 for more details.

I. Derivative instruments transactions, no such circumstances.

J. Significant intercompany transactions between consolidated entities, please refer to table 7 for more details.

(2) Information on investees

A. The Company had directly or indirectly significant influence or control on the invested company which shall disclose relevant information, please refer to table 8 for more details.

B. The Company had directly or indirectly control on the invested company which shall disclose relevant information of the above (1) A~I, except for above (1) G and H, refer to table 5 and table 6, there were no such circumstances for above (1) A~F and I.

(3) Information on investments in Mainland China

Please refer to table 9 for more details.

(4) Information on major shareholders：

Shares / Name of major shareholder	Shareholdings	Percentage of ownership (%)
National Development Fund, Executive Yuan	22,066,296 shares	7.73%

14. <u>Segment information</u>

The Group primarily engages in medicine research and development. The decision maker of the Group reviews the operating outcome based on a single operating department to determine its resource policy and assesses overall performance of the Company. Therefore, the Group does not distinguish departments and aggregate to a single operating department and prepare financial statement in the same basis as the summary of the important accounting policies described in Note 4.

Table 1: Financings provided to others

(Unit: thousands of NTD/foreign currency)

No. <Note1>	Financing Company	Counter party	Financial Statement Account	Related Party	Maximum Balance for the period <Note2>	Ending Balance <Note3>	Amount Acutally Drawn	Interest rate	Nature of Financing <Note4>	Transaction Amounts for business <Note5>	Reason for short-term Financing <Note6>	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company <Note7>	Financing Company's Total Financing Amount Limits <Note8>
													Item	Value		
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	Other receivables due from related parties	Y	$420,000	$420,000	$-	-	-	$-	-	$-	-	-	$561,462	$2,245,849
0	PharmaEssentia Corp.	PharmaEssentia Japan KK	〃	Y	190,000	190,000	-	-	-	-	-	-	-	-	561,462	2,245,849
0	PharmaEssentia Corp.	PharmaEssentia Korea Corporation	〃	Y	190,000	190,000	-	-	-	-	-	-	-	-	561,462	2,245,849
0	PharmaEssentia Corp.	PharmaEssentia Asia (Hong Kong) Limited	〃	Y	190,000	190,000	- -	-	-	-	-	-	-	-	561,462	2,245,849

<Note1> The numbers filled in for the financings provided by the group or subsidiaries are as follows:

1. The Company is "0".
2. The subsidiaries are numbered in order starting from "1".

<Note2> The maximum balance for the period.

<Note3> Resolved by the Board of Directors.

<Note4> The codes represent the nature of financing activities as follows:

1. Trading partner is "1".
2. Short-term financing is "2".

<Note5> For trading partners, disclose the accumulated trading amount for the period ended to financial statement date.

<Note6> For short-term financing, disclose the reason and use of funds.

<Note7> Financing limits for each borrowing companies are as follows:

1. Trading Partners: The maximum of total financing is highter of the transaction amount for procurment or sales during current year.
2. Short-term financing: The maximum of total financing is 10% of the Company's net worth.
3. Subsidiaries 100% held by the Company or the abovemention susidiaries finance to the Company: The maximum of total financing is 10% of the financing company's net worth.

<Note8> Financing company's total financing amount limits are as follows:

1. Trading Partners: The maximum of financing total amount is 40% of the financing company's net worth.
2. Short-term financing: The maximum of financing total amount is 40% of the financing company's net worth.
3. Subsidiaries 100% held by the Company or the abovemention susidiaries finance to the Company: The maximum of financing total amount is 40% of the financing company's net worth.

<Note9> Ending amount in this table were disclosed in NTD. Amount related to foreign currency were translated to NTD by rate of financial statement date. The related exchange rate was as follow:

USD:NTD 1:29.74
JPY:NTD 1:0.2208
KRW:NTD 1:0.0230
HKD:NTD 1:3.7880

Table 2: Endorsements/guarantees provided to others

(Unit: thousands of NTD/foreign currency)

No. <Note1>	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement / Guarantee Amount Provided to Each Guaranteed Party <Note3>	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amounts of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement / Guarantee Amount Allowable <Note3>	Guarantee Provided by Parent Company <Note4>	Guarantee Provided by A Subsidiary <Note4>	Guanantee Provided to Subsidiaries in Mainland China <Note4>
		Name	Nature of relationship <Note2>										
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	2	$1,122,924	USD 25,382 ($754,861)	USD 25,382 ($754,861)	$-	-	13.44%	$2,245,849	Y	-	-

<Note1> The numbers filled in for the endorsements/guarantees provided by the group or subsidiaries are as follows:

1. The Company is "0".
2. The subsidiaries are numbered in order starting from "1".

<Note2> The following code represents the relationship with the company:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90 percent or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

<Note3> The amount of limits on endorsement/guarantee amount provided to each guaranteed party shall not exceed 20% of the net equity per latest financial statements of the Company; the amount of accumulated endorsement/guarantee shall not exceed 40% of net equity per latest financial statements.

<Note4> Guarantee provided by listed parent company to subsidiaries , guarantee provided by a subsidiary to listed parent company and guanantee provided to entities registered in mainland china were recorded "Y".

<Note5> Ending amount in this table were disclosed in NTD. Amount related to foreign currency were translated to NTD by rate of financial statement date. The related exchange rate was as follow:

USD:NTD 1:29.74

Table 3: Marketable securities held (not including subsidiaries, associates and joint ventures) (Unit: thousands of NTD/share)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	As of June 30, 2022				Remark
				Share / Units	Carrying Value	Percentage of ownership	Fair Value	
PharmaEssentia Corp.	Mithra Biotechnology Inc.	—	Financial assets at fair value through other comprehensive income	980	$-	4.00%	$-	
PharmaEssentia Corp.	IIH Biomedical Venture Fund I Co., Ltd.	—	Financial assets at fair value through other comprehensive income	5,000	38,297	8.08%	38,297	

Table 4: Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more (Unit: thousands of NTD/share)

Company Name	Type and Name of Marketable Securities <Note1>	Financial Statement Account	Counter-party <Note2>	Nature of Relationship <Note2>	Beginning Balance		Acquisition<Note3>		Disposal<Note3>				Ending Balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/ Units	Amount
PharmaEssentia Corp.	Stocks	Investments accounted for using equity method	PharmaEssentia USA Corporation	Parent company and subsidiary	5,600	$1,617,926	4,100	$1,198,390	-	-	-	-	9,700	$2,816,316

<Note1> Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

<Note2> Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

<Note3> Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach 300 million or 20% of paid-in capital or more.

<Note4> Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Table 5: Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD/ foreign currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction Terms Different From Regular Transactions		Notes/Accounts Receivable (Payable)		Remark
			Purchase /Sales	Amount	% to Total <Note>	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total <Note>	
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Sales revenue	$1,672,361	79.58%	About 90 days	Similar to general terms and conditions	About 90 days	$1,219,215	86.87%	
PharmaEssentia USA Corporation	PharmaEssentia Corp.	Parent company	Purchases	(USD 57,731)	97.07%	-	Similar to general terms and conditions	-	(USD 40,996)	97.79%	

<Note> Percentage to total purchases (sales) and accounts receivable (accounts payable).

Table 6: Receivables due from related parites amounting to at least NTD 100 million or 20% of the paid-in capital (Unit: thousands of NTD/foreign currency)

Company Name	Related Party	Nature of Relationship	Financial Statement Account	Ending Balance	Turover Ratio	The reaosn that trade terms different from general transactions		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amout	Procedure		
PharmaEssentia Corp.	PharmaEssentia USA Corporation	Subsidiary	Accounts receivable due from related parties	$1,219,215	-	$-	-	$-	$-

Table 7: Significant intercompany transactions between consolidated entities (Unit: thousands of NTD)

No. <Note1>	Company Name	Counter-party	Nature of Relationship <Note2>	Intercompany Transactions			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets <Note3>
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Accounts receivable	$1,219,215	Similar to general terms and conditions	16.60%
0	PharmaEssentia Corp.	PharmaEssentia USA Corporation	1	Sales revenue	1,672,361	Similar to general terms and conditions	136.02%

<Note1> The numbers filled in represent:

1. The company is "0".
2. The subsidiaries are numbered in order starting from "1".

<Note2> The following lists the three types of intercompany transactions (one transaction between parent company and subsidiary or between subsidiaries could be disclosed only once.)

1. Transactions from parent company to subsidiary is "1".
2. Transactions from subsidiary to parent company is "2".
3. Transactions between subsidiaries is "3".

<Note3> The percentage is divided by:

1. Consolidated total assets if the transaction account belongs to balance sheet.
2. Consolidated net revenue if the transaction account belongs to comprehensive income statement.

<Note4> We included only the intercompany transactions with amount larger than $50 millions in this table.

Table 8: Related informations (except to investments in Mainland China) about investee company, located, etc.: (Unit: thousands of NTD/share)

Invester Company	Investee Company	Location	Main Business	Original Investment Amount		Balance at The End of Period			Net Income (Losses) of The Investee	Share of Profits (Losses) of Investee	Remark
				Ending balance	Beginning balance	Shares	Percentage of Ownership	Carrying Value			
PharmaEssentia Corp.	PharmaEssentia Asia (Hong Kong) Limited	Hong Kong	Biotechnology service, etc.	$134,522	$91,344	9,200	100%	$31,102	$(17,601)	$(17,601)	<Note1>
PharmaEssentia Corp.	PharmaEssentia (Hong Kong) Limited	〃	〃	-	-	-	-	-	-	-	<Note2>
PharmaEssentia Corp.	PharmaEssentia Japan KK	Japan	〃	585,820	451,990	33,630	100%	76,942	(112,567)	(112,567)	<Note1>
PharmaEssentia Corp.	PharmaEssentia USA Corporation	USA	〃	2,816,316	1,617,926	9,700	100%	(848,630)	(300,531)	(300,531)	<Note1>
PharmaEssentia Corp.	PharmaEssentia Korea Corporation	Korea	〃	88,060	58,700	706	100%	(806)	(23,861)	(23,861)	<Note1>
PharmaEssentia Corp.	Panco Healthcare Co., Ltd.	Taiwan	〃	120,598	102,500	10,000	100%	71,411	(6,448)	(6,448)	<Note1>
PharmaEssentia Corp.	PharmaEssentia Singapore Pte. Ltd.	Singapore	〃	1,394	1,394	68	100%	1,433	(27)	(27)	<Note1>

<Note1> Eliminated by preparing consolidated financial statements.

<Note2> In order to expand the China market, the Company registered and established a wholly owned PharmaEssentia (Hong Kong) Limited with 100% share in 2013.
However, as of June 30, 2022, PharmaEssentia (Hong Kong) Limited only completed the registration process and the Company has not remitted payment for share.

Table 9: Informations on investments in Mainland China

(Unit: thousands of NTD/ foreign currency)

Investee Company	Main Business and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of June 30, 2022	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow						
PharmaEssentia Biotechnology (Beijing) Limited	Biotechnology service, etc.	$89,220 (USD 3,000)	<Note1(2)>	$59,480 (USD 2,000)	$29,740 (USD 1,000)	$-	$89,220 (USD 3,000)	$(10,424) (CNY 2,354)	100.00%	$(10,424) (CNY 2,354) <Note 1(2),(3)>	$22,130 (CNY 5,008)	$-

Accumulated Investment in Mainland China as of June 30, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit of Investment (60% of the Company's net worth)
$89,220 (USD 3,000)	$89,220 (USD 3,000)	$3,368,773

<Note1> Method of investment was classified as the following three types:

1.The investments in Mainland China directly.

2. Re-invest in Mainland China through the third regional company (the invester company in the third regional was PharmaEssentia Asia (Hong Kong) Co., Ltd.).

3. Others.

<Note2> In the shared profits/losses column:

1. The investments that are in preparation and thus haven't generated any profits/losses should be specified.

2. The resources of shared profits/losses should be specified as one of the three below:

(1) Financial report audited by international audit firm that has partnership with audit firm in Taiwan.

(2) Financial report audited by CPA who audits the parent company in Taiwan.

(3) Others. (Financial statements of certain subsidiaries were not reviewed by independent accountants)

<Note3> The figures in this table are presented in NTD. The exchange rate on the financial reporting date used for translating the amount of investment in foreign currency is as following:

1. Ending investment balance as of reporting date were translated using the exchange rates as follows:

USD:NTD 1: 29.74

CNY:NTD 1: 4.419

2. Investment gains or losses were translated using the average rates for the six-month period ended June 30, 2022 as follows:

USD:NTD 1: 28.7958

CNY:NTD 1: 4.4282