

# **Polaris Group**

## **2021**

# **Annual Report**

Notice to readers

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

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VII. The list of board of directors and independent directors registered in Taiwan should add their nationality and main experience: Please refer to the Chapter III of annual report.

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# **Polaris Group**

## **Table of Contents**

I. Letter to Shareholders .....	1
II. Company Profile	
1. Date of Incorporation and Group Profile .....	7
2. Company History and Evolution .....	7
3. Group Structure .....	10
4. Risk Matters .....	11
III. Corporate Governance Report	
1. Organization System .....	12
2. Profiles of Directors, Supervisors, President, Vice President, Associate Directors, Heads of Departments and Branches.....	15
3. Remuneration of Directors, Supervisors, President and Vice President for the most recent year.....	29
4. Implementation of Corporate Governance .....	34
5. Information on CPA Fees .....	62
6. Information on Change of CPAs.....	63
7. The chairman of the board of directors, the general manager, and the manager in charge of financial or accounting matters of the Company, who have worked in the firm of the certified public accountant or its affiliates within the last year. .....	63
8. Changes in the shareholding of directors, supervisors, managers and shareholders holding more than 10% of the shares and pledges of shares in the most recent year and up to the date of printing of the annual report .....	63
9. Information on the top ten shareholders who are related to each other or are spouses or relatives within the second degree of consanguinity .....	64
10. The number of shares held by the Company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same investee company, and the consolidated percentage of shareholding. ....	65
IV. Capital Raising	
1. Capital and Shares .....	66
2. Corporate Bonds .....	73
3. Preferred Shares .....	73
4. Global Depositary Receipts.....	73
5. Employee Stock Options.....	74
6. Employees Restricted New Shares .....	79
7. New Shares Issued for Merger and Acquisition .....	79
8. Implementation of capital utilization plan .....	79
V. Operation Overview	
1. Business Activities.....	80
2. Market Analysis and Production and Sales Overview .....	90
3. Information on Employees .....	94
4. Environmental Protection Expenditure Information .....	94

5. Employee-employer Relations .....	94
6. Information Security Management .....	95
7. Important Contracts .....	97
VI. Financial overview	
1. Condensed Balance Sheets and Comprehensive Income Statements for the last five years, with the name of the accountant and his audit opinion.....	99
2. Financial analysis for the last five years .....	101
3. Audit Committee's Review Report on the Financial Report for the Year 2021 .....	103
4. Audited Financial report of last fiscal year .....	104
5. Standalone Audited Financial report of last fiscal year. ....	104
6. If the Company and its affiliates have experienced financial difficulties in the recent year and as of the date of the annual report, the impact on the Company's financial position should be stated. ....	104
VII. Review and Analysis of Financial status and Financial Performance and Risk Management	
1. Financial Status .....	105
2. Financial Performance .....	106
3. Cash flow.....	107
4. Impact of major capital expenditures on corporate finance and business for the most recent year .....	107
5. Recent year's investment policy, main reasons for profit or loss, improvement plans and future year's investment plans.....	108
6. Risk management and assessment.....	109
7. Other significant matters .....	114
VIII. Special Disclosures	
1. Information on Affiliated .....	115
2. Private placement of securities.....	118
3. Information on the Company's shares held or disposed of by subsidiaries in the most recent year and as of the date of the annual report.....	118
4. Other supplementary information required .....	118
5. Description of material differences between the Company's Articles of Incorporation and the regulations on the protection of shareholders' rights and interests. ....	118
6. If any of the situations listed in Article 36, paragraph 2 subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or up to publication of the annual report.....	136

## I. Letter to Shareholders

Dear Shareholders:

The Company's malignant pleural mesothelioma clinical trial has made significant progress in 2021. The interim analysis in April 2021 showed that the conditional power (CP) for the overall survival (OS) was greater than 80%; in July, the DSMB recommended to close the enrollment of subjects early in August, which is agreed by the U.S. FDA; in February 2022, the Company received a letter from the U.S. FDA informed that its malignant pleural mesothelioma investigational drug has earned the FDA "Fast Track Designation".

The Company also continued to grow in its CDMO business. Recently, the world has entered a post-epidemic era. People from all over the world are already getting vaccinated against COVID-19. International giant pharmaceutical companies have a huge increase in demand for pharmaceutical OEMs. In 2021, Polaris Group not only recruited mRNA vaccine experts, but also signed a cooperation contract with the University of California, USA, to actively strive for the leading position of lipid nanoparticle technology in Taiwan.

In addition to the research and development of new cancer drugs, Polaris Group also responded to the government's determination to promote the biotechnology industry. In 2022, the Company is going to invest in the construction of a commercial mass production plant for the production of protein drugs by microbial fermentation in the Yilan Science Park, Taiwan. It can not only supply the self-developed ADI-PEG 20, but also support the CDMO business. It is believed that it can create industrial value with high production capacity and low energy consumption.

Below is a report on the 2021 R&D progress and results of the Company.

### I. 2021 Business Results

#### (I) 2021 Business Plan Implementation Results

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

The current clinical trials in progress are as follows:

Cancer Type	Stage	Lead Cancer Center	Intervention/Treatment
Malignant Pleural Mesothelioma	Phase 3 (Patient enrollment has stopped and is awaiting unblinding)	St Bartholomew's Hospital London, United Kingdom	ADI-PEG 20 + Pemetrexed + Cisplatin
Soft Tissue Sarcoma	Phase 2 (Completed)	Washington University School of Medicine Saint Louis, Missouri, United States	ADI-PEG 20 + Gemcitabine + Docetaxel

Cancer Type	Stage	Lead Cancer Center	Intervention/Treatment
Glioblastoma	Phase 1B	Linkou Chang Gung Memorial Hospital Taoyuan, Taiwan	ADI-PEG 20 +Temozolomide + Radiotherapy
Hepatic Cell Carcinoma	Phase 2/3 <sup>Note</sup>	Linkou Chang Gung Memorial Hospital Taoyuan, Taiwan	ADI-PEG 20 only (HCC patients with genotype WWOX-GG)
Acute Myeloid Leukemia	Phase 1	MD Anderson Cancer Center Houston, Texas, United	ADI-PEG 20 + Venetoclax + Azacitidine

Note: This is the clinical trial for NDA submission.

## 2. CDMO of drug development and production services

DRX USA signed a technical production contract with the American company Helix BioMedix, Inc. (Helix for short) at the end of 2019, and began to contribute operating income in 2020; in September 2020, a joint development agreement with Nanonotein Technologies., Inc. is signed to jointly develop nanoprotein products, one of which is the chimeric antigen receptor T (CAR-T), which is potential for the therapeutic market, and DRX USA will be responsible for its process development and mass production. The Company currently holds a 41% stake in DRX USA and will receive 15% of its revenue for future commercialized products. In addition, the Company continues to develop small and medium-sized customers and provide them with customized technical services.

### (II) Budget Spending Review

The Company only sets an internal budget plan in 2021, and does not disclose financial forecast data to the public. The overall budget spending situation generally conforms to the plan set by the Company.

### (III) Financial Income and Expenditure and Profitability Analysis

The increase in operating income and operating costs compared to FY 2020 was mainly due to the impact of the COVID-19 epidemic in the United States in FY 2020, which resulted in a backward work schedule. The normal work schedule resumes in FY 2021, and the CDMO business is back on track. Operating expenses increased by 7.87% compared to FY 2020, mainly due to the increase in the Company's listing-related expenses, the increase in the number of employees, the reclassification of the Chengdu

production plant as fixed assets and the start of depreciation.

Unit: NT\$1,000

Items	FY2021	FY2020	Difference	%
Operating income	15,041	9,410	5,631	59.84
Operating costs	12,944	6,979	5,965	85.47
Operating gross profit	2,097	2,431	(334)	(13.74)
Operating expenses	(734,014)	(680,489)	(53,525)	7.87
Operating profit or loss	(731,917)	(678,058)	(53,859)	7.94
Non-operating income and expenses	(7,793)	17,882	(25,675)	(143.58)
Net loss for the fiscal	(740,487)	(660,224)	(80,263)	12.16
Loss per share (NTD)	(1.09)	(1.01)	(0.08)	7.92

#### (IV) Research and Development Status

For details, please refer to the "2021 Business Plan Implementation Results" above.

## II. 2022 Business Plan Outline

### (I) Operating Strategy

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

### (II) Expected Sales and Its Basis and the Production and Sales Policies

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

## III. The Company's Future Development Strategy

### (I) Initiate Clinical Trials for NDA submission



The primary goal of the Company's future development strategy is to obtain clearer clinical efficacy data in the shortest time to boost the Company's value and make metabolic therapy the main method for the treatment of cancer. In the future, the Company will concentrate resources to actively accelerate the Phase 2/3 clinical trials of malignant pleural mesothelioma, hepatic cell carcinoma and soft tissue sarcoma. In addition, the Company has also conducted Phase 1 clinical trials of glioblastoma and acute myeloid leukemia. The details are described as follows:

#### 1. Malignant Pleural Mesothelioma

This is a Phase 2/3, 386-subject, multinational, multicenter clinical trial of ADI-PEG 20 in combination with Pemetrexed or Cisplatin (the two chemotherapeutic drugs served as the control group) for the treatment of malignant pleural mesothelioma, conducted by Dr. Peter Szlosarek of St. Bartholomew's Hospital, London, United Kingdom.

The interim analysis in February 2021 was positive, showing that the conditional power (CP) was greater than 80%. Due to the severe impact of the COVID-19 epidemic and other new drugs on patient enrollment, the U.S. FDA has notified the Company on July 27 that the Company can early close the enrollment of patients in August in accordance with the DSMB's recommendation. The Company has stopped enrolling patients on August 15, 2021.

In February 2022, the Company received a letter from the U.S. FDA informed that its malignant pleural mesothelioma investigational drug has earned the FDA "Fast Track Designation", so the policies and methods of the "Expanded Access Program" (EAP for short, under which preapproval access to an investigational drug is provided to patients) should be announced in accordance with the regulations. The malignant pleural mesothelioma clinical trial is planned to be unblinded in August 2022.

#### 2. Soft Tissue Sarcoma

This is a U.S. multi-center clinical trial funded by Washington University in St. Louis (Polaris Group only provides ADI-PEG 20) and conducted by Professor Brian Van Tine. The 75-patient, single-arm trial was completed in the first quarter of 2021. The effective response rate of ADI combined with Gemcitabine and Docetaxel was as high as 25%, of which 6 patients had tumor shrinkage completely (Complete Response). Professor Van Tine adjusted the data according to the drug dose and combined with his laboratory studies and find that the combination of ADI-PEG 20 and Docetaxel would increase the entry of Gemcitabine into cells. They also confirmed that ADI-PEG 20 alone could reduced the metabolic rate of Gemcitabine thus increased cellular uptake of Gemcitabine. The results of these two studies indicate that the interaction of ADI-PEG 20 with Docetaxel can increase the cellular uptake of Gemcitabine, therefore, if ADI-PEG 20 is administered to patients in combination with Docetaxel and Gemcitabine, a lower dose of Gemcitabine is required to achieve the same efficacy, but with fewer side effects for patients. The above-mentioned results were presented at the American Society of Clinical Oncology (ASCO) annual meeting in 2021, and were heated discussed by soft tissue sarcoma experts there. The Company plans to initiate the Phase 3 clinical trial of soft tissue sarcoma in the second half of 2022.

#### 3. Hepatic Cell Carcinoma

Collaborating with Dr. Yeh, Chauting from Taiwan Linkou Chang Gung Memorial Hospital, the Company will launch the world's first Phase 2/3 liver cancer clinical trial designed from a genetic perspective, screening for specific gene markers, and using double-blind methods. This is a randomized trial and is expected to enroll 150 subjects. The trial advances medication strategies from the general population to personalization for better treatment outcomes, also known as "personalized medicine" and "precision medicine". The Company plans to begin recruiting patients in the second quarter of 2022.

4.       Glioblastoma

This is a Phase 1B clinical trial of ADI-PEG 20 in combination with radiotherapy and chemotherapy drug Temozolomide (TMZ) in the treatment of Glioblastoma (GBM). The University of Washington, in collaboration with Polaris Group, published a paper this year demonstrating the additive effect of ADI-PEG 20 in combination with radiotherapy and TMZ in GBM cell lines and animal models, providing the design basis for further clinical trials. The primary outcome of this Phase 1B trial is to evaluate the safety and tolerability of ADI-PEG 20 combined with radiotherapy and TMZ, and to determine the recommended dose of Phase 2 trial, while observing Progression Free Survival (PFS) and Overall Survival (OS). This trial was led by Linkou Chang Gung Memorial Hospital, and conducted at 4 neurosurgery centers in Taiwan. As of February 2022, 23 subjects have been recruited and the Dose Limiting Toxicity (DLT) has been observed. A total of 26 patients required for this trial is expected to be enrolled in 2022.

5.       Acute Myeloid Leukemia

This is a Phase 1 clinical trial of ADI-PEG 20 in combination with Venetoclax and Azacitidine in patients with acute myeloid leukemia, led by MD Anderson Cancer Center. In addition to evaluating the safety and tolerability of ADI-PEG 20 in combination with Venetoclax and Azacitidine, the efficacy of this combination in the RP2D (recommended phase 2 dose) arm will also be explored. It has been submitted for regulatory review and is expected to begin enrolling patients in 2022. It is planned to enroll 60 patients.

(II) Contract Development and Manufacturing Organization (CDMO)

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

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

All the biotech and pharmaceutical companies in the world are racing to develop new cancer drugs. It is expected that more and more new anti-cancer drugs will continue to be approved and enter the market. Polaris Group is a comprehensive and vertically integrated new drug research and development company with diversified new drug research and development capabilities. ADI-PEG 20 has a unique mechanism of action and has shown preliminary efficacy and safety in various cancer trials. In addition, ADI-PEG 20 is suitable for use in combination with a variety of other treatments and is therefore considered highly competitive in the future cancer drug market. The Company assumes that after ADI-PEG 20 is approved for marketing, there will be no similar drugs entering the market in the short term. In the matter of regulatory barriers, the Company has experts who are familiar with the drug regulatory systems of various countries, and pay attention to the update of regulatory announcements at any time, striving to be in line with international laws and regulations to ensure a stable operating environment for the Company. The Company's senior management has profound experience in new drug research and development and company operation. They always collect market information and observe market trends, so that the Company's operations can respond to changes in the business environment in a timely manner, minimize risks, and maintain a high degree of competitive advantage. This will create maximum value for all employees, shareholders and the investing public.

Chairman : Howard Chen



General Manager : Shaw Chen



Accounting Supervisor : Kay Huang



## II. Company Profile

### 1. Date of Incorporation and Group Profile

Polaris Group (hereinafter referred to as the "Company" or "Polaris") was incorporated in the British Cayman Islands on February 9, 2006 with a par value of NT\$10 per share. The Company and its subsidiaries include Polaris Pharmaceuticals, Inc., Polaris Group Korea Limited, DesignedRx Europe Limited, Polaris Pharmaceuticals Australia Pty Ltd, Polaris Pharmaceuticals Ireland Limited, TDW Pharmaceuticals Inc., DesigneRx Pharmaceuticals, Inc., TDW HK Limited, DesigneRx Pharmaceuticals (Shanghai) Inc., DesigneRx Pharmaceuticals (Chengdu) Inc.. The Group's principle business activities are the manufacture and sale of new drugs, biotechnology services and drug testing. The Group's core research is the novel cancer target drug ADI-PEG 20, which is currently undergoing human clinical trials for various cancers worldwide.

### 2. Company History and Evolution

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

Date	Important Notes on the Group and Company History
January 2008	Licensed Uricase, a gout drug, to EnzymeRx in the US, and received a down payment of NT\$150 million.
March 2008	TDW Taiwan completed Phase II clinical trial for hepatocellular carcinoma and reported to the FDA for review.
February 2011	Obtained FDA Phase III clinical trial approval for hepatocellular carcinoma through Special Protocol Assessment mechanism
March 2011	Started Phase II clinical trial of ADI-PEG 20 for lung mesothelial cancer
July 2011	Phase III clinical trial for liver cancer started at Memorial Sloan Kettering Cancer Center in New York
August 2011	Started ADI-PEG 20+ Docetaxel Phase I clinical trial for regenerative adenocarcinoma and non-small cell lung cancer
January 2012	Started ADI-PEG 20 Phase II clinical trial for acute myeloid leukemia
January 2012	Started ADI-PEG 20 Phase II clinical trial for non-Hodgkin's lymphoma
June 2012	Started ADI-PEG 20 + chemoembolization (TACE) Phase II clinical trial for hepatocellular carcinoma
August 2012	Phase I clinical trial of ADI-PEG 20+Cisplatin for melanoma of the skin, melanoma of the eye, sarcoma, cervical cancer, bile duct cancer and hepatocellular carcinoma
November 2012	TDW Group was established ("TDWG")
December 2012	TDW HK Limited was established ("TDW HK")
January 2013	TDW HK signed an investment cooperation agreement with Chengdu Hi-tech Industrial Development Zone Management Committee and subsequently acquired 68 acres of land in Chengdu Hi-tech West District to build a mass production plant in compliance with international cGMP standards
March 2013	DesignRx Pharmaceuticals (Chengdu) Inc. was established ("DRX Chengdu")
April 2013	FDA approved Fast Track Designation of ADI-PEG 20 for hepatocellular carcinoma.
October 2013	US FDA granted clinical approval for ADI-PEG 20 for breast cancer (IND #119967)
October 2013	Initiation of Phase I clinical trial of ADI-PEG 20+ Doxorubicin for the treatment of breast cancer
November 2013	US FDA granted clinical approval for ADI-PEG 20 for blood cancer (IND #120345)
April 2014	European Union Phase I clinical approval for lung mesothelial cancer and non-small cell lung cancer (2013-005330-38)
June 2014	Phase II clinical trial results in lung mesothelial cancer presented at ASCO (American Society of Clinical Oncology) annual meeting in Chicago;

Date	Important Notes on the Group and Company History
	ADI-PEG 20 has proven efficacy and minimal side effects
July 2014	FDA approved ADI-PEG 20 as an orphan drug for the treatment of mesothelial lung cancer (#14-4370)
July 2014	Phase I clinical trial of ADI-PEG 20+Pemetrexed+Cisplatin in lung mesothelial cancer, non-small cell lung cancer, melanoma of the eye and brain cancer
October 2014	Started ADI-PEG 20+ Nexavar Phase I clinical trial for hepatocellular carcinoma
October 2014	Started ADI-PEG 20+ FOLFOX Phase I clinical trial for hepatocellular carcinoma
October 2014	Started ADI-PEG 20+ Gemcitabine+Nab-Paclitaxel Phase I clinical trial for pancreatic cancer
December 2014	European Union approves ADI-PEG 20 as an orphan drug for lung mesothelial cancer (EMA/OD/076/14)
October 2015	Acquisition of all shares of TDWG not already held by the Company through a share swap
November 2015	US FDA granted clinical approval for ADI-PEG 20 for the treatment of mesothelial lung cancer (IND #128604)
January 2016	Public offering of the Company's shares
February 2016	Approved by Taiwan Over-the-Counter Securities Trading Center and officially registered as an emerging company
February 2016	Submitted pivotal Phase II/III clinical trial protocol to the US FDA to initiate a global multinational multicenter clinical trial in lung mesothelial cancer
June 2016	Presented three papers at the ASCO Annual Meeting in Chicago on Phase III liver cancer, lung mesothelial cancer and pancreatic cancer combination trials
January 2017	Polaris Pharmaceuticals Australia Pty Ltd. established ("PPAU")
January 2017	Initiated Phase I clinical trial of ADI-PEG 20+Cytarabine for blood cancer
February 2017	Initiated Phase I clinical trial of ADI-PEG 20+ immunotherapy Pembrolizumab (Keytruda) for multiple cancers
July 2017	The Company completed a cash capital increase for common stock, raising NT\$720,000,000 and increasing paid-in capital to NT\$2,466,306,000.
August 2017	The Company completed a private placement of common stock, raising NT\$302,400,000 and increasing paid-in capital to NT\$2,556,306,000.
September 2017	The US FDA approved the design of a pivotal single-arm, uncontrolled, global clinical trial of ADI-PEG 20 in combination with FOLFOX for the treatment of liver cancer, using the Overall Response Rate as the primary efficacy measure.
October 2017	The Company completed a private placement of common stock, raising

Date	Important Notes on the Group and Company History
	NT\$582,750,000 and increasing paid-in capital to NT\$2,655,551,000.
April 2018	Started clinical trial of ADI-PEG 20+ immunotherapy Atezolizumab ( Tecentriq ) and first-line chemotherapy in non-small cell lung cancer in collaboration with Roche
May 2018	The Company established a research alliance with MD Anderson Cancer Center to collaborate on immunotherapy therapeutic research through an immunotherapy platform
September 2018	The Company completed a cash capital increase of NT\$600,000,000, raising paid-in capital to NT\$2,857,564,000.
December 2018	Polaris Pharmaceuticals Ireland Limited was established.( "PPIR")
April 2019	The Company completed a private placement of common stock to raise capital of NT\$154,229,000 and increased paid-in capital to NT\$2,929,014,000.
June 2019	The Company completed the capital increase of common stock, raising NT\$720,000,000 and increasing the paid-in capital to NT\$3,529,014.
December 2019	The Company completed a private placement of common stock to raise capital of NT\$3,000,000,000 and increased paid-in capital to NT\$6,529,014,000.
February	Started Phase 1B clinical trial for brain cancer
August 2020	The Board of Directors resolved to merge with TDW Group
February 2021	Phase III interim analysis of lung mesothelial carcinoma showed a statistically significant overall survival rate of over 80%.
June 2021	Phase II clinical trial for soft tissue tumors completed and results presented orally at ASCO
July 2021	The US FDA approved DSMB's recommendation for early termination and unblinding of the Phase III clinical trial for mesothelial lung cancer, as the CP values for OS and PFS in the Phase III trial were over 80%.
August 2021	Raised NT\$5,120,000,000 through a cash capital increase of common stock
December 2021	Received a letter from the Industrial Development Bureau of the Ministry of Economic Affairs stating that the product is a technology business and has been successfully developed and is marketable
February 2022	The US FDA granted the Company an expedited review status for the development of a new drug for lung mesothelial cancer and the application for drug certification. The Company was also requested to announce the policy and method of EAP licensed medication in the near future.

### 3. Group Structure

Please refer to Chapter 8 of this annual report under "Special Disclosures".

#### 4. Risks

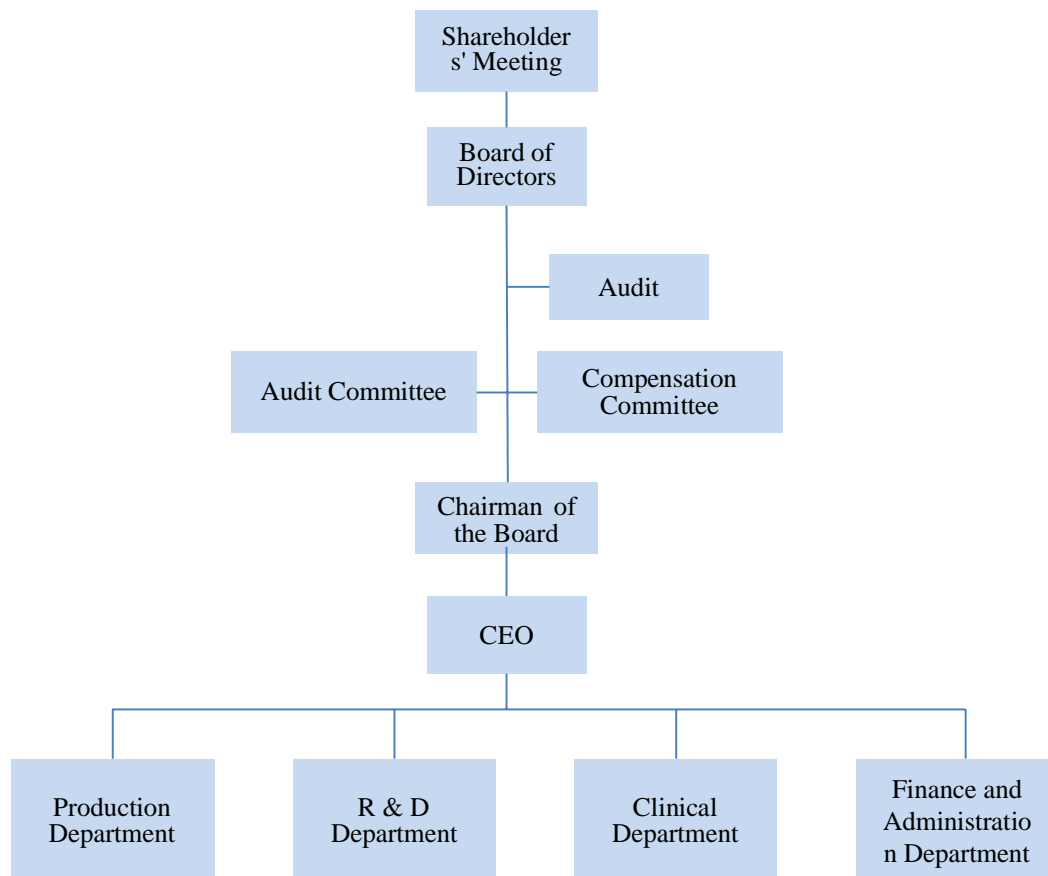
Please refer to Chapter 7, "Review and Analysis of Financial status and Financial Performance and Risk Management" in this annual report for details of the general economic and political and economic environment in the countries of incorporation and the main operating countries, foreign exchange control, rent and taxation and related laws and regulations, recognition of the validity of civil verdicts by the courts in ROC, and other risk matters.



### III. Corporate Governance Report

#### 1. Organization System

##### (1) Organization Structure



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

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

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

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

## 2. Profile of Directors, Supervisors, President, Vice President, Assistant Directors, and Heads of Departments and Branches

### (1) Information on directors and supervisors (the Company does not have a supervisor)

#### 1. Name, gender, age, nationality or place of registration, experience, shares held and nature

April 4, 2022

Position	Nationality or place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholdings when Elected		Current Shareholding		Current Shareholding of Spouse, minor children		Shares Held in the Name of Others		Major Work Experience (Education)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio			Position	Name	Relation	
Chairman	R.O.C.	Gemtek Investment Co.,Ltd	—	2020.02.25	3	2018.06.26	1,139,000	1.33	8,674,542	1.20	—	—	—	—	—	—				
	R.O.C.	Representative: Chen Hung-Wen	Male 61	2020.02.25	3	2014.11.24	—	—	34,700	0.005	—	—	23,428,220	3.25%	<ul style="list-style-type: none"> <li>• Master, Institute of Electrical Engineering, National Tsing Hua University</li> <li>• Taiwan Semiconductor Manufacturing Co., Ltd.</li> <li>• Taixin Semiconductor Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Director of PPI , DRX USA , DRX Chengdu and DRX Shanghai</li> <li>• Chairman of Gemtek Technology Co., Ltd.</li> <li>• Chairman of Gemtek Investment Co.,Ltd</li> <li>• Chairman of Browan Communications Incorporation</li> <li>• Chairman of Antek Networks Inc</li> <li>• Director of Speedlink Communications Co., Ltd.</li> <li>• Director of G-Technology Investment Co., Ltd</li> <li>• Director of Witek Investment Investment</li> </ul>	None	None	None	None

Position	Nationality or place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholdings when Elected		Current Shareholding		Current Shareholding of Spouse, minor children		Shares Held in the Name of Others		Major Work Experience (Education)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio			Position	Name	Relation	
																Co., Ltd. • Director, Ampak International Holding Ltd. • Director, Primax Communication(BVI) Inc. • Director, Billionaire Microelectronics Co., Ltd.				
Director	R.O.C.	Chen Shyan-Tser	Male 72	2020.02.25	3	2020.02.25	5,000,000	0.77	5,000,000	0.69	3,802,000	0.53	102,256,433	14.18%	Department of Chemical Engineering, National Tsing Hua University	<ul style="list-style-type: none"> <li>• Director of PPI, DRX USA and TDW Taiwan</li> <li>• DRX Shanghai Supervisor</li> <li>• Chairman of Global Worldcom Corporation</li> <li>• Chairman of RAYSON TECHNOLOGY CO., LTD</li> <li>• Chairman of DEUTSCH PROVISIONS LTD.</li> <li>• Chairman of SENNO TECHNOLOGY INC</li> <li>• Chairman of CHIP INTEGRATION TECHNOLOGY CO., LTD. .</li> <li>• Chairman of DIGIT MOBILE INC.</li> <li>• Chairman of ANAPEX TECHNOLOGY INC.</li> <li>• Chairman of EVERESTEK INC.</li> </ul>	None	None	None	None

Position	Nationality or place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholdings when Elected		Current Shareholding		Current Shareholding of Spouse, minor children		Shares Held in the Name of Others		Major Work Experience (Education)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio			Position	Name	Relation	
																<ul style="list-style-type: none"> <li>Chairman of PANELTECH INTERNATIONAL CO., LTD.</li> <li>Director of DURA ROLLERS CO., LTD.</li> <li>Director of JOY VIEW ENTERPRISE CORPORATION</li> <li>Director of SONIX TECHNOLOGY CO., LTD. .</li> </ul>				
Director	Samoa	Digital Capital Inc.	—	2020.02.25	3	2020.02.25	290,000,000	44.42	290,000,000	40.22	—	—	—	—	—	—				
	United States/ R.O.C.	Representative: Patrick Yang	Male 74	2022.01.01	Note 1	2022.01.01	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>Ph.D., Ohio State University</li> <li>Academician of Industrial Technology Research Institute</li> <li>Vice President, Merck, USA</li> <li>Executive Vice President, Genentech Inc.</li> <li>President of</li> </ul>	<ul style="list-style-type: none"> <li>Vice President of National Resilience , Inc.</li> <li>Chairman of Acepodia , Inc..</li> <li>Chairman of AlttruBio, Inc.</li> <li>Independent Director of PHARMAESSENTIA CORPORATION</li> <li>Independent Director, Codexis, Inc.</li> <li>Independent Director, Sana Biotech</li> <li>Independent Director, Antheia Inc.</li> </ul>	None	None	None	None

Position	Nationality or place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholdings when Elected		Current Shareholding		Current Shareholding of Spouse, minor children		Shares Held in the Name of Others		Major Work Experience (Education)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio			Position	Name	Relation	
															Global Technology Operations, Roche, Switzerland • Executive Vice President, Juno Therapeutics • Executive Yuan Biotechnology Industry Strategy Advisory Committee					
Director	R.O.C.	Lien Mai Ting Investment Company.	—	2020.02.25	3	2020.02.25	888,000	0.14	888,000	0.12	—	—	—	—	—	—				
	United States/ R.O.C.	Representative: Wayne Lin	Male 52	2020.02.25	3	2020.02.25	—	—	506,250	0.07	—	—	—	—	<ul style="list-style-type: none"> <li>University of California, Irvine MBA</li> <li>Founder and CEO of Cocoweb.com</li> </ul>	—	None	None	None	None
Independent Director	R.O.C.	Way, Tzong Der	Male 50	2020.02.25	3	2020.02.25	—	—	—	—	—	—	—	—	Ph.D. in Chemistry and Molecular Biology,	Professor and Dean of the Department of Biotechnology, Academy of Technology, Pharmacy and	None	None	None	None

Position	Nationality or place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholdings when Elected		Current Shareholding		Current Shareholding of Spouse, minor children		Shares Held in the Name of Others		Major Work Experience (Education)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio			Position	Name	Relation	
															National Taiwan University	Food Science, China Medical University				
Independent Director	R.O.C.	Tai, Jang-Huei	Male 60	2020.02.25	3	2020.02.25	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• PhD Candidate in Biochemistry, Brown University, USA</li> <li>• Columbia University MBA</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Rui-Hsin Industrial Co., Ltd.</li> <li>• Head of IIH ASSETS MANAGEMENT COMPANY LIMITED</li> <li>• Head of INTEGRAL ASIA PACIFIC PARYNERS CORPORAION and INTEGRAL INVESTMENT HOLDINGS GROUP CO., LTD.</li> </ul>	None	None	None	None
Independent Director	R.O.C.	Chao, Ying-Chen	Male 63	2021.08.23	Note2	2021.08.23	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Master of Chemical Engineering, National Taiwan University</li> <li>• Sun Yat-Sen University EMBA</li> <li>• Director of TSMC Sixth Factory</li> <li>• General Manager of</li> </ul>	<ul style="list-style-type: none"> <li>• Consultant of Board of Delta Mobile Systems Inc.</li> <li>• Chairman of Chen Yi Investment Company</li> </ul>	None	None	None	None



Position	Nationality or place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholdings when Elected		Current Shareholding		Current Shareholding of Spouse, minor children		Shares Held in the Name of Others		Major Work Experience (Education)	Current Concurrent Positions in The Company and Other Companies	Other Managers or Directors who are Spouses or within Second-Degree of Kinship to Each Other			Note
							Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio			Position	Name	Relation	
															TSMC Mainland China • of TSMC Solar Co., Ltd.					

Note1: Digital Capital Inc, the legal person director, which representative was formerly the CEO Shaw Chen. Digital Capital Inc. reassigned Representative Patrick Yang on December 30 , 2021, effective January 1, 2022, and the term will expire in February 24,2023.

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

## 2. Substantial Corporate Shareholders

April 4, 2022

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

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

Name _	S ubstantial Shareholders
Gemtek Technology Co., Ltd. ( 4906.TW)	Chen, Hung-Wen 1.80%; JP Morgan Securities, Taipei Branch, 1.62%; Morgan Stanley International Limited, HSBC, 1.55%; Lien, Hwa-Jung 1.20%; Vanguard Emerging Markets Stock Index Fund under custody of JP Morgan Chase Bank, N.A. Taipei Branch, 1.16%; Citibank (Taiwan) Commercial Bank, entrusted with the investment account of the Norges Bank, 1.14%; HSBC entrusted with the investment account of Polymer Asia Fund Limited Partnership Merrill Lynch, 1.08%; Citi entrusted with the investment account of UBS Europe SE, 1.05%; Hsu Shih Tzu 1.00%; Chase entrusted with the investment account of Advanced Starlight Advanced Total International Equity Index 0.99%
Aurora Group Limited 100%	Landmaster International Limited 100% ( Note )

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

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

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

Qualifications Name	Professional Qualifications and Experience	Independence Criteria	Number of other public companies currently acting as independent director
Chen Hung-Wen	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 15~20. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	0
Chen Shyan-Tser	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 15~20.. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	0
Patrick Yang	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 15~20.. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	1
Wayne Lin	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 15~20. 2. None pertaining to the provisions of Article 30 of the Company Act.	Non-independent director.	0

Way Tzong-Der	<p>1. Member of the Audit Committee who is at least a lecturer from a public or private college or university with a degree in business, law, finance, accounting or a related discipline required for corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 15~20.</p> <p>2. None pertaining to the provisions of Article 30 of the Company Act.</p>	<p>1. No relative within the scope of the Company or its affiliates is a director, supervisor or employee of the Company or its affiliates.</p> <p>2. None of the Company's shares are held by the individual, his/her spouse, or a relative within the second degree of consanguinity (or in the name of another person).</p> <p>3. Not a director, supervisor, or employee of the company with which the Company has a specific relationship.</p> <p>4. No remuneration for business, legal, financial, or accounting services provided by the Company or its affiliates in the last two years.</p>	0
Chao Ying-Chen	<p>1. Member of the Audit Committee who is at least a lecturer from a public or private college or university with a degree in business, law, finance, accounting or a related discipline required for corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 15~20.</p> <p>2. None pertaining to the provisions of Article 30 of the Company Act.</p>	<p>1. No relative within the scope of the Company or its affiliates is a director, supervisor or employee of the Company or its affiliates.</p> <p>2. None of the Company's shares are held by the individual, his/her spouse, or a relative within the second degree of consanguinity (or in the name of another person).</p> <p>3. Not a director, supervisor, or employee of the company with which the Company has a specific relationship.</p> <p>4. No remuneration for business, legal, financial, or accounting services provided by the Company or its affiliates in the last two years.</p>	0
Tai Jang-Huei	<p>1. Member of the Audit Committee who is at least a lecturer from a public or private college or university with a degree in business, law, finance, accounting or a related discipline required for corporate business. For professional qualifications and experience, please refer to the main qualifications of directors and supervisors on pages 15~20.</p> <p>2. None pertaining to the provisions of Article 30 of the Company Act.</p>	<p>1. No relative within the scope of the Company or its affiliates is a director, supervisor or employee of the Company or its affiliates.</p> <p>2. None of the Company's shares are held by the individual, his/her spouse, or a relative within the second degree of consanguinity (or in the name of another person).</p> <p>3. Not a director, supervisor, or employee of the company with which the Company has a specific relationship.</p> <p>4. No remuneration for business, legal, financial, or accounting services provided by the Company or its affiliates in the last two years.</p>	0

## (2) Diversity of the Board and Independence

### A. Board Diversity:

#### Policy on Diversity of Board Members

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

#### Specific Management Objectives and Achievement

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

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

The Company's current Board of Directors consists of 7 directors, including 3 independent directors, 3 corporate directors and one natural person director as listed below:

Position	Name	Gender	Age	Nationality	Biotechnology Industry Professional Background	Business, finance and accounting experience	Coordinated planning management and leadership experience	National certification of lecturer qualification or professional technology in tertiary institutions
Chairman of the Board	Chen Hung-Wen	Male	>60	ROC		✓	✓	
Director	Chen Shyan-Tser	Male	>60	ROC		✓	✓	
Director	Patrick Yang	Male	>60	ROC	✓	✓	✓	
Director	Wayne Lin	Male	>50	ROC		✓	✓	
Independent Director	Way Tzong-Der	Male	>40	ROC	✓		✓	✓
Independent Director	Chao Ying-Chen	Male	>60	ROC		✓	✓	
Independent Director	Tai Jang-Huei	Male	>50	ROC	✓	✓	✓	

Note:

1. The Company has only 1 Director with employee status, accounted for 14%.
2. There are 3 Independent Directors, accounted for 43% of the total number of Independent Directors, whose tenure does not exceed 9 years.
3. There are 4 Directors aged over 60, 2 aged 50~60 and 1 aged below 50.
4. There are 3 directors with Biotechnology Industry Professional Background, accounted for 43%.
5. There is 1 professional teaching position and professional certification, accounted for 14%.
6. 7 have a background in business, finance and accounting experience, accounted for 100% of the total.

#### B. Director independence

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

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

(2) Information on the CEO, vice presidents, managers, heads of departments and branches

April 4, 2022

Position	Nationality	Name	Gender	Date of Assumption of Office	Shareholdings		Spouse, minor children shareholdings		Shareholdings via others		Experiences	Currently engaged in other company duties	Manager with spouse or second degree of consanguinity			Notes
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Title	Name	Relationship	
Chief Executive Officer	United States/ ROC	Shaw Chen	Male	2014.05	—	—	—	—	—	—	MD, University of Miami, USA USA Johns Hopkins University, Ph.D. Deputy Director, USA FDA Center for Drug Evaluation Assisted the Department of Health in establishing the CDE, a drug testing center	None	None	None	None	None
Executive Vice President	United States	John Bomalaski	Male	2007.01	449,999	0.06%	—	—	—	—	MD, USA St. Louis University Registered Physician in Internal Medicine and Rheumatology, USA Founder of USA Phoenix Pharmacologics	None	None	None	None	None
Chief Operating Officer	United States / ROC	Wayne Lin	Male	2019.02	506,250	0.07%	—	—	—	—	MBA, University of California, Irvine, USA Founder and CEO of Cocoweb.com	Representative of Director Lien-Mai Tin Investment Company	None	None	None	None
Chief Financial Officer	ROC	Huang Lan-Ying	Female	2019.03	347,000	0.05%	213,548	0.03%	—	—	BA, Department of Economics, National Taiwan University MBA, USA Baruch College Passed the USA Accounting Examination Senior Manager, Ernst &	None	None	None	None	None

Position	Nationality	Name	Gender	Date of Assumption of Office	Shareholdings		Spouse, minor children shareholdings		Shareholdings via others		Experiences	Currently engaged in other company duties	Manager with spouse or second degree of consanguinity			Notes
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Title	Name	Relationship	
											Young Financial Advisory Services Associate, Deloitte Touche Tohmatsu Head of Audit of the Company					
Audit Supervisor	ROC	Wang Yi-Hsuan	Female	2021.05	—	—	—	—	—	—	BS, Department of Accounting, National Cheng Kung University MS, Graduate School of Accounting, National Chengchi University Associate, Audit Services, PWC	None	None	None	None	None
Vice President of Production	United States	Chris Huxsoll	Male	2005.02	170,000	0.02%	—	—	—	—	Ph.D. in Physiology, University of California, Davis Researcher at Hygienia Biotech, USA California, 15 years of experience in pharmaceutical quality control	None	None	None	None	None
Vice President of Research and Development	United States	Richard Showalter	Male	2012.05	—	—	—	—	—	—	BS in Biochemistry, University of California, San Diego Senior Researcher and Project Director at Agouron , Warner-Lambert, Pfizer, and Anadys , with primary expertise in molecular chemistry and drug structure design	None	None	None	None	None



Position	Nationality	Name	Gender	Date of Assumption of Office	Shareholdings		Spouse, minor children shareholdings		Shareholdings via others		Experiences	Currently engaged in other company duties	Manager with spouse or second degree of consanguinity			Notes
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Title	Name	Relationship	
Vice President of Clinical Affairs	United States	Amanda Johnston	Female	2010.10	125,000	0.02 %	—	—	—	—	PhD in Pharmacy, University of London, UK Senior investigator and clinical team leader at Agouron Pharmaceuticals, Warner-Lambert and Pfizer	None	None	None	None	None

### 3. Remuneration to Directors, Supervisors, CEO and Vice Presidents

#### (1) Remuneration for Directors, Supervisors, CEO and Vice Presidents for the most recent year

##### 1. Remuneration for Directors and Independent Directors

Unit: NTD thousand

Position	Name	Director remuneration ( Note 1)								Ratio of total remuneration A+B+C+D to net profit after tax		Remuneration Received as Employee								Ratio of the total remuneration A, B, C, D, E, F and G, to net profit after tax		Remuneration paid to Directors from an invested Company other than the Company's subsidiary or from the parent company
		Remuneration (A)		Retirement Pension (B)		Director Compensation (C)		Business Expense (D)				Salaries, Bonus and Special Allowance, etc. (E)( Note 2)		Retirement Pension (F)		Employee Remuneration (G)						
		The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	Cash	Equity	Cash	Equity	The Company	All companies in Financial Statements	
Chairman	Gemtek Investment Co.,Ltd Representative: Chen Hung-Wen	1,000	1,000	—	—	—	—	—	—	Total:1,000 Ratio:(0.14)%	Total:1,000 Ratio:(0.14)%	—	—	—	—	—	—	—	—	Total: 1,000 Ratio: (0.14)%	Total: 1,000 Ratio: (0.14)%	None
Director	Digital Capital Inc. Representative: Patrick Yang	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	None	
Director	Lien-Mai Ting Investment Company Representative: Wayne Lin	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	None	
Director	Chen Shyan-Tser	333	333	—	—	—	—	—	—	Total: 333 Ratio:(0.05)%	Total: 333 Ratio:(0.05)%	—	—	—	—	—	—	—	—	Total: 333 Ratio:(0.05)%	Total: 333 Ratio: (0.05)%	None

Position	Name	Director remuneration ( Note 1)								Ratio of total remuneration A+B+C+D to net profit after tax		Remuneration Received as Employee								Ratio of the total remuneration A, B, C, D, E, F and G, to net profit after tax		Remuneration paid to Directors from an invested Company other than the Company's subsidiary or from the parent company
		Remuneration (A)		Retirement Pension (B)		Director Compensation (C)		Business Expense (D)				Salaries, Bonus and Special Allowance, etc. (E)( Note 2)		Retirement Pension (F)		Employee Remuneration (G)						
		The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements					
Independent Director	Way Tzong-Der	400	400	—	—	—	—	—	—	Total: 400 Ratio: (0.05)%	Total: 400 Ratio:(0.05)%	—	—	—	—	—	—	—	—	Total: 400 Ratio: (0.05)%	Total: 400 Ratio: (0.05)%	None
Independent Director	Tai Jang-Huie	400	400	—	—	—	—	—	—	Total: 400 Ratio: (0.05)%	Total: 400 Ratio:(0.05)%	—	—	—	—	—	—	—	—	Total: 400 Ratio: (0.05)%	Total: 400 Ratio:(0.05)%	None
Independent Director	Chao Ying-Chen (Note3)	126	126	—	—	—	—	—	—	Total:126 Ratio:(0.02)%	Total:126 Ratio:(0.02)%	—	—	—	—	—	—	—	—	Total:126 Ratio:(0.02)%	Total:126 Ratio:(0.02)%	None
<p>1. Please describe the policy, system, standards and structure of the Independent Director's compensation, and the relevance to the amount of compensation paid based on the responsibilities, risks, and time commitment:</p> <p>In accordance with the Company's Articles of Incorporation, the compensation of the Director shall be determined by the Compensation Committee based on his or her participation in the Company's operations and the value of his or her contributions, and shall be submitted to the Director's meeting for approval , taking into account the usual standards in the industry. The Company shall set a different salary and compensation for the Independent Director than the average Director.</p> <p>In accordance with the provisions of the Company Independent Director's scope of responsibilities, the Company Independent Director's remuneration shall be set forth in the Company's Articles of Incorporation or by resolution of the shareholders' meeting, and may be set at a reasonable rate different from that of the ordinary Directors. The Company currently pays the Independent Director a quarterly compensation of NT\$100,000 and NT\$5,000 for travel expenses for each Director meeting, taking into account domestic and international industry standards.</p> <p>2. In addition to the above table, the remuneration received by the Company's Director for services rendered to all companies reported in the financial statements (such as serving as a consultant to non-employees) in the most recent year: None</p>																						

Note1: Director Patrick Yang took office on January 1, 2022, and therefore did not receive the remuneration of Director in 2021.

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

Note 3: Independent Director Chao Ying-Chen took office after the shareholders' meeting on August 23, 2021.

Remuneration Table

Pay each Director remuneration level of The Company				
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G) ( Note 1)	
	The Company	All companies in financial statements H	The Company	All companies in the Financial Statements I
Less than NT\$1,000,000	Way, Tzong-Der, Tai, Jang Huei, Chao, Ying-Chen, Chen, Shyan Tser	Way, Tzong-Der, Tai, Jang Huei, Chao, Ying-Chen, Chen, Shyan Tser	Way, Tzong-Der, Tai, Jang Huei, Chao, Ying-Chen, Chen, Shyan Tser	Way, Tzong-Der, Tai, Jang Huei, Chao, Ying-Chen, Chen, Shyan Tser
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Chen Hung-Wen	Chen Hung-Wen	Chen Hung-Wen	Chen Hung-Wen
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	—	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—	—	—
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—	—
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive)	—	—	—	—
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	—	—	—	—
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive)	—	—	—	—
NT\$ 100,000,000 or more	—	—	—	—
Total	5 persons	5 persons	5 persons	5 persons

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

### 3. Remuneration for the President and Vice President

Unit: NTD thousand

Position	Name	Compensation (A)		Retirement Pension (B)		Bonuses and special expenses, etc. (C)		Employee Compensation Amount (D)				Total amount of A, B, C and D and percentage of net income after tax (%)		Remuneration paid to Directors from an invested Company other than the Company's subsidiary or from the paren company
		The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements	The Company		All companies in Financial Statements		The Company	All companies in Financial Statements	
								Cash	Equity	Cash	Equity			
Chief Executive Officer	Shaw Chen	—	23,341	—	108	—	6,321 ( Note1 )	—	—	—	—	—	Total: 29,770 Ratio: (4.02)%	None
Executive Vice President	John Bomalaski													
Chief Operating Officer	Wayne Lin													
Chief Financial Officer	Huang Lan-Ying													

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

Remuneration table

Remuneration level for each General Manager and Vice President of The Company	GM and VP	
	The Company	All companies reported in the Financial Statements
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Huang Lan-Ying	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	Wayne Lin, Shaw Chen, John Bomalaski
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive)	—	—
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	—	—
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive)	—	—
NT\$ 100,000,000 or more	—	—
Total	1	3

4. Name of the manager who distributed employee compensation and the distribution: The Company did not distribute employee compensation.

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

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

Item _	2020		2021	
	Total remuneration as a percentage of net income after tax (%)		Total remuneration as a percentage of net income after tax (%)	
	The Company	All companies in Financial statements	The Company	All companies in Financial statements
Director	(0.15)	(0.15)	(0.31)	(0.31)
GM and VP	—	(4.38)	—	(4.02)

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

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

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

#### 4. Implementation of Corporate Governance

- (1) Information on the operation of the Director's meeting

As of the printing date of the annual report for fiscal year 2021 to 2022, the Director's meeting was held 10 times (A), and the Director attended the meeting as follows:

Position	Name	Actual number of attendance B	Attendance by proxy	Actual attendance (attendance) rate (%) [B/A]	Note
Director	Gemtek Investment Co.,Ltd Representative: Chen Hung-Wen	10	0	100%	None
Director	Chen, Shyan Tser	10	0	100%	None
Director	Digital Capital Inc. Representative: Shaw Chen	7	0	100%	Terminated after the reassignment of Director on January 1, 2022, and should have attended 7 times
Director	Digital Capital Inc. Representative: Patrick Yang	3	0	100%	Assigned after the reassignment of Director on January 1, 2022, and should have attended 3 times
Director	Lien Mai Ting Investment Company Representative: Wayne Lin	7	3	70%	None
Independent Director	Tai, Jang Huei	8	2	80%	None
Independent Director	Way, Tzong-Der	10	0	100%	None
Independent Director	Chao, Ying-Chen	5	1	83%	Appointed on August 23, 2021 after the shareholders' meeting by-election.
Other items to be recorded:					
1. If the operation of the Director meeting is one of the following, the date of the Director meeting, the period, the content of the motion, all Independent Director's opinions and the Company's handling of Independent Director's opinions shall be described.					
(1) Matters set forth in Article 14-3 of the Securities and Exchange Act:					
Date / Term		Motions		All Independent	



		Director's comments and the Company's handling of Independent Director's comments
2021/04/08 (The second time in 2021)	<ol style="list-style-type: none"> <li>1.Appointment of audit supervisor</li> <li>2.The application for bank financing by our subsidiary, DRX Chengdu, is guaranteed by the endorsement of our parent company, Polaris Group.</li> <li>3.The prepayments and overdue amounts due from The Company and its subsidiary PPI as of December 31, 2020 are not in the nature of loans.</li> <li>4.The capital increase of DRX USA, a subsidiary of USA</li> <li>5.The appointment of CPAs for 2021</li> </ol>	All Independent Director approved
2021/05/25 (The third time in 2021)	To issue new shares for cash in 2021	All Independent Director approved
2021/08/12 (The fourth time in 2021)	<ol style="list-style-type: none"> <li>1.Application for banking facilities by the subsidiary DRX Chengdu,, is guaranteed by the endorsement of the parent company, Polaris Group</li> <li>2.The Company's prepayment as of June 30, 2021 is not in the nature of loan</li> <li>3.The capital increase of DRX USA, a subsidiary of USA</li> </ol>	All Independent Director approved
2021/09/22 (The fifth time in 2021)	<ol style="list-style-type: none"> <li>1.Amendment of the internal control system of the Group (including subsidiaries )</li> <li>2.Amendment of the Group's accounting policies</li> <li>3.Acquisition of land by DRX USA, a subsidiary of USA</li> <li>4.The establishment of the "Code of Ethical Conduct"</li> </ol>	All Independent Director approved
2021/11/10 (The sixth time in 2021)	<ol style="list-style-type: none"> <li>1.Establishment the corporate governance policies of the Company.</li> <li>2.Increase the capital of Taiwan subsidiary, TDW Pharmaceuticals Inc.</li> </ol>	All Independent Director approved

2021/12/15 (The seventh time in 2021)	The Company's prepayments and overdue amounts receivable as at September 30, 2021 not in the nature of a loan.	All Independent Director approved
2022/1/28 (The first time in 2022)	The Company proposed to build a factory in Yilan Science Park with a new subsidiary, Polaris Biomedical Co.	All Independent Director approved
2022/2/25 (The second time in 2022)	1. Amendment to the "Procedures for the Acquisition or Disposal of Assets" of The Company 2. Loan capital to our subsidiary, DRX Pharmaceuticals (Chengdu) Co. 3. Increase the capital of DRX USA, a subsidiary 4. The Company's prepayments and overdue receivables as of December 31, 2021 not in the nature of loans.	All Independent Director approved
2022/3/29 (The third in 2022)	1. Issuance of new shares for cash underwriting prior to the initial public offering 2. Independent evaluation and appointment of the Company's certified public accountant 3. The Company's new subsidiary, Polaris Biomedical Corporation, and the appointment of directors and supervisors of Polaris Biomedical	All Independent Director approved

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

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

Board of Directors Date	Motion	Director recusal and reasons for interest recusal	Voting Participation
2021/3/12	Amendment to the Director Compensation Act	Chen Hung-Wen and Chen, Shyan Tser as Directors	Except for the recusal of Chairman of the Board Chen Hung-Wen and Director Chen, Shyan Tser as interested parties, the case was approved by the other Directors present.
2021/09/22	Adjustment of CEO's remuneration	Shaw Chen, CEO, as Director	Except for the recusal of Director Shaw Chen, the case was approved by the other Directors present.

2022/1/28	Lifting the prohibition of Director's competition	Patrick Yang as Director	Except for the recusal of Director Patrick Yang, the case was approved by the other Directors present.
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3. In order to implement corporate governance and enhance the functions of the Board of Directors, on November 10, 2021, the Board of Directors adopted the "Board of Directors Performance Evaluation Regulations (formerly known as the "Board of Directors Self-Evaluation or Peer Evaluation")" as the basis for conducting the annual evaluation for this year (2021).

Evaluation Period	Executed once a year
Evaluation Period	January 1, 2021 to December 31, 2021
Scope of Evaluation	Board of Directors, individual Directors and functional committees
Evaluation Method	Internal self-evaluation by Board of Directors, self-evaluation by board members
Evaluation Content	<p>1. Board of Directors performance evaluation: Participation in the operation of the company, improvement of the quality of Board of Directors' decisions, composition and structure of the Board of Directors, selection and continuing education of Directors, internal control</p> <p>2. Performance evaluation of individual Director members: Mastery of company goals and tasks, knowledge of Director's responsibilities, participation in company operations, internal relationship management and communication, Director's professionalism and continuing education, and internal control.</p> <p>3. Functional committee performance evaluation: Involvement in company operations, awareness of functional committee responsibilities, improvement of functional committee decision quality, composition and selection of functional committee members, internal control</p>
Evaluation Result	<p>1. Board of Directors performance evaluation: Excellent</p> <p>2. Performance evaluation of individual Director members: Excellent</p> <p>3. Performance evaluation of functional committees: Excellent</p> <p>The Board of Directors' self-assessment and the Director members' self-assessment overall results are excellent, and on March 29, 2022, the Board of Directors reported the internal self-assessment results for the year 2021.</p>

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

(1) Objectives of the Board of Directors

In order to implement corporate governance, improve supervisory functions and strengthen management functions, the Company has appointed three independent

directors at the shareholders' meeting on February 25, 2020, and the Audit Committee is composed of all independent directors in accordance with Article 14-4 of the Securities and Exchange Act to strengthen the functions of the Board of Directors. The Company regularly arranges for the Directors to attend professional development courses to maintain their core values and professional strengths and abilities.

(2) Performance evaluation

On February 25, 2020, the Company's shareholders elected an independent director and established an audit committee and a salary and compensation committee to assist the Board of Directors in carrying out their duties. A spokesperson system has been established to ensure that important information and disclosures are made in a timely manner for shareholders and interested parties to refer to the Company's financial information.

(2) Information on the operation of the Audit Committee

The Audit Committee met 9 times (A) from 2021 to 2022 as of the printing date of the annual report, and the Independent Directors attended the meetings as follows:

Position	Name	Attendance ( B )	Attendance by proxy	Actual Attendance rate (%) ( B / A )	Note
Independent Director	Tai, Jang Huei	7	2	78 %	None
Independent Director	Way, Tzong-Der	9	0	100 %	None
Independent Director	Chao, Ying-Chen	5	1	83 %	( Note 1)

Note1: The Independent Directors will be elected at the shareholders' meeting on August 23, 2021 to fill the original term of office.

Other items to be recorded:

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

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

Audit Committee Date /Term	Motion	Results of Audit Committee Resolutions and the Company's Handling of Audit Committee Opinions
2021/04/08 (First time in 2021)	1. Recognition of the "Statement of Internal Control System" for 2020 2. 2020 Annual Report on Operations and Consolidated Financial Statements 3. The appropriation of loss for 2020. 4. Appointment of the Audit Supervisor of	Approved by the Audit Committee as written

	<p>The Company</p> <p>5. The application for bank financing by the subsidiary DRX Chengdu with the endorsement of the parent company Polaris Group</p> <p>6. The prepayments and overdue amounts due from the Company and its subsidiary PPI as of December 31, 2020 are not in the nature of a loan.</p> <p>7. The capital increase of DRX USA, a subsidiary of USA</p> <p>8. The appointment of CPAs for the year 2021</p>	
2021/05/25 (Second time in 2021)	To issue new shares for cash in 2021	Approved by the Audit Committee as written
2021/08/12 (Third time in 2021)	<p>1. Consolidated financial statements for the second quarter of 2021</p> <p>2. Subsidiary DRX Chengdu applied for a bank financing line, which was guaranteed by the endorsement of the parent company Polaris Group.</p> <p>3. The Company's prepayment as of June 30, 2021 not in the nature of loan</p> <p>4. The Company's capital increase in DRX USA, a subsidiary of USA</p>	Approved by the Audit Committee as written
2021/09/22 (Fourth time in 2021)	<p>1. Amendment of the internal control system of the Group (including subsidiaries)</p> <p>2. Amendment of the Group's accounting policies</p> <p>3. Acquisition of land by DRX USA, a subsidiary of USA</p> <p>4. Amendment of the Audit Committee's organizational procedures</p> <p>5. Establishment of "Code of Ethical Conduct"</p>	Approved by the Audit Committee as written
2021/11/10 (Fifth time in 2021)	<p>1. The consolidated financial statements for the third quarter of 2021</p> <p>2. Establishment the corporate management policies of the Company</p> <p>3. Increase in capital of Taiwan subsidiary TDW Pharmaceuticals Inc.</p> <p>4. The Group's audit plan for 2022</p> <p>5. Recognition of the "Statement of Internal Control System" for the period of internal control project review</p>	Approved by the Audit Committee as written
2021/12/15	1. Audited consolidated financial statements	Approved by the

(Sixth in 2021)	for the third quarter of 2021 2. The Company's prepayments and overdue receivables as of September 30, 2021 not in the nature of a loan.	Audit Committee as written
2022/1/28 (First time in 2022)	The Company proposed to build a factory in Yilan Science Park with a new subsidiary, Polaris Biomedical Co.	Approved by the Audit Committee as written
2/25/2022 (Second time in 2022)	1. Recognition of the Statement of Internal Control System for 2021 2. 2021 Annual Report on Operations and Consolidated Financial Statements 3. The appropriation of loss for 2021 4. Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company 5. Loan to subsidiary, DRX Chengdu. 6. Increase the capital of DRX USA, a subsidiary of USA 7. The Company's prepayments and overdue receivables as of December 31, 2021 not in the nature of loans.	Approved by the Audit Committee as written
2022/3/29 (Third time in 2022)	1. The issuance of new shares for cash underwriting prior to the initial public offering. 2. The appointment of CPAs and evaluation of the independence and appropriation. 3. The Company's new subsidiary, Polaris Biomedical Corporation, and the appointment of directors and supervisors of Polaris Biomedical	Approved by the Audit Committee as written

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

2. The Independent Director's recusal from the implementation of the interest motion shall state the Independent Director's name, the content of the motion, the reasons for the recusal, and the participation in voting: None.

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

(1) The Company's internal audit director regularly communicates with the members of the Audit Committee about the audit report results and the implementation of the tracking report.

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

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

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

Evaluation Items	Operations			Differences from the Code of Corporate Governance Practices of listed and listed companies and the reasons for such differences
	Y	N	Abstract	
(1) Has the Board of Directors established a diversity policy, specific management objectives and implemented them?	✓		(1) The Company Board of Directors currently has three Independent Directors, all of whom are highly qualified in industry, academia and research.	No significant difference
(2) Does the Company voluntarily establish various functional committees other than the Compensation Committee and Audit Committee in accordance with the law?	✓		(2) The Company has not established any functional committees other than the Compensation and Audit Committees in accordance with the law, and will establish other functional committees in the future in accordance with the law and actual needs.	To be deployed as necessary
(3) Has the Company established the Board of Directors' performance evaluation method and its evaluation method, and conducts performance evaluation annually and regularly, and submits the results of performance evaluation to the Board of Directors and uses them as reference for individual Director's salary and compensation and nomination for reappointment?	✓		(3) In order to implement corporate governance and enhance the functions of the Board of Directors of the Company, and to establish performance targets to strengthen the operational efficiency of the Board of Directors, the Company has established the "Board of Directors Performance Evaluation Method" and has conducted regular performance evaluations in accordance with the regulations. The Company has established the "Board of Directors Performance Evaluation Method" and has conducted regular performance evaluations in accordance with the regulations. The Board of Directors' internal performance self-evaluation for fiscal 2021 has been reported to the Board of Directors on March 29, 2022.	No significant difference
(4) Does the company regularly evaluate the independence of the certified public accountants?	✓		(4) The Company's CPA's are not related to the Company and have no interest in the Company and strictly adhere to the principle of independence. For example, the Company may not have the same accountant for 7 consecutive years for listed companies. Whenever the Company changes its accountant due to internal organizational considerations, the Company will fully evaluate the professionalism, integrity and independence of the new accountant and submit a report to the Board of Directors for approval. The Company has personnel to handle corporate governance related matters.	No significant difference
4. Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be	✓		The Company has personnel responsible for corporate governance-related matters, including but not limited to providing information necessary for the Director to perform his or her duties, conducting Board of Directors and shareholders' meeting-related matters in accordance with the law, registering companies and registering changes, and preparing minutes of Board of Directors and	No significant difference



Evaluation Items	Operations			Differences from the Code of Corporate Governance Practices of listed and listed companies and the reasons for such differences
	Y	N	Abstract	
responsible for corporate governance-related matters (including but not limited to providing information necessary for Directors and supervisors to carry out their business, assisting Directors and supervisors to comply with laws and regulations, handling matters related to Board of Directors and shareholders' meetings in accordance with the law, preparing The Company has established the Board of Directors and shareholders' meeting minutes.)			shareholders' meetings.	
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a stakeholder area on the Company's website, and appropriately respond to important CSR issues of concern to stakeholders?	✓		(1) The Company has a spokesperson and a spokesperson-in-charge as a channel for the Company's external opinions, and follows the internal control system to handle the related responses. (2) The Company uses the convenience of the Internet to set up a website to provide information and corporate governance information related to the Company's financial operations for the reference of shareholders and interested parties. The website is maintained by dedicated personnel, and the information listed which is detailed and accurate and updated on a timely basis to avoid any risk of misleading information.	No significant difference
6. Does the Company appoint a professional stockbroker to conduct shareholders' meetings?	✓		The Group has appointed a professional stock transfer agency, Transfer Agency of CTBC Bank, to handle stock affairs and affairs related to shareholders meetings.	No significant difference
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has set up a website (www.polarispharma.com/investors/) and disclosed financial and corporate governance information.	No significant difference
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and	✓		(2) The Company has set up an English website, designated a person responsible for the collection and disclosure of corporate information, implemented a spokesperson system, and placed corporate presentation materials on the Company's website.	No significant difference

Evaluation Items	Operations			Differences from the Code of Corporate Governance Practices of listed and listed companies and the reasons for such differences
	Y	N	Abstract	
disclosure, creating a spokesman system, webcasting investor conferences)?				
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		(3) The Company is not a listed company, but has completed the financial reporting by the deadline in accordance with the regulations of the Emerging Stock Exchange.	No significant difference
8. Is there any other important information to Facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing.			<p>1. Employee rights and benefits: In order to motivate employees and strengthen their motivation, the Company has established an employee stock option plan.</p> <p>2. Employee care: The Company and its major operating entities have established employee welfare systems in accordance with the laws and regulations of each country to protect the rights and interests of employees.</p> <p>3. Investor relations: The Company has set up a corporate website and a spokesperson system, and has established a smooth communication channel to ensure the rights and interests of investors.</p> <p>4. Supplier relations: The Company has clear agreements with suppliers and clinical trial partner hospitals to regulate the rights and obligations of each other.</p> <p>5. Rights of interested parties: The Company's Articles of Incorporation clearly regulate the Director's execution and recusal of interested parties' motions.</p> <p>6. The Company's directors have professional backgrounds and have taken courses on securities laws and regulations and corporate governance in accordance with the "Guidelines for the Implementation of Further Education for Listed Directors and Supervisors" and have met the requirements for the number of hours of further education.</p>	No significant difference
	✓		<p>7. Risk management policies and risk measurement standards are implemented: The Company has established various internal rules and regulations in accordance with the law, and conducts various risk management and assessments.</p> <p>8. Directors' liability insurance: The Company has taken out liability insurance for the Directors.</p>	

Evaluation Items	Operations			Differences from the Code of Corporate Governance Practices of listed and listed companies and the reasons for such differences
	Y	N	Abstract	
9. Please provide information on the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, as well as the priorities and measures for improvement for those companies that have not yet improved. ( Not required for companies not included in the evaluation): Not applicable				

(4) If the Company has a compensation committee, it shall disclose its composition, duties and operation.

1. Information on the members of the Compensation Committee

April 4, 2022

Position	Qualifications		Independence	Number of other public companies where he/she is also a member of the compensation committee
	Name	Professional Qualifications and Experience		
Independent Director ( Convener )	Tai, Jang Huei	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of Director and Supervisor on pages 15~20. 2. None of the circumstances described in Article 30 of the Company Act 3. Years of experience: 0~3 years	See Director and Supervisor Information on page 23	0
Independent Director	Way, Tzong-Der	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of Director and Supervisor on pages 15~20. 2. None of the circumstances described in Article 30 of the Company Act 3. Years of experience: 0~3 years	See Director and Supervisor Information on page 23	0
Independent Director	Chao, Ying-Chen	1. Experience in business, law, finance, accounting or corporate business. For professional qualifications and experience, please refer to the main qualifications of Director and Supervisor on pages 15~20. 2. None of the circumstances described in Article 30 of the Company Act 3. Years of experience: 0~3 years	See Director and Supervisor Information on page 23	0

2. Information on the operation of the Compensation Committee

(1) There are 3 members of the Compensation Committee of The Company.

(2) The term of office of the current members: Way, Tzong-Der and Tai, Jang Huei will be from February 25, 2020 to February 24, 2023; Chao, Ying-Chen will be from September 22, 2021 to February 24, 2023 . The Committee met 5 times (A) and the attendance of the members was as follows.:

Title	Name	Actual Attendance (B )	Attendance by proxy	Actual Attendance Rate( %) (B/A)	Note
Member	Way, Tzong-Der	5	0	100%	
Convener	Tai, Jang Huei	5	0	100%	
Member	Tsai Gao-Zhong	3	0	100%	(Note 1 )
Member	Chao, Ying-Chen	2	0	100%	(Note 2 )
<p>Note1: The Company appointed Mr. Tsai Gao-Zhong as the Compensation Committee for the period from September 15, 2020 to September 22, 2021 due to the resignation of Mr. Japhet Pang on June 30, 2020, and he should attend 3 times.</p> <p>Note2: Independent DirectorChao, Ying-Chen was re-elected as Independent Director on August 23, 2021 and was appointed as a member of the Compensation Committee by the Board of Directors on September 22, 2021, and therefore Mr. Tsai Gao-Zhong was relieved of his duties. The member of Tsai Gao-Zhong was therefore dismissed.</p> <p>Other matters to be noted:</p> <p>1. If the Board of Directors does not adopt or amend the recommendation of the Compensation Committee, the Board of Directors shall state the date, period, content of the motion, the result of the Board of Directors' resolution and the Company's treatment of the recommendation of the Compensation Committee (if the Board of Directors' approved compensation is superior to the recommendation of the Compensation Committee, the Board of Directors shall state the date, period, content of the motion, the result of the Board of Directors' resolution and the Company's treatment of the recommendation of the Compensation Committee): None.</p> <p>(2) If the members of the Compensation Committee have any objection or reservation to the resolution and there is a record or written statement, the date, period, content of the resolution, opinions of all members and the handling of the opinions of the Compensation Committee should be stated: None.</p>					

(5) Implementation of sustainable development and differences with the Code of Practice for Sustainable Development of Listed Companies and the reasons for such differences

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
1. Has the company established a governance structure to promote sustainable development and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and is the Board of Directors supervising the situation?	✓		The Company has established a CSR Code of Practice and has designated the Management Department as a part-time unit to promote sustainable development and report to the Board of Directors.	No significant difference
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and has it formulated relevant risk management policies or strategies?	✓		The Company has established a "Code of Corporate Social Responsibility Practice" to govern management and employees' compliance with a corporate culture that emphasizes ethics and moral values.	No significant difference
3. Environmental Issues				
(1) Has the company established an appropriate environmental management system in accordance with its industrial characteristics?	✓		(1) The Company has relevant regulations for quality management, safety and health, and environmental protection, and complies with the inspection standards of relevant authorities.	No significant difference
(2) Is the company committed to improving energy efficiency and using recycled materials with low impact on the environment?	✓		(2) In order to optimize the use of resources, the Company promotes and implements the electronic form system, resource waste separation, recycling and reduction activities, the Company implements the use of recycled paper, and improves the efficiency of the use of resources.	No significant difference

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take relevant measures in response?	✓		(3) The Company is in the new drug research and development industry and is actively facing the impact of climate change. The Company expects to set the related greenhouse gas emissions, water consumption and total weight of waste in accordance with common standards or guidelines both domestically and internationally, so as to formulate policies for energy saving, carbon reduction, water consumption reduction or other waste management and promote them accordingly to reduce the impact of the Company's operations on climate change.	No significant difference
(4) Has the company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas reduction, water use reduction or other waste management?	✓		(4) The Company is a new drug research and development industry, not a high energy-consuming industry, and does not install or use facilities that generate large amounts of greenhouse gases. The office area actively promotes energy-saving and carbon-reduction campaigns and encourages waste separation and recycling in order to reduce the impact on the environment.	No significant difference
4. Social Issues				
(1) Has the company established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(1) The Company's personnel management rules and regulations are in accordance with local laws and regulations, and there are clear and fair employment policies for all employees' attendance, evaluation, rewards and training, and good labor relations	No significant difference
(2) Has the Company established and implemented reasonable employee	✓		(2) The Company regularly handles various welfare matters, such as providing	No significant difference

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
welfare measures (including salary, vacation and other benefits) and appropriately reflected business performance or results in employee compensation?			annual health checkups, and is committed to improving employee welfare.	
(3) (Does the Company provide a safe and healthy working environment for employees and implement safety and health education for employees on a regular basis?)	✓		(3) The Company regularly reviews and maintains the safety and health of the work environment, and is committed to improving the safety and health of its employees in order to reduce the risk of the work environment to their safety and health.	No significant difference
(4) Has the company established an effective career development training program for employees?	✓		(4) (4) The Company will encourage further education and establish effective career development training according to the individual's situation.	No significant difference
(5) Does the company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has it established relevant policies and grievance procedures to protect the rights of consumers or customers?		✓	(5) The Company's products are still in the research and development stage and have not yet generated sales revenue.	To be implemented upon going public
(6) Has the company established a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor human rights, and the status of implementation?		✓	(6) The Company will pay attention to this issue in the future when it establishes contracts with major suppliers and will promote the process gradually.	To be implemented upon going public
5. Has the Company made reference to		✓	The Company has established various	The Company



Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
international standards or guidelines for the preparation of reports, such as perpetual reports, which disclose non-financial information about the Company? Has the Company obtained any third-party verification or assurance on the aforementioned reports?			corporate social responsibility systems and implemented relevant information to be disclosed on the Company's website for the public to review at any time.	has not yet prepared a CSR report and intends to do so after listing, depending on the Company's development needs and regulations.
6. If the company has its own code of practice for sustainable development in accordance with the "Code of Practice for Sustainable Development of Listed Companies", please describe the differences between its operation and the code: None.				
7. Other important information to help understand the implementation of sustainable development: None				

(6) Fulfillment of the Code of Conduct with Integrity and Differences from the Code of Conduct for Listed Companies and the Reasons Therefore

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
1. Establishment of policies and programs for honest management				
(1) Has the Company established an honest management policy approved by the Board of Directors, and has the policy and practices of honest management been clearly stated in the Articles of Incorporation and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the management policy?	✓		(1)The Company has established the "Code of Conduct with Integrity," "Operating Procedures and Guidelines for Integrity," and "Code of Ethical Conduct" to govern the Company's policy on ethical practices. In order to ensure that employees, managers and directors are aware of and comply with the Code and that the Code is actually implemented.	No significant difference
(2) Has the Company established a mechanism to assess the risk of dishonest conduct, regularly analyze and evaluate the business activities within the scope of business that have a higher risk of dishonest conduct, and accordingly, formulate a plan to prevent dishonest conduct, and at least cover the preventive measures for the conducts mentioned in paragraph 2 of Article 7 of the "Code of Conduct for Listed Companies with Integrity"?	✓		(2) The Company follows the principle of operating with integrity, prohibits bribery and bribery acceptance, explicitly prohibits illegal contributions, and from time to time provides employees with training on corporate ethics or corporate governance.	No significant difference
(3) Does the Company specify the operating procedures, guidelines for conduct, disciplinary and grievance systems for non-compliance in the plan to prevent dishonest conduct, and implement them, and regularly review and revise the aforementioned plan?	✓		(3) The Company has established programs to prevent dishonest behavior, and has established operating procedures and behavioral guidelines in each program, and has provided ethics and compliance training to employees, managers and directors.	No significant difference
2.Implementation of Ethical management				
(1) Does the Company evaluate the integrity records of its customers and	✓		(1) The Company has a high degree of self-discipline and has never engaged in	No significant difference

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
specify the terms of integrity behavior in the contracts signed between the Company and its customers?			business activities that are unlawful or for any other purpose; it evaluates the integrity records of its customers before dealing with them.	
(2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management and report to the Board of Directors on a regular basis (at least once a year) on its ethical management policies and plans to prevent dishonest practices and monitor their implementation?	✓		(2) The Company has established a part-time unit (Designated Management Department) under the Board of Directors for integrity management and prevention.	No significant difference
(3) Does the Company have a conflict-of-interest prevention policy, provide appropriate channels of representation, and implement them?	✓		(3) The Company has a staffing and auditing unit that provides a channel for whistleblower statements to be made and enforces the confidentiality of the identity and content of the whistleblower.	No significant difference
(4) Has the Company established an effective accounting system and internal control system for the implementation of honest management, and has the internal audit unit prepared an audit plan based on the assessment of the risk of dishonest acts, and checked the compliance of the plan to prevent dishonest acts or appoint an accountant to perform the audit?	✓		(4) The Company has established an effective internal control system, related procedures and accounting system for implementation, and the internal audit unit has established an internal audit plan and performs various auditing operations in accordance with the audit plan.	No significant difference
(5) Does the Company regularly conduct internal and external education and training on integrity management?	✓		(5) The Company places emphasis on the implementation of the principle of integrity by all employees in its daily operations, and holds meetings from time to time to promote the principle.	No significant difference
3.Operation of the Company's whistleblower system				
(1) Has the Company established a	✓		(1) The Company has an internal	No significant

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
specific whistleblower and reward system, established a convenient whistleblower channel, and assigned appropriate staff to receive whistleblowers?			independent whistleblower letter box, and when employees find violations of laws and regulations, the Company will have someone to report them. If a Director or senior executive is involved, the matter should be reported to the Audit Committee .	difference
(2) Has the Company established standard operating procedures for the investigation of whistleblowing matters, follow-up measures to be taken after the completion of the investigation and the relevant confidentiality mechanism?	✓		(2) The Company has established a specific whistleblower system and grievance channels that provide for the confidentiality of the identity of the whistleblower and the content of the complaint, and allow for anonymous reporting.	No significant difference
(3) Does the Company take measures to protect whistleblowers from improper treatment as a result of whistleblowing?	✓		(3) The Company has established a specific whistleblower system and grievance channels to protect whistleblowers, and its personnel handling whistleblowing matters shall declare in writing that the identity of the whistleblower and the content of the whistleblower matter shall be kept confidential to ensure that the whistleblower will not be improperly dealt with as a result of the whistleblowing matter.	No significant difference
4. Enhance information disclosure	✓		The Company has established various integrity management systems and will disclose the relevant information on the Company's website for the public to review at any time.	No significant difference
5. If the Company has its own code of ethical management in accordance with the "Code of Conduct for Listed Companies", please describe the difference between its operation and the code: The Company has established a code of ethical management, and the Company's internal operation continues to be in accordance with the code, and there is no significant difference from the content of the code established.				
6. Other important information that is helpful to understand the Company's integrity management operations: In addition to the Company's Code of Integrity, the Company has other internal regulations (eg, prevention of insider trading), and the Company has arranged for the Director to attend a corporate governance course, and from time to				

Evaluation Items	Operation			Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Y	N	Abstract	
time educates employees on the integrity management policy.				

- (7) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods

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

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

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

(9) Implementation status of internal control system

1. Statement of internal control

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

Date : February 25 , 2022

The Company's internal control system for fiscal year 2021, based on the results of its self-assessment, is stated as follows.

1. The Company acknowledges that it is the responsibility of the Board of Directors and the Manager to establish, implement and maintain a system of internal control, and that the Company has established such a system. The Company has established such a system to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and compliance with relevant laws and regulations.
2. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; moreover, the effectiveness of the internal control system may change due to changes in circumstances and conditions. The Company's internal control system has a self-monitoring mechanism and the Company will take corrective action once deficiencies are identified.
3. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the criteria for determining the effectiveness of the internal control system set forth in the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (the "Guidelines"). The judgment items of the internal control system adopted in the "Guidelines" are divided into five components based on the management control process: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. monitoring operations. Each component includes a number of items. Please refer to the "Processing Guidelines" for the aforementioned items.
4. The Company has used the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the aforementioned evaluation, the Company concluded that the Company's internal control system (including supervision and management of subsidiaries) as of December 31, 2021, including the understanding of the effectiveness of operations and the extent to which efficiency objectives are achieved, the reporting of internal control systems that are reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, etc., is effective. The design and implementation of the internal control system are effective and can reasonably ensure the achievement of the above objectives.
6. This statement will be the main content of The Company's annual report and public statement, and will be made public. If any of the above-mentioned contents are disclosed in a false or concealed manner, the Company will be subject to legal liability under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

7. This statement has been approved by the Board of Directors of The Company on February 25, 2022, and among the 7 directors present, none of them held any opposing views, and the rest of them agreed to the contents of this statement.

**Polaris Group**

Chairman: Chen Hung-Wen

CEO: Shaw Chen

2. If an accountant project is appointed to review the internal control system, the accountant's review report should be disclosed: None.

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

Item	Reason	Improvement
Declaration of some items do not meet the requirements	<ul style="list-style-type: none"> <li>On March 12, 2021, the Board of Directors resolved to hold a regular meeting of shareholders, and the Company will complete the announcement and filing late on March 15, 2021.</li> <li>On August 12, 2021, the Board of Directors resolved to increase the capital of USA subsidiary DesignRx Pharmaceuticals, Inc. by \$20 million and approved the financial report for the second quarter of 2011, and the company will complete the announcement and filing until August 13, 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Arrange personnel to conduct relevant education and training and familiarize with relevant laws and regulations.</li> <li>Communicate fully with the underwriter or the competent authority before the release of major information, and allow time for relevant operations.</li> </ul>

(11) Significant resolutions of the shareholders' meeting and the Board of Directors for the most recent year and up to the date of printing of the annual report

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

Date	Meeting	Resolutions	Implementation
August 23, 2021	General Shareholders' Meeting	<ol style="list-style-type: none"> <li>Recognition of the 2020 Annual Report of Operations and Financial Statements</li> <li>The appropriation of loss for 2020</li> <li>Ordinary resolution of the shareholders' meeting to increase the authorized capital of The Company</li> <li>The Company's proposed application to the Taiwan Stock Exchange Corporation for initial listing in Taiwan</li> <li>To request the original shareholders to renounce all pre-emptive rights for the issuance of new shares for public sale prior to the initial listing</li> <li>Amendment to the Company's "Rules of</li> </ol>	Passed



		Procedure for Shareholders' Meetings". 7. Amendment to the "Procedures for the Election of Director" of The Company 8. To elect an Independent Director 9. approved the "Procedures for Endorsement and Guarantee" of the Company	
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1. Board of Directors Dates and Resolutions:

Board of Directors	Resolutions
March 12, 2021	1. Increase of authorized capital of The Company by ordinary resolution of the shareholders' meeting 2. Election of Independent Director 3. Release of the newly elected Independent Director from the prohibition of competition 4. Application to the Taiwan Stock Exchange Corporation for initial listing of The Company in Taiwan 5. Application for a waiver of pre-emptive rights for the issuance of new shares for public sale prior to the initial listing 6. Amendment to the Director Compensation Act 7. To convene the shareholders' meeting in 2021.
April 08, 2021	1. 2020 Statement of Recognition of Internal Control System 2. 2020 Report on Operations and Consolidated Financial Statements 3. 2020 Deficit Compensation Statement 4. Issuance of employee stock warrants 5. Amendment to the Rules of Procedure of The Company's Shareholders' Meeting 6. amendment of the procedure for the election of the Company Director 7. Amendment to the Rules of Procedure of The Company Board of Directors 8. Appointment of the Audit Supervisor of The Company 9. Application for bank financing by Designerx Pharmaceuticals (Chengdu) Co. 10. The Company and its subsidiary PPI's overdue prepayments and receivables as of December 31, 2020 are not in the nature of loans 11. the capital increase of DRX USA, a subsidiary of USA 12. the list of candidates for Independent Director nominated by the Board of Directors 13. the appointment of CPAs for the year 2021 14. Renewal of the convening of the 2021 annual meeting of shareholders of The Company
May 25, 2021	1. Proposed cash capital increase for new shares in 2021 2. Update the sound business plan 3. Change of shareholders' meeting time due to the impact of the COVID-19 outbreak

Board of Directors	Resolutions
August 12, 2021	<ol style="list-style-type: none"> <li>1. Consolidated financial statements for the second quarter of 2021</li> <li>2. The application for bank financing by Designerx Pharmaceuticals (Chengdu) Co.</li> <li>3. The Company's prepayment as of June 30, 2021, which is not in the nature of loan</li> <li>4. Capital increase for DRX USA, a subsidiary of USA</li> </ol>
September 22, 2021	<ol style="list-style-type: none"> <li>1. Appointment of remuneration committee</li> <li>2. Amendment of the internal control system of the Group (including subsidiaries)</li> <li>3. Amendment of the Group's accounting policies</li> <li>4. Acquisition of land by DRX USA, a subsidiary of USA</li> <li>5. Amendment of the Audit Committee's organizational procedures</li> <li>6. Establishment of the Code of Ethical Conduct</li> <li>7. Authorized the Chairman of the Board to handle the first listing back to Taiwan</li> </ol>
November 10, 2021	<ol style="list-style-type: none"> <li>1. Consolidated Financial Statements for the Third Quarter of 2021</li> <li>2. Establishment of the corporate management policies of the Company.</li> <li>3. Increase in capital of Taiwan subsidiary TDW Pharmaceuticals Inc.</li> <li>4. 2022 Audit Plan</li> <li>5. Statement of internal control system during the period of internal control project review</li> </ol>
December 15, 2021	<ol style="list-style-type: none"> <li>1. Consolidated Financial Statements for the Third Quarter of 2021</li> <li>2. The Company's financial statements for the fourth quarter of 2021 and each quarter of 2022</li> <li>3. The Company's prepayment as of September 30, 2021 is not a loan of funds</li> <li>4. The proposed initial listing of The Company's shares in connection with the initial listing of the Company's shares in the form of an over-allotment and voluntary underwriting agreement</li> </ol>
January 28, 2022	<ol style="list-style-type: none"> <li>1. The Company intends to invest in the construction of a factory in the Yilan Science Park with its new subsidiary, Polaris Biomedical Co.</li> <li>2. Lifting of the prohibition on director competition</li> </ol>
February 25, 2022	<ol style="list-style-type: none"> <li>1. 2021 Statement of Recognition of Internal Control System</li> <li>2. 2021 Report on Operations and Consolidated Financial Statements</li> <li>3. 2021 Deficit Compensation Statement</li> <li>4. the amendment of the Company's Articles of Incorporation by special resolution of the shareholders' meeting</li> <li>5. Amendment to the Company's "Procedures for the Acquisition or Disposal of Assets".</li> <li>6. Loan to DRX Chengdu</li> <li>7. Increase the capital of DRX USA, a subsidiary of USA</li> <li>8. The prepayment of the Company as of September 30, 2021 was not a loan</li> <li>9. Establishment of Hsinchu R&amp;D Center</li> <li>10. Convene the 2022 Annual General Meeting of Shareholders</li> </ol>

Board of Directors	Resolutions
March 29, 2022	<ol style="list-style-type: none"> <li>1. To handle the issuance of new shares for cash underwriting prior to the initial public offering</li> <li>2. Amendment to the Rules of Procedure of the Shareholders' Meeting</li> <li>3. Independent Evaluation and Appointment of CPAs for 2022</li> <li>4. Establishment of a new subsidiary and appointment of directors and supervisors of Polaris Biomedical</li> <li>5. Special resolution of the shareholders' meeting to amend the Company's articles of incorporation</li> <li>6. Signed a sponsorship agreement with Cathay United Securities Co.</li> <li>7. Renewal of the convening of the 2022 Annual General Meeting of Shareholders</li> </ol>

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

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

Title	Name	Date of Appointment	Date of resignation / termination	Reason of resignation / termination
Audit supervisor	Ho Yi-Chi	19, Mar, 2019	May 4, 2021	Resigned due to career planning

## 5. Information on CPA fees

Unit: NTD thousand

Accounting Firm	Name of CPAs	Audit period	Audit fee	Non-audit fee	Total	Note
PwC Taiwan	Liang Chan-Nu	2021. 01.01~ 2021.12.31	6,411	3,366	9,777	Financial Reporting Accountant
	Jian Fan- Ya					

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

The non-audit fees include \$2,380 thousand for internal control system review services, \$986 thousand for counseling and consulting services for listing applications in Taiwan, issuance of employee stock options and cash capital increase reporting.

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

(3) If the audit fee is reduced by 10% or more from the previous year, the amount, percentage and reasons for the reduction shall be disclosed: None.

6. Information on Change of CPAs

The Company has changed its accountants in the last two years and the subsequent years: None

7. The Company's chairman of the Board, president, or manager in charge of financial or accounting matters who has worked in the firm of the certified public accountant or its affiliated companies within the last year: None.

8. Changes in the shareholdings and pledges of Directors, Supervisors, Managers and shareholders holding more than 10% of the shares as of the date of printing of the annual report

(1) Changes in shareholdings of directors, supervisors, managers and major shareholders

Unit: share

Position	Name	2021		2022 As of April 4	
		No. of Shares Held Increase (Decrease)	Shares pledged Increase (Decrease)	No. of Shares Held Increase (Decrease)	Shares pledged Increase (Decrease)
Chairman	Gemtek Investment Co., Ltd Representative: Chen Hung-Wen	—	—	—	—
Director	Chen, Shyan Tser	—	—	—	—
Director and Major shareholder	Digital Capital Inc. Representative: Patrick Yang	—	—	—	—
Director	Lien Mai Ting Investment Company Representative: Wayne Lin	—	—	—	—
Director	Peng Yu-Yuan ( Note 1 )	—	—	—	—
Director	Tai, Jang Huei	—	—	—	—
Director	Way, Tzong-Der	—	—	—	—
Director	Chao, Ying-Chen	—	—	—	—
Manager	Shaw Chen	—	—	—	—
Manager	Wayne Lin	—	—	506,250	—
Manager	John Bomalaski	449,999	—	—	—
Manager	Huang Lan-Ying	79,000	—	268,000	—

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

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

9. Information on the top ten shareholders who are related to each other or are related to each other as spouses or second degree relatives:

April 4, 2022 ; Unit: Stock; %

Name	Shareholding		Shareholding of Spouse & Minor Children		Number of shares held under another person's name		Name and relationship of top ten shareholders who are related parties, spouses or within second-degree of kinship to each other		Note
	shares	Percentage	shares	Percentage	shares	Percentage	Name	Relationship	
Digital Capital Inc.	290,000,000	40.22	—	—	—	—	Mai Investment Co., Ltd., Digital Mobile Venture Ltd.	Same ultimate beneficiary	—
Representative: Chen, Shyan Tser	5,000,000	0.69	3,802,000	0.53	—	—	—	-	—
Digital Mobile Venture Ltd.	61,729,295	8.56	—	—	—	—	Mai Investment Co., Ltd., Digital Capital Inc.	Same ultimate beneficiary	—
Representative: Chen, Shyan Tser	5,000,000	0.69	3,802,000	0.53	—	—	—	Same ultimate beneficiary	—
Mai Investment Co., Ltd.	40,527,138	5.62	—	—	—	—	Digital Capital Inc., Digital Mobile Venture Ltd	Same ultimate beneficiary	—
Representative: Digital Mobile Venture Ltd.	61,729,295	8.56	—	—	—	—	Mai Investment Co., Ltd., Digital Capital Inc.	Same ultimate beneficiary	—
G-Technology Investment Co., Ltd.	26,467,465	3.67	—	—	—	—	Gemtek Investments Co., Ltd	Shareholder is the same as the Representative	—
Representative: Chen Hung-Wen	34,700	0.005	—	—	—	—	—	—	—
Generations Technology Corporation	16,114,669	2.24	—	—	—	—	—	—	—
Representative: Lien Hua-Rong	5,901,741	0.82	—	—	—	—	—	—	—
Masterpiece Enterprise Co., Ltd.	10,000,000	1.39	—	—	—	—	—	—	—
Representative: King Regent Management Limited	—	—	—	—	—	—	Gemtek Investments Co., Ltd , G-Technology Investment Co., Ltd.	Shareholder is the same as the Representative	—
Capital World Investment Corporation	9,340,456	1.30	—	—	—	—	Gemtek Investments Co., Ltd , G-Technology Investment Co., Ltd.	The shareholder is the spouse of the Representative of the two companies	—
Representative : LU, HSIAO-JU	—	—	—	—	—	—	—	-	—
Gemtek Investments Co., Ltd ,	8,674,542	1.20	—	—	—	—	G-Technology Investment Co.,	Representative is the same	—

Name	Shareholding		Shareholding of Spouse & Minor Children		Number of shares held under another person's name		Name and relationship of top ten shareholders who are related parties, spouses or within second-degree of kinship to each other		Note
	shares	Percentage	shares	Percentage	shares	Percentage	Name	Relationship	
Representative: Chen Hung-Wen	34,700	0.005	—	—	—	—	—	—	—
Lee Ming-Jen	7,547,665	1.05	—	—	—	—	—	—	—
Sun Research Groups Ltd.	7,003,788	0.97	—	—	—	—	—	—	—
Representative : WU, CHI-NAN	—	—	—	—	—	—	—	—	—

10. Number of shares held by the Company, its directors, supervisors, managers and businesses directly or indirectly controlled by the Company in the same business to which the Company invests, and combined to calculate the consolidated shareholding Percentage

Unit: Stock; %

Re-investment Companies	The Company investments		Director, manager and investment in directly or indirectly controlled by the Company		Consolidated Investment	
	Shares	Percentage	Shares	Percentage	Shares	Percentage
Polaris Pharmaceuticals, Inc.	23,000	100	—	—	23,000	100
Polaris Group Korea Limited	3,184	100	—	—	3,184	100
DesignRx Europe Limited	1	100	—	—	1	100
Polaris Pharmaceuticals Australia Pty Ltd.	100	100	—	—	100	100
Polaris Pharmaceuticals Ireland Limited	100	100	—	—	100	100
TDW Pharmaceuticals Inc.	41,800,000	100	—	—	41,800,000	100
DesignRx Pharmaceuticals, Inc.	75,179,257	100	—	—	75,179,257	100
TDW HK Limited	45,300,001	100	—	—	45,300,001	100
DesignRx Pharmaceuticals (Shanghai) Inc.	(Note)	100	—	—	(Note)	100
DesignRx Pharmaceuticals (Chengdu) Inc.	(Note)	100	—	—	(Note)	100
Nanonotein Technologies, Inc.	3,696,357	41	—	—	3,696,357	41

Note: Limited, so no Number of shares .

## IV. Capital Raising

### 1. Capital and Shares

#### (1) Source of capital

April 4, 2022, Unit: NTD thousand; Foreign currency USD; Shares

Year/ Month	Issue Price (USD)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares	Amount (USD)	Number of shares	Amount (USD)	Source of Share Capital (USD)	Paid with property other than cash	Other s
2011.03	0.35	500,000,000	5,000	252,185,594	2,521,856	Cash capital increase of \$2,000,000	None	—
2011.05	0.315	500,000,000	5,000	265,542,770	2,655,428	Debt to stock conversion of \$4,207,510	None	—
2011.05	0.35	500,000,000	5,000	277,377,134	2,773,771	Debt-to-share transfer of \$4,142,027	None	—
2011.05	0.45	500,000,000	5,000	279,599,357	2,795,994	Cash capital increase of \$1,000,000	None	—
2012.02	0.35	500,000,000	5,000	285,313,641	2,853,136	Cash capital increase of \$2,000,000	None	—
2012.09	0.50	600,000,000	6,000	306,533,641	3,065,336	Cash capital increase of \$10,610,000	None	—
2013.01	0.60	600,000,000	6,000	356,457,529	3,564,575	Cash capital increase of \$29,954,333	None	—
2014.02	0.75	600,000,000	6,000	356,817,529	3,568,175	Warrant conversion of \$270,000	None	—
2014.05	0.50	600,000,000	6,000	356,852,529	3,568,525	Conversion of stock options \$17,500	None	—
2014.05	0.60	600,000,000	6,000	356,877,662	3,568,777	Conversion of stock options \$15,080	None	—
2015.06	0.47	600,000,000	6,000	421,076,250	4,210,763	Conversion of preferred shares to common shares (Note1)	None	—
2015.09	1.50	600,000,000	6,000	428,212,261	4,282,123	Cash capital increase of \$10,704,000	None	—

Year/ Month	Issue Price (USD)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares	Amount (USD)	Number of shares	Amount (USD)	Source of Share Capital (USD)	Paid with property other than cash	Others
2015.10	—	600,000,000	6,000	517,873,234	5,178,732	Exchange 1 share of TDWG stock for 1.13 shares of Polaris Pharmaceuticals stock, issuing 89,660,973 new shares	None	—
Change of denomination from US\$0.01 to NT\$10 per share and exchange of new shares								
Year/ Month	Issue Price (NT\$)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares	Amount (NT thousand))	Number of shares	Amount (NT thousand)	Source of Share Capital (NT thousand)	Paid with property other than cash	Others
2015.10	—	240,000,000	2,400,000	207,149,255	2,071,493	Change of capitalization currency and 2.5share consolidation	None	—
2015.11	—	240,000,000	2,400,000	206,630,589	2,066,306	Share buyback \$5,187 thousand	None	—
2017.07	18.00	320,000,000	3,200,000	246,630,589	2,466,306	Cash capital increase of \$400,000 thousand	None	Note2
2017.08	33.60	320,000,000	3,200,000	255,630,589	2,556,306	<b>Private placement of common stock \$90,000 thousand</b>	None	—
2017.09	USD 0.875 ~ 1.25	320,000,000	3,200,000	255,924,589	2,559,246	Exercise of employee stock options \$2,940 thousand	None	—
2017.10	USD 0.875 ~ 1.25	320,000,000	3,200,000	256,305,089	2,563,051	Exercise of employee stock options \$3,805 thousand	None	—
2017.10	63.00	320,000,000	3,200,000	265,555,089	2,655,551	<b>Private placement of common stock \$92,500 thousand</b>	None	—
2017.11	USD 0.875	320,000,000	3,200,000	265,612,589	2,656,126	Exercise of employee stock options \$575 thousand	None	—



Year/ Month	Issue Price (NT\$)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares	Amount (NT thousand))	Number of shares	Amount (NT thousand)	Source of Share Capital (NT thousand)	Paid with property other than cash	Others
2018.01	USD 1.25 ~ 1.925	320,000,000	3,200,000	265,659,255	2,656,593	Exercise of employee stock options \$467 thousand	None	—
2018.03	USD 0.875	320,000,000	3,200,000	265,689,255	2,656,893	Exercise of employee stock options \$300 thousand	None	—
2018.04	USD 0.875 ~ 1.25	320,000,000	3,200,000	265,727,825	2,657,278	Exercise of employee stock options \$385 thousand	None	—
2018.09	30.00	420,000,000	4,200,000	285,727,825	2,857,278	Cash capital increase of \$200,000 thousand	None	Note 3
2018.09	USD 0.875	420,000,000	4,200,000	285,756,396	2,857,564	Exercise of employee stock options \$286 thousand	None	—
2018.10	USD 0.875	420,000,000	4,200,000	285,796,396	2,857,964	Exercise of employee stock options \$400 thousand	None	—
2018.11	USD 0.875	420,000,000	4,200,000	285,836,396	2,858,364	Exercise of employee stock options \$400 thousand	None	—
<b>2019.03</b>	<b>21.83</b>	<b>420,000,000</b>	<b>4,200,000</b>	<b>292,901,396</b>	<b>2,929,014</b>	<b>Private placement of common stock \$70,650 thousand</b>	None	—
2019.07	12.00	720,000,000	7,200,000	352,901,396	3,529,014	Cash capital increase of \$600,000 thousand	None	Note 4
<b>2019.12</b>	<b>10.00</b>	<b>720,000,000</b>	<b>7,200,000</b>	<b>652,901,396</b>	<b>6,529,014</b>	<b>Private placement of common stock \$3,000,000 thousand</b>	None	—
2021.03	USD 1.25	720,000,000	7,200,000	652,915,396	6,529,154	Exercise of employee stock options \$140 thousand	None	
2021.04	USD 0.875~ 1.68	720,000,000	7,200,000	653,374,110	6,533,741	Exercise of employee stock options \$4,587 thousand	None	

Year/ Month	Issue Price (NT\$)	Authorized Share Capital		Paid-in capital		Note		
		Number of shares	Amount (NT thousand))	Number of shares	Amount (NT thousand)	Source of Share Capital (NT thousand)	Paid with property other than cash	Others
2021.06	USD 0.875~ 1.25	720,000,000	7,200,000	654,612,109	6,546,121	Exercise of employee stock options \$12,380 thousand	None	
2021.07	USD 0.875~ 1.25	720,000,000	7,200,000	654,751,109	6,547,511	Exercise of employee stock options \$1,390 thousand	None	
2021.08	USD 1.25	720,000,000	7,200,000	654,761,109	6,547,611	Exercise of employee stock options \$100 thousand	None	
2021.08	80	1,000,000,000	10,000,000	718,761,109	7,187,611	Cash capital increase \$640,000 thousand	None	Note 5
2021.10	USD 0.875	1,000,000,000	10,000,000	718,825,109	7,188,251	Exercise of employee stock options \$640 thousand	None	
2021.11	USD 1.25~ 1.68	1,000,000,000	10,000,000	718,835,109	7,188,351	Exercise of employee stock options \$100 thousand	None	
2021.12	USD 0.33	1,000,000,000	10,000,000	718,845,109	7,188,451	Exercise of employee stock options \$100 thousand	None	
2022.01	USD 0.33~ 1.25	1,000,000,000	10,000,000	719,368,681	7,193,687	Exercise of employee stock options \$5,236 thousand	None	
2022.02	USD0.33~ 2.0575	1,000,000,000	10,000,000	719,641,681	7,196,417	Exercise of employee stock options of \$2,730 thousand	None	
2022.03	USD 0.33 ~3.30	1,000,000,000	10,000,000	720,047,945	7,200,480	Exercise of employee stock options of \$4,063 thousand	None	
2022.04	USD 0.47~ 2.0575	1,000,000,000	10,000,000	720, 944,893	7,209,449	Exercise of employee stock options of \$8,969 thousand	None	

Note1: USD 30,000 thousand convertible preferred shares were issued in February 2012 and fully converted to common shares in June 2015.

Note2: Approval date of cash capital increase: June 6, 2017; Approval No. Jin-Guan-Zhen-Fa-Zhi 1060021095.

Note3: Approval date of cash capital increase: August 3, 2018; Approval No. Jin-Guan-Zhen-Fa-Zhi 1070327709.

Note4: Approval date of cash capital increase: May 7, 2019; Approval No. Jin-Guan-Zhen-Fa-Zhi 1080313697.

Note5: Approval date of cash capital increase: June 15, 2021; Approval No. Jin-Guan-Zhen-Fa-Zhi 1100346636.

## Shareholding information as of April 4, 2022

Type of Shares	Authorized Share Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	720,944,893 ( with private equity 307,065,000 )	279,055,107	1,000,000,000	Note

Note: The Company's shares are not yet listed on a stock exchange and are not traded on a securities dealer's premises.

## (2) Shareholder Structure

as of April 4, 2022

Structure Amount	Government	Financial Institute	Other Corporations	Individual	Foreign institutions and Individuals	Total
Number of people	0	0	36	13,177	51	13,264
Number of shares held	0	0	12,429,796	222,021,213	486,493,884	720,944,893
Shareholding ratio	0.00%	0.00%	1.72%	30.80 %	67.48 %	100.00%

Note: Mainland-invested refers to people, legal entities, organizations, and other institutions in Mainland China or their companies invested in third regions as stipulated in Article 3 of the Regulations on the Permission for People to Invest in Taiwan, and Total's shareholding ratio is 0.18%.

## (3) Distribution of Share Ownership

## 1. Common stock:

April 4, 2022

Range of shares	Number of shareholders	Shares held	Shareholding ratio %
1 to 999	1,642	388,099	0.05
1,000 to 5,000	7,366	15,556,638	2.16
5,001 to o 10,000	1,440	11,362,755	1.58
10,001 to o 15,000	677	8,648,405	1.20
15,001 to o 20,000	444	8,005,743	1.11
20,001 to o 30,000	462	11,644,377	1.62
30,001 to o 40,000	242	8,659,417	1.20
40,001 to o 50,000	159	7,272,374	1.01
50,001 to o 100,000	436	31,016,095	4.30
100,001 to o 200,000	219	31,159,069	4.32
200,001 to o 400,000	103	27,726,588	3.85
400,001 to o 600,000	22	10,443,816	1.45
600,001 to o 800,000	8	5,679,515	0.79
800,001 to o 1,000,000	9	7,958,848	1.10
1,000,001 Or above	35	535,423,154	74.26
Total	13,264	720,944,893	100.00

## 2. Preferred shares: Not applicable

### (4) List of major shareholders

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

April 4, 2022

Major Shareholder Name	Shares	Number of shares held	Shareholding ratio %
Digital Capital Inc.		290,000,000	40.22
Digital Mobile Venture Ltd.		61,729,295	8.56
Mai Investment Co., Ltd.		40,527,138	5.62
G-Technology Investment Co., Ltd.		26,467,465	3.67
Generations Technology Corporation		16,114,669	2.24
Masterpiece Enterprise Co., Ltd.		10,000,000	1.39
Capital World Investment Corporation		9,340,456	1.30
Gemtek Investments Co., Ltd		8,674,542	1.20
Li Mingzhen		7,547,665	1.05
Sun Research Groups Ltd		7,003,788	0.97

### (5) Stock price, net worth, earnings, dividends and related information per share for the last two years

Unit: NTD

		2020	2021
Stock price per share	Highest	Not listed	Not listed
	Lowest	Not listed	Not listed
	Average	Not listed	Not listed
Net value per share	Before	4.41	10.04
	After Distribution	4.41	10.04
Earnings per share( Note1)	Weighted average number of shares (in thousands)	652,901	680,096
	Basic earnings (loss) per share	(1.01)	( 1.09)
	Diluted earnings (loss) per share	(1.01)	( 1.09)
Dividend per share	Cash dividends		—
	Stock dividends	Earnings dividend	—
		Capital surplus	—
	Accumulated undistributed dividends		—
Investment return analysis	Price-Earnings ratio		Not listed
	Price-Dividend ratio		Not listed
	Cash Dividend Yield		Not listed

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

### (6) Dividend Policy and Implementation Status

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

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

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

The Company may distribute earnings in accordance with a plan of distribution prepared by the Board of Directors and approved by the shareholders by ordinary resolution. (iv) The Company may set aside a special reserve in accordance with the Listing Act or the requirements of the competent authorities.

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

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

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

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

## (8) Employee, Director and Supervisor Compensation

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

The Company shall set aside at least 1% of the Company's annual profit as employee bonus and not more than 3% of the Company's annual profit as director compensation, provided that the Company shall reserve the amount of compensation in advance if there is an accumulated deficit. Employee bonuses may be paid in cash or in stock to employees of the Company's subsidiaries who meet certain criteria established by the Board of Directors.

The Company may distribute earnings in accordance with a plan of distribution prepared by the Board of Directors and approved by the shareholders by ordinary resolution. (iv) The Company may set aside a special reserve in accordance with the Listing Act or the requirements of the competent authorities.

After the above distributions or appropriations are made, the remaining balance of the Company's accumulated undistributed earnings from previous years shall be added to the

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

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

The Company did not estimate or distribute the compensation to employees, directors and supervisors because it had accumulated losses in its accounts in fiscal 2021.

3. The Board of Directors approved the distribution of compensation.
  - (1) The amount of compensation to employees, directors and supervisors is distributed in cash or stock. If the amount of compensation is different from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reason for the difference and the treatment of the difference should be disclosed: Not applicable.
  - (2) The amount of employee compensation distributed in stock as a percentage of net income after tax and total employee compensation for the period: Not applicable.

4. The shareholders' meeting reported the distribution of compensation and the results.

The Company still has losses accumulated in its books for fiscal year 2021, so it is not applicable.

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

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

## 2. Corporate Bonds.

- (1) Outstanding bonds and bonds in process: None.
- (2) Convertible bonds: None.

## 3. Preferred Shares: None.

## 4. Global Depositary Receipts: None.

## 5. Employee Stock Options

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

April 4, 2022

Type of Employee Stock Option	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan ( Previous TDW Group 2013 stock option plan) ( Note)
Effective Date of application	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Issue Date	2012 August 1	2012 October 10	2013 May 20	2013 September 13	2014 August 15
Expected Life	10 years				
Total number of units for issuance	1,990,500 ( of which 1,284,500 shares have forfeited)	108,000 ( of which 60,000 shares have forfeited)	2,204,000 ( of which 1,489,947 shares have forfeited)	276,000 ( of which 192,000 shares have forfeited)	3,706,400 ( of which 2,422,720 shares have forfeited)
Ratio of the number of issued shares for subscription to total number of issued shares	0.28 %	0.01 %	0.31 %	0.04 %	0.51 %
Subscription period	9 years				
Exercise Method	Issuance of new shares				
Restricted period and ratio (%)	25% for 1 year and the remaining 75% for the next 36 months, 1/36th per month				
Number of shares exercised	598,000	—	175,719	2 0,000	100,360
Amount of the shares exercised	USD 747,500	—	USD 263,579	USD 30,000	USD 206,491
Number of shares have not been exercised	108,000	48,000	538,334	64,000	1,183,320
Subscription price per share for unexercised stock options	USD1.25	USD1.25	USD1.50	USD1.50	USD 2.0575
Ratio of the number of unsubscribed shares to the number of issued (%)	0.01%	0.01%	0.07%	0.01%	0.16%
Effect on shareholders' equity	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect

April 4, 2022

Type of Employee Stock Option	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan	Polaris Group 2011 Annual Stock Option Plan
Effective Date of application	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Issue Date	2014 November 24	2014 December 30	2015 April 15	2015 July 7	2015 October 30	2015 November 17
Expected Life	10 years					
Total number of units for issuance	524,000 ( of which 284,000 shares have forfeited)	400,000 ( of which 395,000 shares have forfeited)	519,999 ( of which 367,999 shares have forfeited)	128,000 ( of which 128,000 shares have forfeited)	312,000 ( of which 312,000 shares have forfeited)	3,128,000 ( of which 1,828,000 shares have forfeited)
Ratio of the number of issued shares for subscription to total number of issued shares	0.07%	0.06%	0.07%	0.02%	0.04%	0.43%
Subscription period	9 years					
Exercise Method	Issuance of new shares					
Restricted period and ratio (%)	25% for 1 year and the remaining 75% for the next 36 months, 1/36th per month					
Number of shares exercised	—	5,000	—	—	—	10,000
Amount of the shares exercised	—	USD 9,625	—	—	—	USD 33,000
Number of shares have not been exercised	240,000	—	152,000	—	—	1,290,000
Subscription price per share for unexercised stock options	USD1.925	USD1.925	USD2.5	USD2.5	USD2.5	USD 3.3
Ratio of the number of unsubscribed shares to the number of issued (%)	0.03%	0.00%	0.02%	0.00%	0.00%	0.18%
Effect on shareholders' equity	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect



April 4, 2022

Type of Employee Stock Option	2017 Annual First Employee Stock Option Certificate	2017 Annual First Employee Stock Option Certificate	2019 Annual First Employee Stock Option Certificate	2019 Annual Second Employee Stock Option Certificate	2021 Annual First Employee Stock Option Certificate	2021 Annual Second Employee Stock Option Certificate
Effective Date of application	2017 December. 4	2017 December. 4	2019 November 19	2019 November 19	2021 May 14	2021 May 14
Issue Date	2018 January 3	2018 May 31	2019 November 20	2020 April 1	2021 June 24	2021 December 13
Expected Life	10 years					
Total number of units for issuance	6,111,000 ( of which 3,632,000 shares have forfeited)	210,000 ( of which 60,000 shares have forfeited)	1,788,000	4,697,000 (510,000 shares of which have forfeited)	818,000	640,000
Ratio of the number of issued shares for subscription to total number of issued shares	0.85 %	0.03%	0.25%	0.65%	0.11%	0.09 %
Subscription period	8 Years					
Exercise Method	Issuance of new shares					
Restricted period and ratio (%)	50% after 2 years and the remaining 50% in the next 48 months, 1/48th per month					
Number of shares exercised	274,574	—	730,500	770,350	—	—
Amount of the shares exercised	USD 461,284	—	USD 241,065	USD 362,065	—	—
Number of shares have not been exercised	2,204,426	150,000	1,057,500	3,416,650	818,000	640,000
Subscription price per share for unexercised stock options	NTD 50.87	NTD 51.02	NTD 10.05	NTD 14.26	NTD 67.27	NTD 71.26
Ratio of the number of unsubscribed shares to the number of issued (%)	0.31%	0.02%	0.15%	0.47%	0.11%	0.09 %
Effect on shareholders' equity	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect	No significant effect

Note: TDW Group, a subsidiary of The Company, originally had the 2013 Annual Stock Option Plan, which was originally subject to the common shares issued by TDW Group. As a result, TDW

Group, through a Director's resolution, adjusted the performance of its 2013 Annual Stock Option Plan by converting one share of TDW Group common stock into 1.13 shares of The Company common stock at the same proportional exercise price. The exercise price will be adjusted in the same proportion.

(2) Name, acquisition and subscription of the top ten employees who have acquired employee stock options and the number of shares authorized by the stock options as of the publication date of the annual report

1. Managers who obtained employee stock options

April 4, 2022

	Title	Name	Number of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					Number of Shares Converted	Strike Price	Amount (thousand dollars)	Converted Shares as a Percentage of Shares Issued	Number of Shares Converted	Strike Price	Amount (thousand dollars)	Converted Shares as a Percentage of Shares Issued
Managers	Chief Executive Officer	Shaw Chen	4,744	0.66 %	1,517	USD 0.35 ~ 1.68	USD 998	0.21%	3,227	USD 0.33 ~ 3.30	USD 3,302	0.45%
	Executive Vice President	John Bomalaski										
	Chief Operating Officer	Wayne Lin										
	Chief Financial Officer	Huang Lan-Ying										

2. Obtaining stock warrant certificates can be recognized as the top ten employees of Number of shares

April 4, 2022

	Title	Name	Number of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					Number of Shares Converted	Strike Price	Amount (thousand dollars)	Converted Shares as a Percentage of Shares Issued	Number of Shares Converted	Strike Price	Amount (thousand dollars)	Converted Shares as a Percentage of Shares Issued
Employees	Vice President, Clinical Division (PPI)	Amanda Johnston	4,132	0.57 %	1,623	USD 0.33 ~ 2.06	USD 1,473	0.23 %	2,509	USD 0.33 ~ 3.30	USD 4,019	0.35 %
	Vice President of Production (DRX USA)	Chris Huxsoll										
	Vice President of Research and Development (PPI)	Richard Showalter										
	Director of Chengdu Operations (DRX Chengdu)	You Huiyuan										
	Production Director	Cai Zhengmin										
	Production Manager (DRX USA)	Christopher Starr										
	Clinical Director (TDW TW)	Liu Huifen										
	Clinical Department Senior Statistical Manager (TDW TW)	Guo Zhiling										
	Vice President of Finance (DRX USA)	Bishoram Guragai										
	Clinical Unit Division Senior Associate (PPI)	Dawn Batten Navis										

6. Employees Restricted New Shares :

- (1) For new shares with restricted employee rights that have not fully met the acquired conditions , the transaction status as of the date of publication of the annual report and the impact on shareholders' rights and interests shall be disclosed : None.
- (2) The managers who have obtained new shares with restricted employee rights and the names of the top ten employees who have obtained Number of shares until the date of publication of the annual report : None.

7. New shares issued for merger or acquisition: None.

8. Implementation of the fund utilization plan :

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

## V. Operation Overview

### 1. Business Activities

#### (1) Scope of business :

##### 1. The main content of the business

Polaris Group is a fully vertically integrated biological new drug development company , and provides contract development and manufacturing organization (CDMO) services for biological drugs . Improvement, planning and execution of global multi-country clinical trials, production /OEM , quality control, and sales of ADI-PEG20 clinical trial drugs and CDMO business .

##### 2. Proportion of sales of major products

The Group's operating income in 2021 was NT\$ 15,041 thousand, which was derived from the CDMO business of biopharmaceuticals. ADI-PEG20 products are still in the research and development stage and have no operating income yet.

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

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

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

#### ADI-PEG 20

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

<b>Cancer Type</b>	<b>Stage</b>	<b>Lead Cancer Center</b>	<b>Intervention/Treatment</b>
Malignant Pleural Mesothelioma	Phase III	St Bartholomew's Hospital, London, United Kingdom	ADI-PEG 20 + Pemetrexed + Cisplatin
Soft Tissue Sarcoma	Phase II	Washington University School of Medicine, United States	ADI-PEG 20 + Gemcitabine + Docetaxel
Glioblastoma	Phase 1B	Linkou Chang Gung Memorial Hospital, Taiwan	ADI-PEG 20 + Temozolomide + Radiotherapy
Hepatic Cell Carcinoma	Phase 2/3 ( Note )	Linkou Chang Gung Memorial Hospital, Taiwan	ADI-PEG 20 only (HCC patients with genotype WWOX-GG)
Acute Myeloid Leukemia	Phase 1	MD Anderson Cancer Center, United States	ADI-PEG 20 + Venetoclax + Azacitidine

Note: Proof of Concept (POC)

a. Malignant Pleural Mesothelioma

This is a phase II /III 386 person multinational multicenter clinical trial of ADI-PEG 20 in combination with Pemetrexed and Cisplatin (and the latter two chemotherapy controls) for the treatment of pulmonary mesothelial carcinoma , conducted by Dr. Moderated by Peter Szlosarek . The interim analysis of survival in February 2021 was quite positive, with a conditional power greater than 80% . Due to the severe impact of the COVID- 19 pandemic and other new drugs on patient enrollment, the USA FDA notified The Company on July 27 that it could end patient enrollment earlier in August in accordance with an independent Data Monitoring Board ( DSMB ) recommendation, with an expected unblinding in 2022 .

b. Soft Tissue Sarcoma

The USA multicenter clinical trial funded by Washington University in St. Louis, USA (Polaris only provides ADI-PEG 20 ) and chaired by Professor Brian Van Tine . The 75 person single-arm trial was completed in the first quarter of 2021 , and the effective response rate to ADI plus Gemcitabine and Docetaxel was as high as 25% , and 6 people had complete tumor disappearance ( Complete Response ). Prof. Van Tine adjusted the data according to the drug dose. Combined laboratory studies found that the combined use of ADI-PEG 20 and docetaxel would increase the entry of gemcitabine into cells. They also confirmed that ADI-PEG 20 alone also reduced the metabolic rate of gemcitabine and increased cellular uptake of gemcitabine . Combining the results of the two studies , the interaction of ADI-PEG 20 with docetaxel increases the cellular uptake of gemcitabine , so if ADI-PEG 20 is used in combination with docetaxel and gemcitabine, patients can receive the same lower dose of gemcitabine. Efficacy, but patients can bear less of the side effects of gemcitabine. The results were presented at the Cancer Society ( ASCO ) 2021, and experts in soft tissue

sarcoma received an overwhelming response.

c. Glioblastoma

This trial is a Phase 1B clinical trial of ADI-PEG 20 combined with radiotherapy and chemotherapy drug Temozolomide (TMZ) in the treatment of glioblastoma multiforme (GBM). The main purpose of this clinical trial is to evaluate the safety and tolerability of ADI-PEG 20 combined with radiotherapy and TMZ, and to formulate the recommended dose for the second phase of the trial, and to observe the progression free survival (PFS) and overall Survival (Overall Survival; OS). This Phase I/ Ib trial is expected to receive 26-32 patients, and it will start in July 2020 and is expected to be completed in 2022 . This is the first time ADI-PEG 20 has been used in combination with chemotherapy ( Temozolomide ) and radiation therapy. If successful, it will be accepted by medical centers in Europe and the United States and can be applied to other cancers that require radiotherapy.

d. Hepatic Cell Carcinoma

The Company, in cooperation with Dr. Ye Zhaoting from Chang Gung Memorial Hospital in Linkou, will launch the world's first phase III liver cancer clinical trial designed from a genetic perspective, screening for specific genetic markers, and adopting a double-blind random assignment design. It is estimated that a total of 150 patients will be accepted . This trial updated the medication strategy from the group average to a personalized version to achieve better treatment effects, which is the so-called "personalized medicine" and "precision medicine".

e. Acute Myeloid Leukemia

The lead hospital for this trial is USA MD Anderson Cancer Center, a Phase 1 clinical trial of ADI-PEG 20 in patients with acute myeloid blood cancer with Venetoclax and Azacitidine . In addition to assessing the safety and tolerability of ADI-PEG 20 in combination with Venetoclax and Azacitidine , this trial also hopes to further explore the utility of this concomitant treatment combination in the RP2D (Phase 2 recommended dose) arm. The trial is already in the stage of regulatory submission, and it is expected to begin enrolling patients in 2022, with a plan to enroll 60 patients.

Foundry Services ( CDMO )

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

DRX USA has completed the signing of the technology production contract with American business Helix BioMedix , Inc. at the end of 2019, and has begun to contribute operating income in 2020; in September 2020, it signed a joint

development agreement with Nanonotein Technologies., Inc. to cooperate in development Nanoprotein products are used for the treatment of Chimeric Antigen Receptor T (CAR-T), which has great market development potential. DRX USA is responsible for process development and mass production. The Company currently holds 41% of the shares. After the product is commercialized in the future, 15% of the operating income can be shared. In addition, the company continues to develop small and medium-sized customers and further provide customized technical services.

## (2) Industry overview

### 1. Current status and development of the industry

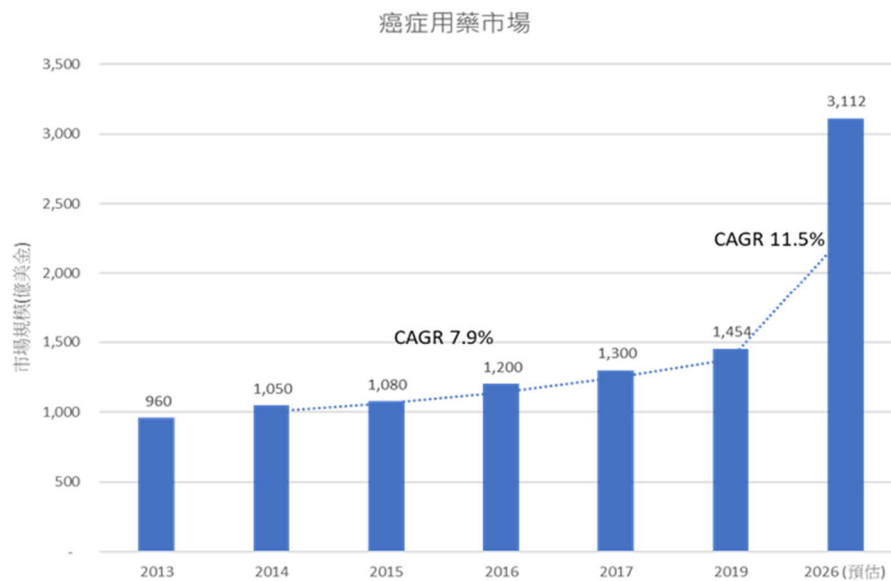
#### (1) Cancer medication

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

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

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

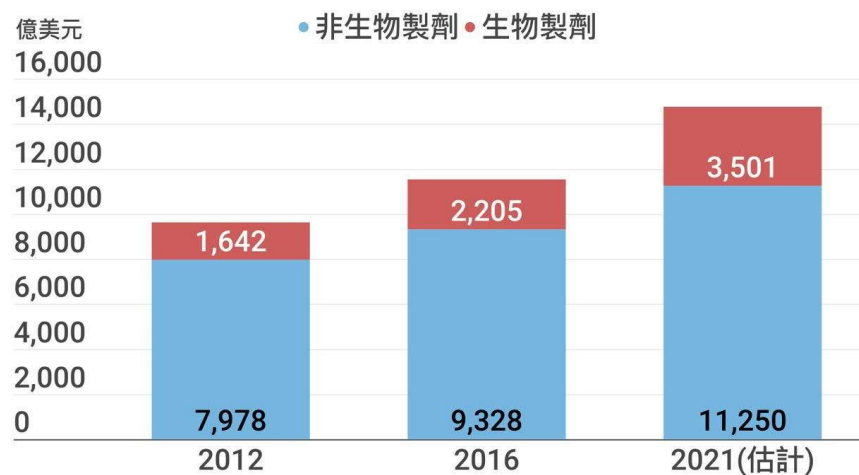




Source: EvaluatePharm

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

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



Source: Frost Sullivan

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

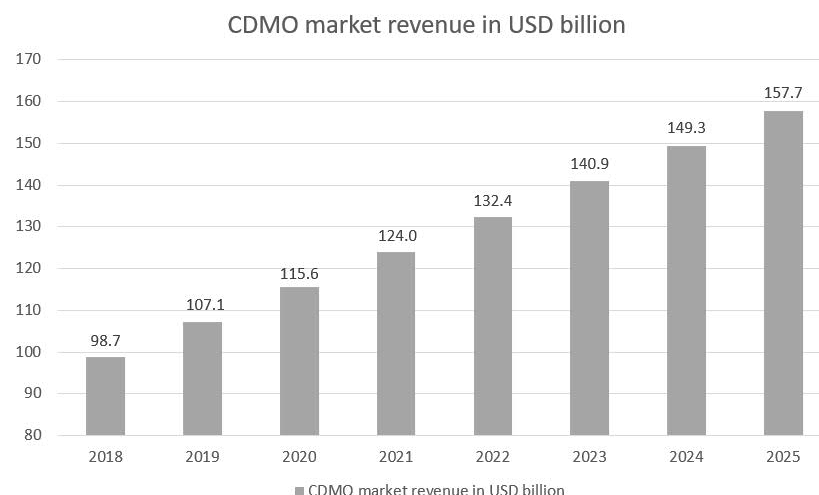
are counted , of which five are biological drugs , as shown in the following table .

Unit: USD billion, %

<b>Brand Drug /Manufacturer Name</b>	<b>Main Indications</b>	<b>2019 sales</b>	<b>2020 sales</b>	<b>Growth rate from 2019 to 2020</b>	<b>Product type</b>
Humira (AbbVie)	Rheumatoid Arthritis	191.69	198.32	3.46	Biological drugs
Keytruda ( Merck & Co )	Multiple cancers	110.84	143.80	29.74	Biological drugs
Eliquis (Bristol-Myers Squibb/Pfizer)	Anticoagulant	121.49	147.17	16.2	small molecule drug
Revlimid (Bristol-Myers Squibb/Celgene)	Multiple myeloma	93.78	121.06	29.09	small molecule drug
Imbruvica (AbbVie / Johnson & Johnson )	Lymphoma	80.85	84.30	4.27	small molecule drug
Eylea ( Regeneron Bayer/Santen)	Wet Macular Degeneration, Retinal Vein Occlusion (RVO)	75.42	83.60	10.85	Biological drugs
Stelara (Johnson&Johnson /Mitsubishi Tanabe Pharma)	Psoriasis	65.91	79.40	20.47	Biological drugs
Opdivo (Bristol-Myers Squibb/Ono)	Multiple cancers	80.04	78.87	-1.46	Biological drugs
Biktarvy (Gilead Sciences)	HIV	47.40	72.60	53.16	small molecule drug
Xarelto( Bayer/ Johnson & Johnson )	Anticoagulant	69.30	69.30	0	small molecule drug

Source: Annual reports of companies

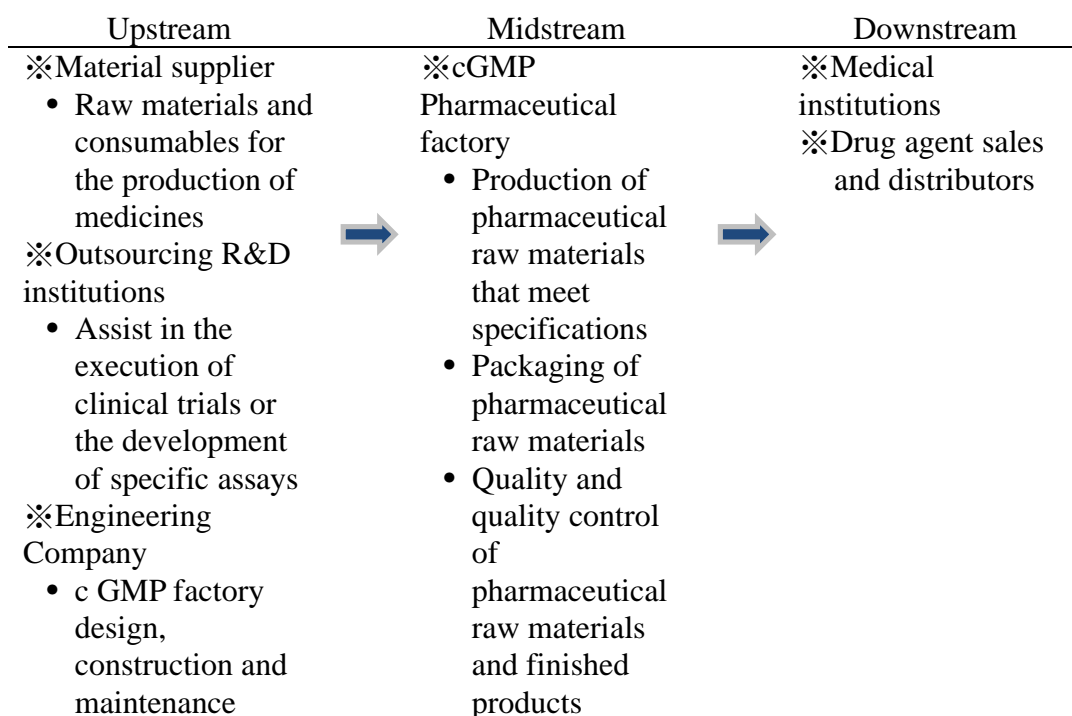
Research shows that the global biopharmaceutical CDMO market size will continue to grow from about US\$98.7 billion in 2018 to US\$157.7 billion in 2025, with a compound growth rate of 6.9 % from 2018 to 2025 . The supply and demand market assessment shows that the demand market is expected to be larger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



Source: Grand View Research ( 2017)

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

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



## 3. Various development trends of products

In recent years , new cancer drugs are mostly targeted drugs, aiming at various possible differences between tumor cells and normal cells, and designing new drugs that can effectively kill tumor cells without affecting normal cells.

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

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

#### A. WWOX Biomarkers

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

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

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

#### B. Expand the market

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

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

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

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

#### 4. Competitive Situation

##### A. Other Arginine Deprivation Therapy

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

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

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

##### BCT-100

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

##### Aeglea

Aeglea In order to solve the problem of low  $K_m$  of Arginase , it replaced the original manganese ion with cobalt and renamed it peglizarginase (Stone 2010) . Aeglea In a 2019 report to the US Securities and Exchange Commission ( SEC ), they described their clinical trials in small cell lung cancer, including a phase 1/2 small ( 35 -person) single-arm trial in combination with pembrolizumab, and a phase 1 Various oncology trials. But cancer was not mentioned in the 2020 report. The 2021 report only has a study in collaboration with Immedica Pharma AB , for Arginase deficiency 1 , a disease of arginine metabolism , no progress in cancer, and no information on collaboration with other manufacturers to develop cancer indications.

In addition to the two aforementioned companies, Athenex , a company in Buffalo , USA , claims that its new pegylated arginase (Yu 2021) has

anticancer effects in preclinical cell and animal studies. A recent literature (Zhang 2021) summarizes possible competitors to current arginine -lowering therapies, including new drugs in preclinical and clinical trials.

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

#### B. Therapies of other mechanisms

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

### (3) Overview of technology and research and development

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

Unit: NTD thousand

Item	2021	end of March 2022
R&D expenses (A)	554,222	179,358
The amount of paid-in capital at the end of the period (B)	7,188,451	7,200,479
(A) / (B ) ( % )	7.71	2.49

#### 2. Successfully developed technology or product

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

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

#### (4) Long-term and short-term business development plans

##### 1. Short-term development strategies and plans

- (1) Started construction of a cGMP mass production plant that complies with USAFDA standards in Taiwan for future ADI-PEG 20 New drugs are required for global launch and CDMO business mass production .
- (2) Strategically plan future clinical trials, including the current phase III clinical trial for lung mesothelial cancer, the phase III clinical trial for single-agent liver cancer and the phase III clinical trial for soft tissue sarcoma to be launched in 2022, and to obtain global drug certificates as soon as possible. benefit cancer patients around the world .
- (3) Continue to explore the relationship between ADI-PEG 20 and genes. Through the detection of genes, patients can maximize the therapeutic benefit , achieve the ultimate goal of precision medicine, and further increase the penetration rate of ADI-PEG 20 in each cancer market. to expand the market size .
- (4) Find strategic alliance partners, cooperate in the form of joint development or regional authorization, sufficient working capital, and share development risks.
- (5) Actively develop C DMO services and develop diversified businesses.

##### 2. Medium and long-term development strategies and plans

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

#### 2. Market Analysis and Production and Sales Overview

##### (1) Market analysis

###### 1. Sales (supply) areas of major commodities (services)

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

###### 2. Market share

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

###### 3. The supply and demand situation and growth potential of the market in the future

According to a survey by EvaluatePharm , cancer drugs ranked first in sales

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

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

#### 4. Competitive niche

- (1)ADI-PEG 20 is an innovative cancer target therapy with a completely different mechanism of action from other therapies. There are no similar drugs entering the market or late-stage clinical trials globally.
- (2)It has entered advanced clinical research and development. In clinical trials, more than 1,600 cancer patients of various advanced stages have received ADI-PEG 20 treatment, with clear efficacy and mild side effects.
- (3)Many different cancers are potentially treatable with ADI-PEG 20 and the market is huge.
- (4)Because the mechanism of action is completely different from other therapies and the safety is high, it can be compared with any other therapy combined use, the curative effect is better, and the market is further expanded.
- (5)Vertically integrated production and manufacturing capabilities. In the future, there will be production lines that meet international standards in the United States and China. The supply, quality control, storage, transportation and marketing of medicines can be planned in a unified manner.
- (6)A strong team, and cooperation with the world's top cancer centers and authorities to maintain the world's first.
- (7)ADI-PEG 20 has obtained 49 international patents, covering USA, Canada, Europe, Australia, Singapore and South Korea, etc., and another 20 patents are pending .

#### 5. Advantages and Disadvantages of Development Prospective and Corresponding Measures

##### (1) Advantages:

- (i) With the increase of human lifespan , the number of cancer patients worldwide is increasing rapidly every year .
- (ii) Many different cancers may be treated with ADI-PEG 20, and the mechanism of action is completely different from other therapies, with high safety, and can be used in combination with other therapies to improve efficacy and expand the market.
- (iii) The government actively promotes the biotechnology industry and



incorporates biotechnology and medicine into one of the five innovative industry R&D plans. First, promote the biotechnology industry and create the next economic growth momentum of the country.

(2) Disadvantages and corresponding measures:

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

Corresponding measures :

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

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

The biotechnology, medical and pharmaceutical industry is an industry that must combine talents, technology and capital. It must invest a long time in research and development and high research and development funds, and it has considerable risks .

Corresponding measures :

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

(2) Key usage and production processes of main products

1. Key usage of the main products: ADI- PEG 20 developed by The Company is a cancer drug for non-single indications.
  2. Manufacturing process of main products: Escherichia coli fermentation , protein purification , raw material modification , preparation bottling , refrigeration.
- (3) Supply status of main raw materials: It is mainly consumables required for production . Each consumable has more than two suppliers , whose supply is stable and there is no centralized transaction.
- (4) The names of customers who have accounted for more than 10% of the total purchases (sale) in any one of the last two years, and their purchases ( sale) amounts and proportions, and explain the reasons for their increase or decrease:

ADI-PEG 20 is still in the clinical trial stage, so there is no operating income and operating gross profit yet. The Company's 2020 and 2021 biopharmaceutical C DMO revenue was NT\$9,410 thousands and NT\$15,041 thousands, respectively.

The Company is mainly engaged in the development of new biologics cancer drug ADI-PEG 20 and drug commissioned development and manufacturing services (CDMO). Since The Company's new cancer drug ADI-PEG 20 is still in the clinical trial stage, and the source of operating income in 2020 and 2021 It was generated

from the signing of the CDMO business of biopharmaceuticals with the American business Helix BioMedix, Inc. and the joint development agreement with Nanotein Technologies. In the pre-development stage of biological drugs, only the expenses for experimental consumables such as buffers, experimental bottles, and reagents required for the execution of the plan are incurred, and there is no purchase of raw materials, so it is not applicable.

Information on major sales customers in the last two years

Unit: NTD thousand

Item	2020				2021				2022 as of the end of March (Note)			
	Name	Amount	Net sales for the year (%)	Relationship with the issuer	Name	Amount	Net sales for the year (%)	Relationship with the issuer	Name	Amount	Net sales for the year (%)	Relationship with the issuer
1	Helix BioMedi, Inc.	9,410	100	None	Helix BioMedix, Inc.	13,992	93	None	Helix BioMedix, Inc.	3,402	100	None
	other	-	-	-	other	1,049	7	-	other	-	-	-
	Net sales	9,410	100	-	Net sales	15,041	100	-	Net sales	3,402	100	-

Note: As of the date of publication, no accountant has issued a quarterly report

(5) Production value table for the last two years: The Company's CDMO business, the output value is determined according to the commissioned work project, and there is no fixed mass production product. The self-developed ADI-PEG 20 product is still in the research and development stage, and has not been officially mass-produced. sale, so not applicable.

(6) Sales value table for the last two years:

Unit: NTD thousand

Sales of goods / year / Major Products	2020				2021			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Volume	value	Volume	value	Volume	value	Volume	value
CDMO revenue	-	-	-	9,410	-	-	-	15,041

Description of changes : The Company's current main source of revenue is CDMO services, and the output value is determined according to the entrusted work project, and there is no fixed mass-produced product. Except Helix In addition to BioMedix, Inc., in September 2020, signed a joint development agreement with Nanotein Technologies., Inc. to cooperate in the development of nanoprotein products for the market development potential of Chimeric Antigen Receptor T (Chimeric Antigen Receptor T, CAR- T) required for treatment. D RX USA is responsible for process development and mass production. The Company currently holds 41% of the shares. After commercialization of the product in the future, it can obtain 15% of the revenue. In addition, the company continues to develop small and medium-sized customers and further provide customized technical services.

### 3. Information on Employees

Profile of employees in the last two years and as of the date of publication of the annual report

year		2020	2021	End of March 2022
Number of workers	R &D personnel	69	91	1.01
	other personnel	15	21	23
	Total	84	112	124
Average age		40.69	40.15	40.19
Average years of service		5.54	4.76	4.50
Education background Ratio (%)	Ph.D	8.33	9.82	10.48
	Master's	21.43	25.89	24.19
	University/college	64.29	58.93	59.68
	Senior High School	5.95	5.36	5.65
	Below Senior High School	0.00	0.00	0.00

### 4. Environmental Protection Expenditure Information

The most recent year and as of the date of publication of the annual report , the total amount of losses ( including compensation ) and penalties due to environmental pollution , and explain its future countermeasures ( including improvement measures ) and possible expenditures ( including possible losses and penalties for failure to take countermeasures ) and the estimated amount of compensation, if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated ) : None.

### 5. Employee-employer Relations

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

#### 1. Taiwanese employees

##### (1) Employee welfare measures

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

##### (2) Staff training and training

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

##### (3) Retirement system

New system: in accordance with the Labor Pension Regulations.

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

Through various activities such as communication, motivation, education, and group health, The Company timely understands the needs of employees, and actively explores and solves problems of employees, so that employees can build a harmonious relationship with the company, improve employees' centripetal force and satisfaction, and cooperate with the company. Companies to create a better future together. The Company has formulated relevant protection norms in the work rules for the work rights and interests of female colleagues to protect the relatively disadvantaged female colleagues. The Company also has a complaint method for sexual harassment in the workplace to ensure respect for the basic human rights of both sexes.

## 2. USA employees

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

## 3. Mainland China employees

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

- (2) List the losses suffered due to labor disputes in the most recent year and up to the date of publication of the annual report , and disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated : None.

## 6. Information security management

- (1) State the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

### 1. Data security risk management framework

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

### 2. Information Security Policy

- Ensure that data access is regulated according to departmental functions.
- Avoid unauthorized access and modification of data and systems to ensure their

correctness and integrity.

- To ensure the continuous operation of the information system .
  - Regularly perform information security audits to ensure that information security is actually implemented.
  - Regularly publicize information security policies, promote employees' awareness of information security and strengthen their awareness of related responsibilities.
3. The specific management plan and the resources invested in the security management of information communication

The information security business is coordinated, managed and supervised by the information engineer, who is responsible for handling the information security work. Regularly conduct Internet information security control, data access control, backup and emergency recovery mechanisms, and provide relevant information security publicity and education and training courses. Through the implementation of relevant information security policies, the company's information security can be protected and a safe and secure information security environment can be provided . The Company is also actively improving and strengthening the information security defense mechanism and improving the information security protection to ensure the continuous operation of the company.

- (2) List the losses, possible impacts and countermeasures caused by major information security incidents in the last two years and as of the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

## 7. Important contracts

Contractual nature	Parties	Contract Period	Main Content	Restrictions Terms
Cooperative Research Contract	Polaris/ Ludwig Institute for Cancer Research Ltd	2011.01.03 to the completion of the contract	USA Human Clinical Trial Study	NDA
Clinical research contract	Polaris/ TDW Pharmaceuticals	2020.07.01 to the completion of the contract	Human clinical trials in Asia	NDA
Mutual authorization contract	Polaris/ TDW Pharmaceuticals / DRX USA	2014.12.17	Patent Mutual License	NDA
Outsourced manufacturing contract	Polaris/ DRX USA	2012.10.01	Manufacture of outsourced clinical medicines	NDA
Outsourced service contract	Polaris/ PPI	2021.01.01~ 2/024.12.31	Outsourced R&D, clinical trials and administrative services	NDA
Land transfer contract	DRX Chengdu/ Chengdu Municipal Bureau of Land and Resources	2013.08.06 (From the date of delivery, the land transfer period is 50 years. Before the expiration of the term of use, the land user can apply for renewal of the contract. Except for those who need to be reclaimed based on public interests, the transferor shall approve. However, the right to use land for residential construction When the term expires, it will automatically renew.)	State-owned construction land for sale	None
Lease contract	PPI / SAN Diego SYCAMORE, LLC	2020.02.01- 2024.05.31	Leasse for USA San Diego Office	none
Lease contract	PPI / Allison Commercial , LLC	2013.08.01- 2028.07.31	Lease for USA Vacaville plant	none
CDMO contract	PPI/ Helix BioMedix , Inc.	2019.11.14-	Development of E.coli expression system for UVDE-TAT production	NDA
CDMO contract	PPI/ Primmune Therapeutics , Inc.	2021.03.18~ 2023.03.18	Development of the SARS-CoV-2 3CL master protease	NDA
Joint development agreement	Polaris/ Nanonotein Technologies., Inc.	2020.09.30	Cooperative Development Agreement	NDA
Loan contract	DRXChengdu / Chengdu Yingkai Investment ( client ) China Minsheng Bank Co., Ltd. Chengdu Branch ( Lender )	2016.08.23- 2024.08.11	Long-term loan of RMB 78,000 thousand	Special funds for the construction of workshops and the purchase of equipment

Contractual nature	Parties	Contract Period	Main Content	Restrictions Terms
Purchase of Land	DRX USA / Agenus West , L LC	2021.05.14	Purchase of Real estate	None
Letter of Intent	Polaris/ Consortium National Institutes of Health	2021.11.05- 2022.12.31	Collaborate on related technologies such as DNA vaccines , mRNA vaccines, cancer vaccines and cell therapy	NDA
Cooperation agreement	PPI / The Regents of the University of California	2021.11.22- 2022.11.22	Cooperative development of a broad-spectrum mRNA vaccine integrating influenza and coronavirus	NDA

## VI. Financial overview

1. Condensed balance sheets and comprehensive income statement for the last five years, and the CPA's name and audit opinion should be noted

- (1) Condensed balance sheet and comprehensive income statement

1. Condensed Balance Sheet - IFRS

Unit: NTD thousand

Item		year	Financial information for the last five years				
			2017	2018	2019	2020	2021
Current asset			731,252	428,034	2,639,001	1,878,834	6,349,990
Investments accounted for under equity method			0	0	0	39,552	62,352
Property, Plant and Equipment			1,446,866	1,476,175	1,373,837	1,322,198	1,297,205
Intangible assets			5,778	0	0	5 96	381
Other assets			37,941	71,511	93,379	121,200	112,176
Total assets			2,221,837	1,975,720	4,106,217	3,362,380	7,822,104
Current liabilities	Before assignment		465,925	1,086,564	236,074	278,003	436,770
	After assignment		465,925	1,086,564	236,074	278,003	436,770
Non-current liabilities			747,714	248,607	260,535	202,848	171,457
Total liabilities	Before assignment		1,213,639	1,335,171	496,609	480,851	608,227
	After assignment		1,213,639	1,335,171	496,609	480,851	608,227
Equity attributable to owners of parent company			1,008,198	640,549	3,609,608	2,881,529	7,213,877
Share capital			2,656,126	2,858,364	6,529,014	6,529,014	7,188,451
Capital surplus			4,553,629	5,049,091	5,266,256	5,290,730	9,824,000
Retained earnings	Before assignment		(6,159,622)	(7,191,893)	(8,021,651)	(8,681,875 )	(9,422,362)
	After assignment		(6,159,622)	(7,191,893)	(8,021,651)	(8,681,875 )	9,422,362)
Other equities			(41,935)	(75,013)	( 164,011)	( 256,340)	( 376,212)
Treasury stock			—	—	—	—	—
Non-controlling interests			—	—	—	—	—
Total Equity	Before assignment		1,008,198	640,549	3,609,608	2,881,529	7,213,877
	After assignment		1,008,198	640,549	3,609,608	2,881,529	7,213,877

Source: Financial report audited and certified by CPA.



## 2. Condensed Consolidated Income Statement - IFRS

Unit: NTD thousand

year project	Financial information for the last five years				
	2017	2018	2019	2020	20
Operating revenue	—	—	—	9,410	15,041
Operating profit	—	—	—	2,431	2,097
Operating profit and loss	(843,737)	(1,013,715)	(795,220)	(678,058)	(731,917)
Non-operating income and expenses	(53,633)	(18,509)	(33,718)	17,882	(7,793)
Profit (loss) before tax	(897,370)	(1,032,224)	(828,938)	(660,176)	(739,710)
Profit (loss) of continuing business for the current period	(898,453)	(1,032,271)	(829,758)	(660,224)	(740,487)
Loss from discontinued operations	—	—	—	—	—
Net profit (loss) for the current period	(898,453)	(1,032,271)	(829,758)	(660,224)	(740,487)
Other comprehensive income (losses) for the current period (net after tax)	28,757	(33,078)	(88,998)	(92,329)	(119,872)
Total comprehensive income (losses) for the current period	(869,696)	(1,065,349)	(918,756)	(752,553)	(860,359)
Net profit (loss) attributable to parent company owners	(898,453)	(1,032,271)	(829,758)	(660,224)	(740,487)
Net profit (loss) attributable to non-controlling interests	—	—	—	—	—
Total comprehensive profit (loss) attributable to parent company owners	(869,696)	(1,065,349)	(918,756)	(752,553)	(860,359)
Total comprehensive profit (loss) attributable to non-controlling interests	—	—	—	—	—
Earning Per Shares	(3.92)	(3.81)	(2.46)	(1.01)	(1.09)

Source: Financial report audited and certified by an accountant.

### ( 2 ) Name and audit opinion of the certified public accountant for the last five years

Year	CPAs	Accounting Firm	Review opinion	Note
2017	Wendy Liang, David Teng	PwC Taiwan	Unqualified opinion	—
2018	Wendy Liang, David Teng	PwC Taiwan	Unqualified opinion	—
2019	Wendy Liang, David Teng	PwC Taiwan	Unqualified opinion	—
2020	Wendy Liang, Alan Chien	PwC Taiwan	Unqualified opinion	—
2021	Wendy Liang, Alan Chien	PwC Taiwan	Unqualified opinion	—

## 2. Financial analysis for the last five years

Analysis item (Note4)		Financial analysis for the last five years				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt ratio	54.62	67.58	12.09	1 4.30	7.78
	Ratio of Long-term fund to property, plant and equipment	121.36	60.23	281.70	233.27	569.33
Liquidity (%)	Current ratio	156.95	39.39	1117.87	675.83	1453.85
	Quick ratio	126.99	36.10	1105.45	669.62	1373.00
	Times Interest Earned	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Operating Performance	Accounts receivable turnover (times)	—	—	—	4.06	4.15
	Average Collection days for receivables	—	—	—	89.90	87.95
	Inventory turnover (times)	—	—	—	—	—
	Accounts payables turnover (times)	—	—	—	—	—
	Average days of sales (days)	—	—	—	—	—
	Property, plant and equipment turnover (times)	—	—	—	0.01	0.01
	Total asset turnover (times)	—	—	—	0.003	0.003
Profitability	Return on total assets (%)	(40.72)	(47.52)	(26.12)	(17.54)	(12.98)
	Return on Equity (%)	(146.91)	(125.22)	(39.05)	(20.34)	(14.67)
	Ratio of income before tax to paid-in capital (%)	(33.78)	(36.11)	(12.70)	(10.11)	(10.29)
	Profit ratio (%)	—	—	—	(7,016.20)	(4,923.12)
	Earnings per share (NT\$)	( 3.92)	( 3.81)	( 2.46)	( 1.01)	( 1.09)
Cash flow	Cash flow ratio (%)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Cash flow adequacy ratio (%)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Cash reinvestment ratio (%)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Leverage	Operating leverage	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)
	Financial leverage	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)
Please explain the reasons for the changes in financial ratios in the last two years. (If the increase or decrease change is less than 20%, the analysis can be exempted)						
(1) Debt ratio, ratio of long-term funds to real estate, plant and equipment , current ratio and quick ratio: due to the cash capital increase in 2021 , the current assets such as cash and cash equivalents increased, resulting in a decrease in debt ratio; long-term funds The ratio of property, plant and equipment , current ratio and quick ratio decreased.						
(2) Return on assets and return on equity: mainly due to the increase in return on assets and return on equity due to the cash capital increase in 2021 .						
(3) Net profit ratio: mainly due to the decrease in net profit ratio due to the increase in after-tax losses.						

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

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

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

Note3: Financial analysis calculation formula:

### 1. Financial structure

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

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

### 2. Solvency

- (1) Current ratio = current assets/current liabilities.
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
  - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense for the current period.
3. Operational ability
- (1) Turnover rate of accounts receivable (including accounts receivable and bills receivable arising from business operations) = net sales / average receivables in each period (including accounts receivable and bills receivable arising from business operations) Receivables) balance.
  - (2) Average collection days = 365/receivables turnover rate.
  - (3) Inventory turnover ratio = cost of goods sold/average inventory.
  - (4) Accounts payable (including accounts payable and bills payable arising from business operations) turnover rate = cost of goods sold / balance of average payables (including accounts payable and bills payable arising from business operations) in each period.
  - (5) Average days of sales = 365/inventory turnover rate.
  - (6) Turnover rate of fixed assets = net sales/average net fixed assets.
  - (7) Turnover rate of total assets = net sales/total average assets.
4. Profitability
- (1) Return on assets = [after-tax profit and loss + interest expense  $\times$  (1-tax rate)]/average total assets.
  - (2) Return on equity = after-tax profit and loss/average total equity.
  - (3) Net profit ratio = profit and loss after tax / net sales.
  - (4) Earnings per share = ( equity attributable to owners of the parent company - dividends on special shares)/weighted average number of shares issued.
5. Cash flow
- (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
  - (2) The fair ratio of net cash flow = the net cash flow of operating activities in the last five years / the last five years (capital expenditure + inventory increase + cash dividend).
  - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / ( gross real estate , plant and equipment + long-term investment + other non- current assets + working capital).
6. Leverage:
- (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
  - (2) Financial leverage = operating profit / (operating profit - interest expense).

### 3. Audit Committee's Review Report of 2021 Financial Report

#### **Polaris Group**

#### **2021 Audit Committee's Review Report**

The Board has prepared the Company's 2021 Annual Business Report, Consolidated Financial Statements, Deficit Compensation Statement, etc., of which the consolidated financial statements have been audited and issued by the Board appointed Accountants, Liang Tsan-Wen and Chien Fan-Ya of PricewaterhouseCoopers, Taiwan.

The above-mentioned Annual Business Report, Consolidated Financial Statements, Deficit Compensation Statement have been reviewed by the Audit Committee and no irregularities were found. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act, the report is hereby issued. Please review and kindly approve.

To: Polaris Group 2022 Annual General Meeting

Sincerely,

**Polaris Group Audit Committee**

Convenor: Way, Tzong Der

February 25, 2022



4. Audited Financial report of last fiscal year: please refer to page 137 of the annual report .
5. Standalone Audited Financial Report of last fiscal year: Not applicable.
6. In the most recent year and the date of publication of the annual report of the company and its affiliated companies, if there is a financial turnover difficulty, the impact on the company's financial position shall be stated: None.

## VII. Review and Analysis of Financial Status, Financial Performance and Risk Management

### 1. Financial status

Unit: NTD thousand

Accounting item \ Year	2020	2021	Difference	
			Increase/ (Decrease) Amount	%
Current assets	1,878,834	6,349,990	4,471,156	237.98
Investments accounted for under equity method	39,552	62,352	22,800	57.65
Property, Plant and Equipment	1,322,198	1,297,205	(24,993)	(1.89 )
Right-of-use assets	88,419	66,982	(21,437)	(24.24 )
Intangible assets	596	381	(215)	(36.07 )
Other assets	32,781	45,194	12,413	37.87
Total assets	3,362,380	7,822,104	4,459,724	132.64
Current liabilities	278,003	436,770	158,767	57.11
Non-current liabilities	202,848	171,457	(31,391)	(15.48)
Total liabilities	480,851	608,227	127,376	26.49
Equity attributable to owners of parent company owners	2,881,529	7,213,877	4,332,348	150.35
Share capital	6,529,014	7,188,451	659,437	10.10
Capital surplus	5,290,730	9,824,000	4,533,270	85.68
Retained earnings	(8,681,875)	(9,422,362 )	(740,487)	8.53
Other equities	(256,340)	(376,212)	(119,872)	46.76
non-controlling interests	—	—	—	—
Total Equity	2,881,529	7,213,877	4,322,348	150.35
<p>1. The main reasons for the major changes in assets, liabilities and equity in the last two years and their impact, ( analyzing and explaining the changes of more than 20 % in the previous and later periods , and the amount of the changes has reached NT\$10 million )</p> <p>(1) Current assets: mainly due to the cash capital increase of the Company in 2021 , resulting in an increase in cash and cash equivalents.</p> <p>(2) Investment using the equity method: due to The Company's reinvestment in affiliated companies in 2021.</p> <p>(3) Right-of-use assets : due to depreciation of right-of-use assets.</p> <p>(4) Other assets : due to the increase in the deposit and Liu's tax credit.</p> <p>(5) Current liabilities : mainly due to new bank loans in 2021.</p> <p>(6) Capital reserve : mainly due to The Company 's cash capital increase in 2021, resulting in an increase in capital reserve .</p> <p>(7) Other equity: The main functional currency of The Company is the US dollar . Due to the weaker exchange rate of the US dollar this year compared to the same period of last year , the amount of other equity decreased and increased.</p> <p>2. Future Response Plan: The above changes have no material adverse impact on The Company and its subsidiaries.</p>				

Source: Financial report audited and certified by CPAs.

## 2. Financial performance

### (1) Business Result Analysis

Unit: NTD thousand

Item \ Year	2020	2021	Difference	
			Increase (decrease) amount	% change
Operating revenue	9,410	15,041	5,631	59.84
Operating cost	(6,979)	(12,944)	(5,965)	85.47
Gross profit	2,431	2,097	(334)	(13.74 )
Operating expenses	(680,489)	(734,014)	(53,525 )	7.87
Operating loss	(678,058)	(731,917)	(53,859 )	7.94
Non-operating income (loss)	17,882	(7,793)	(25,675)	(143.58)
Profit (loss) before tax	(660,176)	(739,710)	(79,534)	12.05
Income tax expense	(48)	(777)	(729)	1518.75
Net income (loss)	(660,224)	(740,487)	(80,263)	12.16
Other comprehensive income (loss) for the current period	(92,329)	(119,872)	(27,543)	29.83
Total comprehensive income (loss) for the current period	(752,553)	(860,359)	(107,806)	14.33
Change of the increase/decrease ratio of more than 20% and the amount of NT\$ 10 million or more and its impact analysis are explained as follows :				
(1) Non-operating income and expenses : Due to increase in financial cost and decrease in interest income .				
(2) Other comprehensive gains and losses : tThe difference in exchange benefits caused by exchange rate fluctuations.				

Source: Financial report audited and certified by an accountant.

### (2) Expected sales volume and its basis:

The Company is currently in the stage of new drug research and development, and its main revenue comes from the CDMO business. The Company will actively develop customized CDMO services. The Company and its subsidiaries will continue to develop ADI-PEG 20, and provide biopharmaceutical development technical services and contract manufacturing services. At present, The Company and its subsidiaries are financially sound, and there is no material disadvantage to the ongoing R&D plans and financial business. influence.

- (3) Possible impact on the company's future financial business and corresponding plans: Please refer to Section 5, 1, (4) "Long-term and short-term business development plans" in this annual report.

### 3. Cash flow

#### (1) Analysis and explanation of cash flow changes in recent years

Unit: NTD thousand

Project\Annual	2020	2021	Increase ( decrease ) amount	Increase ( decrease ) ratio (%)
Net cash inflow (outflow) from operating activities	(585,798)	(539,258)	46,540	(7.94)
Net cash inflows (outflows) from investing activities	(1,777,997)	1,019,067	2,797,064	(157.32)
Net cash inflows (outflows) from financing activities	1,272	5,351,344	5,350,072	420603.14
Analysis of cash flow changes :				
(1) Investment activities: mainly due to the reclassification of U.S. dollar deposits over 3 months from financial assets into cash and cash equivalents.				
(2) Fund - raising activities: mainly due to the cash capital increase in 2021 and the acquisition of short-term loans.				

#### (2) Improvement plan for insufficient liquidity :

The Company is in the clinical trial stage of research and development of new drugs. In 2021, the revenue of C DMO has been injected, and the cash level is still sufficient, and there is no shortage of liquidity. However, in order to strengthen the financial structure of The Company and improve the ratio of its own funds, and Pursuing the long-term and stable development of the company, a cash capital increase plan will be carried out depending on the situation .

#### (3) Analysis of cash flow in the next year

Unit: NTD thousand

Beginning cash balance(1)	Expected net cash flow from operating activities for the full year(2)	Expected Other events expected throughout the year Net Cash Flow(3)	Expected Cash surplus (insufficient) number (1)+(2)+(3)	Insufficient cash remedies	
				Investment plan	Financial plan
6,209,561	(686,737)	470,094	5,992,918	—	—
Cash flow in the coming year :					
(1) Operating activities: In 2022 , new drugs are still in the research and development stage. Although there is already income generated by CDMO , the overall net operating activities are still cash outflows.					
(2) Investment and financing activities: In the second half of 2022, the Company will handle cash capital increase , repayment of bank loans and the construction of Taiwan Yilan plant.					

### 4. Impact of Major Capital Expenditures on Corporate Finance and Business for the Most Recent Year

The amount of capital expenditure of the Group in the most recent year was approximately NT\$204,343 thousand, which was mainly due to the addition of property, plant and equipment, etc. for future product development and manufacturing . Therefore, there is no adverse financial and business condition of The Company due to the increase in capital



expenditure. love affair .

5. Reinvestment policy in the most recent year, the main reasons for its profit or loss , improvement plan and investment plan for the next year

(1) Reinvestment policy

The Company's current re-investment policy is mainly based on investment targets related to the development of its own industry, and does not engage in investment in other industries. The relevant executive departments follow the internal control system "investment cycle" and "acquisition or disposal of assets " and other measures. The above-mentioned The methods or procedures shall be discussed and approved by the Board of Directors or the shareholders meeting.

- (2) The main reasons for the profit or loss of reinvestment in the most recent year and the improvement plan :

The reinvestment businesses of The Company are all still in the research and development stage and have not yet generated operating income, so up to now, the reinvestment businesses are still in a state of loss. receive and profit.

- (3) Investment plan for the next year:

The Company will build a "Biopharmaceutical R&D and Production Base" in Yilan Science Park. On April 29, 2021, the 70th meeting of the Science Park Review Conference of the Ministry of Science and Technology decided that this case is in line with the "scientific undertaking" stipulated in Article 4 of the "Regulations on the Establishment and Administration of Science Parks", allowing the Science Park to establish "Polaris Biomedical Co., Ltd." Company (established)", and received a letter of approval from the Hsinchu Science Park Administration of the Ministry of Science and Technology on May 5, 2021, and a letter from the Hsinchu Science Park Administration on January 22, 2022 agreed to allocate leased land for The Company to build. Factory use .

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

## 6. Risk Management and Assessment

### (1) The impact of interest rate, exchange rate changes and inflation on the company's profit and loss and future countermeasures

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

The Company pays attention to the trend of interest rates at any time to avoid the impact of interest rate fluctuations on the cost of capital of The Company, and maintains a good relationship with the correspondent banks, so as to obtain more favorable interest rates and avoid the risk of interest rate rises. The Company is in the stage of growth and development. The research and development of new drugs has the characteristics of large capital demand and long research and development period. In the future, it will comprehensively consider the amount and cost of various funding sources, in order to take flexible measures at any time to raise the required funds. Therefore, changes in interest rates will affect the The Company's profit or loss is not yet materially affected.

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

The Company's daily operations are mainly based on US dollars, Renminbi, and New Taiwan Dollars as functional currencies, and the principle of natural sterilization is adopted for foreign currency hedging, but the impact is small, and in order to reduce the impact of exchange rate fluctuations on profit and loss, The Company maintains close relations with correspondent banks Contact, to grasp the changes in the foreign exchange market, should be able to minimize the impact of exchange rate fluctuations.

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

The Company's profit and loss has so far not been significantly affected by inflation. The Company is a new drug R&D and manufacturing company. At present, its main business activities are new drug R&D and CDMO business. Due to industry characteristics, inflation has little impact on The Company's operations, mainly due to personnel costs and equipment procurement costs. Profits and losses have not been affected by inflation, and we will pay close attention to changes in the overall economic environment and take appropriate measures in the future.

### (2) Policies, main reasons for profit or loss and future countermeasures for engaging in high-risk , high-leverage investments, lending funds to others, endorsement guarantees and derivatives trading

The Company focuses on the development of its own business. In the most recent year and up to the date of publication of the annual report, it has not engaged in high-risk, high-leverage investments and transactions, and has not engaged in fund loans to others or endorsed guarantees to others outside the group. In addition, measures such as "procedures for acquiring or disposing of assets", "management methods for loaning funds to others" and "management methods for endorsement guarantees" have been formulated. All relevant operating procedures have carefully considered the risk status. There is a relationship between The Company and its subsidiaries The endorsement guarantee and the loan of funds shall be handled in accordance with the relevant operating procedures.

(3) Future R&D plans and estimated R&D expenses

Compared with generic drugs or OEM production, the development of new drugs requires relatively large funds and a relatively long time, and the risk of failure is relatively large. The development of ADI-PEG 20, a new drug product under development by The Company, was initiated in 1990 by the Ludwig Institute For Cancer Research, a global private non-profit cancer research organization, in a laboratory in New York for more than 30 years. The center conducted the first human clinical trial. So far, The Company has completed more than 20 Phase I, II and III clinical trials. As the current data shows that ADI-PEG 20 may be effective in a variety of different cancers, the entire development process has entered the final stage, and the current research and development progress is closest to the commercialized indications for lung mesothelial cancer, soft tissue sarcoma, liver cancer, uncertain Risks have also been relatively reduced. The Company will continue to communicate closely with the competent authorities of various countries (FDA, EMA, TFDA, CFDA) in this final stage, in order to obtain the drug certificate in the shortest time. In addition, The Company will begin to explore the feasibility of a strategic alliance, looking for highly complementary partners to maximize the market potential of ADI-PEG 20.

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

(4) The impact of important domestic and foreign policies and legal changes on the company's financial business and countermeasures

The Company is registered in the British Cayman Islands (hereinafter referred to as "Cayman Islands"), and its main operating locations are in the USA, Taiwan and mainland China. The Cayman Islands is only the registered land of The Company, and The Company has no substantial economic activities there. The main economic activities of the Cayman Islands are financial services, and the United States is the world's major economic system. The economic development and political environment are relatively stable. The Company conducts all business operations in accordance with important local policies and legal regulations, and pays attention to the development trend of important domestic and foreign policies and changes in laws and regulations at any time. Plan countermeasures. In the most recent year and up to the date of publication of the annual report, The Company has not had any material events that have affected the company's financial business due to important policy and legal changes in the above regions. In addition, The Company will always pay attention to changes in important policies and laws at home and abroad, and take appropriate countermeasures in a timely manner. Therefore, in the most recent year and up to the date of publication of the annual report, the changes in important policies and laws in various investment regions have not caused significant changes in The Company's financial business. Influence.

(5) The impact of technological changes (including information security risks) and industrial changes on the company's financial business and countermeasures

The Company has a high degree of professional research and development capabilities. It also pays attention to the update and improvement of related technologies in its industry.

at any time and grasps the latest market information. It closely grasps technological changes and industrial changes and takes appropriate measures as needed . Information engineers under the management department Responsible for coordinating and implementing information security policies to reinforce the importance of information security . In the most recent year and as of the publication date of the annual report , The Company has not had any significant impact on The Company's financial business due to technological changes and industrial changes.

(6)The impact of corporate image change on corporate crisis management and countermeasures

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

(7) Expected benefits, possible risks and countermeasures of M&A

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

(8) Expected benefits, possible risks and countermeasures of plant expansion

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

(9) Risks faced by purchase or concentration of sales and countermeasures

1. Risks and countermeasures for the concentration of purchases

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

2. Risks faced by sales concentration and countermeasures

The Company's main product , A DI-PEG 20, is still in the clinical trial stage, so there is no sales transaction. However, The Company has generated a small amount of CDMO foundry revenue in 2020 , and it comes from a single customer. In terms of technical services of biological drugs, due to the high technical threshold and different project attributes of customers, The Company mainly focuses on establishing long-term relationships with customers, aiming at strategic joint development projects, and will actively and continuously develop projects. CDMO business, deepen the relationship with customers to reduce the risk of sales concentration.

- (10) Directors, supervisors or major shareholders holding more than 10% of the shares, the impact, risks and countermeasures of the large-scale transfer or replacement of shares on the company

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

- (11) The impact, risks and countermeasures of the change of management rights on the company

The Company held its first extraordinary general meeting of shareholders in 2020 on February 25, 2020, during which seven directors (including Independent Director) were fully re-elected. Among the Directors after the re-election, the former Director Chen Hung-Wen serves as Chairman of the Board, and Shaw Chen, the CEO of The Company, and Wayne Lin, the chief operating officer, also serve as Directors. Both new drug R&D and clinical trials have rich practical experience, and the newly elected Independent Director members all have solid industrial and academic foundations, which will help The Company's future business development and shareholder equity enhancement.

- (12) Litigation or non-litigation event : None.

- (13 ) Other important risks and countermeasures:

The Company is a fully vertically integrated new drug development company. The main research project is ADI-PEG20. The new drug development stage requires a lot of funds. After a period of development and a series of very rigorous review procedures, it can obtain the drug license marketing market. And then profit, so the company needs to bear the risk of huge investment and development failure. The Company may encounter different levels of challenges in the new drug development process and subsequent clinical trials. Therefore, the risk analysis and countermeasures for various new drug development plans are as follows :

1. The risk of new drug development failure, and the delay in conducting human clinical trials or if the results are not as expected, the subsequent new drug research and development cannot be continued, resulting in the risk that the new drug cannot be marketed

New drug development is a long-term investment. From pre-clinical trials, Phase I, Phase II, and Phase III clinical trials to new drug inspection and registration, there is a risk of failure at each stage. right question

#### Correponding strategies

The company's main R&D axis is the development of innovative cancer drugs, dedicated to the design and production of macromolecular biological drugs ADI-PEG 20, the precise analysis of clinical trial patient samples, and even more than 20 newly established cGMP factories to ensure the quality of new drugs. The design, certification and implementation of a QC testing project all require the use of the most advanced instruments and technologies. The Company not only has an experienced and strong team, but also employs external consultants and outsourced R&D institutions to assist in completing tasks and reducing the cost of new drugs. Risk of development failure.

The company has signed contracts with more than 20 first-class universities and research centers around the world for more than ten years to jointly explore and expand

the potential market of ADI-PEG 20, find the best combination of drugs for different cancers, and provide more than 100 cancer hospitals around the world. Clinical trials have been conducted, and one hundred research reports on ADI-PEG 20 have been published in international scientific journals. These partners have further greatly improved the company's technical level and R&D capabilities, increased The Company's clinical trial success rate, and accelerated the time for drug products to enter the market. In addition, The Company is engaged in a number of cancer clinical trials. When the results of a clinical trial are not as expected, The Company has other clinical trials, which will not be affected by the results of a single clinical trial.

## 2. Risks of product quality control

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

### Corresponding strategies

The Company is a fully vertically integrated new drug development company, from new drug research and development to the planning and execution of global multi-country clinical trials, the design, construction and certification of cGMP factories, and even the production of drugs and professional QA/QC personnel for drug testing. Quality control is carried out by a complete in-house team to ensure the safety of the quality of related drugs.

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

New drug R&D has a long time to market, high investment cost, high R&D risk, and it takes a long time to generate net cash inflow from operating activities . If operating income cannot be generated smoothly, there may be insufficient working capital, and there is a risk that the new drug R&D plan cannot be completed. Therefore, if the new drug development company does not have sufficient funds for continuous injection, it will cause future operational and financial risks .

### Corresponding strategies

The Company's cash on hand as of December 31 , 2021 was approximately NT \$ 5.88 billion , which is sufficient to cover The Company's working capital for more than three years . The Company will continue to conduct clinical trials to obtain drug certificates as soon as possible, and will increase cash flow through different financing channels as appropriate. In order to reduce research and development costs, it will also consider cooperation with international major manufacturers and strategic alliances to obtain technology licensing funds. Or share R&D expenses to speed up product development.

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

The Company evaluates information security and network risks. Among them, the leakage of confidential information of R&D plans and the virus and illegal intrusion of the company's network may lead to major financial and business losses of the company.

The company has set up various network security equipment to control or maintain the functions of the company's daily operations, and installed firewalls and security

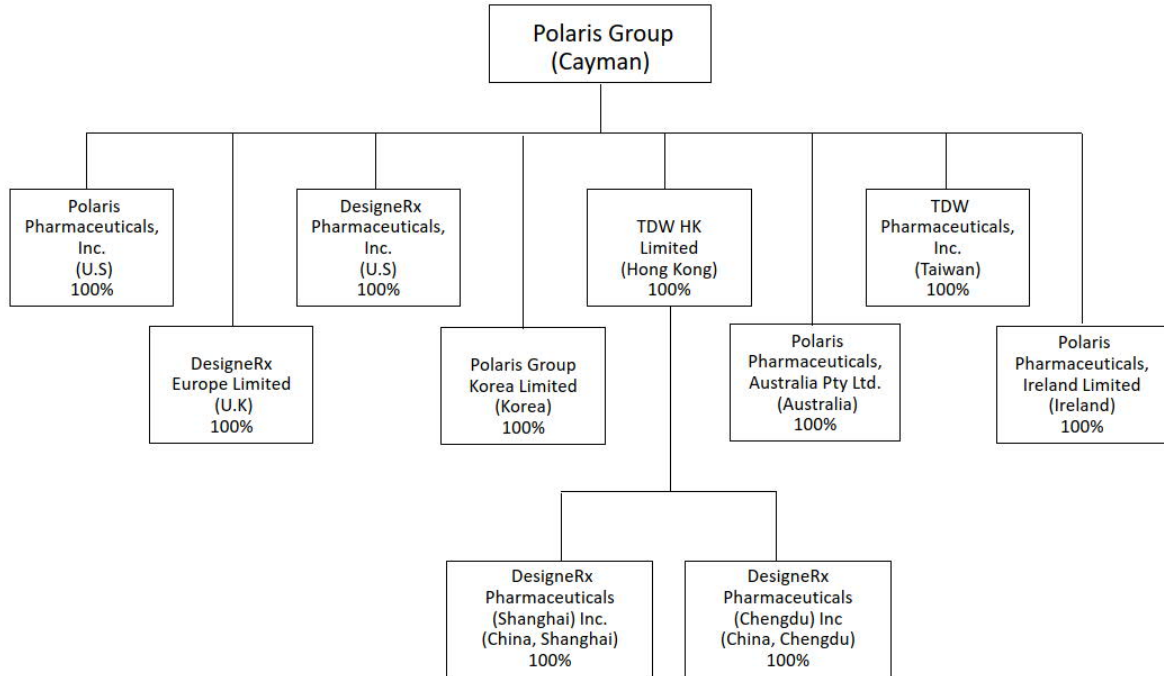
software in the computer system. The company's information department uses account identification, passwords, firewalls and other security technologies to detect, Protect information and systems from intrusion, deletion and unauthorized access. The company's firewall settings are also regularly tested and updated. In order to avoid abuse and plagiarism, important software and files are encrypted, and passwords are regularly updated, and appropriate measures such as improving related processes and upgrading computer software and hardware are made in order to reduce the risk of leakage of confidential information.

7. Other important matters : None

## VIII. Special Disclosures

### 1. Information of Affiliates:

#### (1) Organization chart of affiliated enterprises



#### (2) Basic information of each affiliated enterprise

Dec 31, 2021 Unit : NTD thousand

Company Name	Date of Establishment	Address	Paid-in capital	Primary business or production items
Polaris Group	2006.02.09	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	7,188,451	Holding company
Polaris Pharmaceuticals, Inc.	2006.03.29	10675 Sorrento Valley Rd. San Diego, CA92121, USA	150,995	Biotechnology R&D
Polaris Group Korea Limited	2012.05.16	3rd Floor, Saimdang-ro 39 (Seocho-dong), Seocho-gu , Seoul	1,159	Biotechnology Services
DesigneRx Europe Limited	2011.04.27	90 High Holborn, London, WC1V 6XX	-	Biotechnology Services
Polaris Pharmaceuticals Australia Pty Ltd	2017.01.05	58 Gipps Street, Collingwood VIC3066, Australia	2	Biotechnology Services
Polaris Pharmaceuticals Ireland Limited	2018.12.21	88 Harcourt Street, Dublin 2, Ireland	4	Biotechnology Services



Company Name	Date of Establishment	Address	Paid-in capital	Primary business or production items
TDW Pharmaceuticals Inc.	2003.03.25	2F -1 , No. 298, Ruiguang Road, Neihu District, Taipei City	853,612	Biotechnology research and development, drug testing
DesignRx Pharmaceuticals, Inc.	2002.04.17	4941 Allison Parkway, Suite B, Vacaville, CA95688, USA	1,753,470	Development and manufacture of new drugs
TDW HK Limited	2012.12.28	6/F ALEXANDRA HSE 18 CHATER RD CENTRAL HONG KONG	1,416,405	Holding company
DesignRx Pharmaceuticals (Shanghai) Inc.	2007.07.03	Room 201B, 5th Floor, No. 60, Naxian Road, Zhangjiang, Pudong New Area, Shanghai	1 08,950	New drug development
DesignRx Pharmaceuticals (Chengdu) Inc..	2013.02.25	No. 198, Tiansheng Road, High-tech West District, Chengdu	1,413,200	Development and manufacture of new drugs

(3) Information on the same shareholders of those who are presumed to have control and affiliation:None.

(4) Industries covered by the business of the overall affiliated enterprise:

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

(5) Information on directors, supervisors and general managers of related companies

Please refer to Section 10 of this annual report for information on "Number of shares held by the company, the company's Director, supervisors, managers and enterprises directly or indirectly controlled by the company in the same reinvested enterprise and its comprehensive Percentage".

(6) Operational overview of each affiliated enterprise

2021/12/31 Unit : USD

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Profit (loss) after tax for the year
Polaris Pharmaceuticals, Inc.	4,600,000	10,060,779	2,124,202	7,936,577	3,532,002	(507,840)	560,848
Polaris Group Korea Limited	36,226	2,647	0	2,647	0	(3,209)	(3,205)
DesignRx Europe Limited	—	—	—	—	—	—	—
Polaris	75	45,625	912,502	(866,877)	615	(233,910)	(248,249)

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Profit (loss) after tax for the year
Pharmaceuticals Australia Pty Ltd							
Polaris Pharmaceuticals Ireland Limited	—	—	—	—	—	—	—
TDW Pharmaceuticals Inc.	13,906,454	513,238	238,461	274,777	118,926	(461,862)	(473,869)
DesignRx Pharmaceuticals, Inc.	65,279,043	13,418,042	1,461,052	11,956,990	3,532,991	(6,738,009)	(5,571,751)
TDW HK Limited	45,300,000	34,492,791	1,787	34,491,004	0	(9,276)	(9,246)
DesignRx Pharmaceuticals (Shanghai) Inc.	3,650,000	158,442	2,571	155,871	0	(200,616)	(196,089)
DesignRx Pharmaceuticals (Chengdu) Inc.	43,550,000	42,123,821	15,780,728	26,343,093	6,799	(5,477,956)	(8,585,495)

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

- (7) Consolidated financial statements of related enterprises : Please refer to the consolidated financial statements attached to this annual report.
- (8) Relationship report: The Company is not a subsidiary company of other companies, so there is no need to prepare a relationship report.

2. In the most recent year and as of the date of publication of the annual report, the handling of privately offered securities :None.
3. In the most recent year and as of the publication date of the annual report, the subsidiary holds or disposes of The Company's stock: none.
4. Other necessary supplementary notes: None.
5. Explanation of the major differences with my country's provisions on the protection of shareholders' rights and interests:

Due to the slight inconsistency between the British Cayman Islands Act and the ROC Act, the Taiwan Stock Exchange's recently revised "Checklist for the Protection of Shareholders' Rights and Interests in the Register of Foreign Issuers" ( hereinafter referred to as the "Protection of Shareholders' Rights and Interests List" ) is not . Of course, it can be applied to The Company. The following list describes the differences between the current and effective articles of association of The Company (hereinafter referred to as the "Articles of Association") and the protection of shareholders' rights and interests due to the provisions of the British Cayman Islands Act, as well as the provisions of the articles of association of the company.

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
1. Capital formation and changes of the company		
<ol style="list-style-type: none"> <li>1. A company shall not cancel its shares unless it reduces its capital in accordance with the resolution of the shareholders' meeting; the reduction of capital shall be reduced in proportion to the shares held by the shareholders.</li> <li>2. When the company reduces its capital, it can return the share capital with property other than cash; the property to be returned and the amount to be offset shall be subject to a resolution of the shareholders' meeting and the consent of the shareholder who received the property.</li> <li>3. The value of the property in the preceding paragraph and the amount of the offset shall be submitted by the Board of Directors to the ROC accountant for</li> </ol>		<p>Articles 14 to 18 of the Company Law of the Cayman Islands have strict procedures and substantive norms for the reduction of company capital, and the relevant norms are mandatory and must not be changed by the articles of association. requirements vary considerably. For the avoidance of doubt, with the advice of lawyers in the Cayman Islands, the provisions of Articles 33, 34, 34.5, 36 and 36.1 of the Articles of Association of the Foreign Issuer have been amended so that the company's capital reduction shall be governed by the laws of the Cayman Islands and the listing (cabinet) regulations. procedures and conditions. As for the normative requirements for the company's capital reduction in the Checklist for the Protection of Shareholders' Rights and Interests, the method of repurchase of shares will be changed to achieve the normative requirements specified in the far left column.</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
verification and approval before the shareholders' meeting.		
<p>company may not issue bearer shares.</p> <p>company adopts shares without par value, it shall not be converted into shares of par value.</p>	<p>Article 137, Article 156-1, Paragraph 6 of the Companies Act</p>	<p>Article 7 of the articles of association of The Company stipulates that bearer shares shall not be issued.</p> <p>The Articles of Association of The Company stipulates that The Company adopts par value shares, so there is no need to specify the requirement that "No par value shares adopted by the company shall not be converted into par value shares".</p>
<b>2. Convening procedures and resolution methods of the shareholders' meeting</b>		
<p>company holds a shareholders' meeting, written and electronic means should be listed as one of the channels for exercising voting rights.</p> <ol style="list-style-type: none"> <li>1. the company holds a shareholders meeting outside the ROC, it shall provide that shareholders can exercise their voting rights in writing or electronically.</li> <li>2. When the company exercises voting rights in writing or electronically, the method of exercising the voting rights shall be specified in the notice of convening the shareholders' meeting. Shareholders who exercise their voting rights in writing or electronically are deemed to have attended the shareholders' meeting in person. However, the provisional motions and amendments to the original motions at the shareholders' meeting shall be deemed as</li> </ol>	<p>Articles 177-1 and 177-2 of the Company Act</p>	<p>The Company has revised the meaning of the newly revised part of the Taiwan Stock Exchange's Foreign Issuer's Note Registered Shareholders' Rights Protection Matters Checklist in May 2010, and revised it into The Company's articles of association with reference to the Cayman Articles of Association and related legal terms.</p> <p>Since the Cayman Company Law does not expressly allow written or electronic voting, in order to comply with Cayman law, according to Cayman lawyers, Article 67 of The Company's Articles of Association has stipulated that "Written or electronic voting rights shall be counted as statutory attendance. Under the Articles of Association and Cayman Law, it is deemed to have entrusted the chairman of the shareholders' meeting to exercise voting rights in accordance with his written or electronic instructions. However, such entrustment is not regarded as an act of proxy attendance under the Listing Law. When the shareholders' meeting When the chairman is entrusted to exercise the voting rights of shareholders, he shall not exercise any actions other than those instructed by the shareholders in writing or electronically, and shall not exercise the right to vote on any</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>abstentions.</p> <p>3. If a shareholder exercises voting rights in writing or electronically, the statement of intent shall be delivered to the company two days before the shareholders' meeting. However, those who express their intentions before the declaration of revocation are not subject to this limitation.</p> <p>4. If a shareholder wishes to attend the shareholders' meeting in person after exercising his voting rights in writing or electronically, he or she shall revoke the declaration of intention to exercise the voting rights in the preceding paragraph in the same manner as when exercising the voting rights two days before the meeting of the shareholders' meeting. voting rights shall prevail.</p> <p>5. If a shareholder exercises voting rights in writing or electronically, and entrusts a proxy to attend the shareholders' meeting by proxy, the voting rights that are entrusted to attend and exercise shall prevail.</p>		<p>amendments or interim motions. Shareholders who vote in this way shall be entitled to the interim motions of the general meeting of shareholders. The amendments to the original proposal and the original proposal shall be regarded as abstentions.” The company has considered the opinions of Cayman lawyers and the written and electronic voting requirements under Taiwan law to revise the articles of association to formulate the effect of written and electronic voting, which can still be implemented in accordance with Taiwan’s relevant electronic and electronic voting requirements. The procedures for written voting shall not adversely affect the interests of shareholders.</p> <p>In addition, according to the opinions of Cayman lawyers, according to the principles of Cayman common law, the voting rights exercised by shareholders attending the shareholders' meeting in person shall take precedence. If the property rights and the company's articles of association allow, the voting rights of the holders of the power of attorney shall prevail. However, the company's articles of association may still provide for ways of withdrawing a proxy other than the shareholder's in-person presence. This principle of prioritizing in-person attendance is not inconsistent with the spirit of Taiwan's company law encouraging shareholders to participate in person, so there should be no disadvantage to shareholders' rights and interests.</p>
Shareholders who have continued for more than one year and hold more than 3% of the total issued shares may request the Board of Directors to convene an extraordinary meeting of shareholders by stating the proposed matters and	Article 173 Paragraphs 1 and 2 of the Company Act	Since the foreign issuer is a company established in accordance with the company law of the Cayman Islands, and there is no local competent authority in the Cayman Islands responsible for examining whether shareholders can convene a shareholders' meeting by themselves, refer to the Taiwan

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts related to the Corporations Act or the Securities Exchange Act</b>	<b>Bylaws and Reasons for Differences</b>
<p>reasons in writing. Within 15 days after the request is made, if the Board of Directors does not give a notice to convene, the shareholders may report to the competent authority to convene on their own.</p>		<p>Stock Exchange on April 13, 1999 Taiwan The intent of Letter No. 0991701319 of Zheng Shang Zi is stipulated in Article 42 of the Articles of Association of this foreign issuer : " Shareholders who hold three percent (3%) or more of the total issued voting shares for more than one year may The written notice shall state the reasons for the proposal and its reasons, and shall serve the written notice to the registered office of The Company or the stock agency, requesting the Board of Directors to convene an extraordinary general meeting of shareholders. If the Board of Directors does not convene within 15 days after the request in the preceding paragraph is made, the requesting shareholders may convene on their own . During the period when The Company's shares have been listed on the stock market, such shareholders' meetings must be convened in Taiwan. ' without the need for permission from the competent authority.</p>
<ol style="list-style-type: none"> <li>1. Shareholders may, at each shareholders' meeting, issue a power of attorney issued by the company, specifying the scope of authorization, and appoint a proxy to attend the shareholders' meeting.</li> <li>2. Except for the ROC trust enterprise or the stock agency agency approved by the ROC securities authority, when one person is entrusted by two or more shareholders at the same time, the voting rights of the proxy shall not exceed 3% of the total voting rights of the issued shares. Voting rights shall not be counted.</li> <li>3. A shareholder shall issue a power of attorney, limited to one person entrusted, and shall be</li> </ol>	<p>Section 177 of the Companies Act</p>	<p>Article 41 of the Articles of Association stipulates that the shareholders' meeting of the foreign issuer during the listing period will be held within the ROC, but the foreign issuer will still entrust a professional stock agency within the ROC to handle shareholder voting and other related matters.</p> <p>According to the legal opinion of the Cayman Islands lawyers, the English precedent (the case which is persuasive to the Cayman Islands courts) has held that even if the proxy's appointment is not revoked in the manner specified in the articles of association, it does not prevent the shareholder from exercising the right to vote in person, and excludes the entrustment. Calculation of proxy voting rights. Therefore, the latter paragraph of Article 61 of this foreign issuer's articles of</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>delivered to the company five days before the shareholders' meeting. However, it is not limited to those who declare to revoke the previous entrustment.</p> <p>4. After the power of attorney is delivered to the company, if a shareholder wishes to attend the shareholders' meeting in person or to exercise his voting rights in writing or electronically, he or she shall notify the company in writing of the revocation of the proxy two days before the shareholders' meeting; The voting rights exercised shall prevail.</p> <p>5. When the company holds a shareholders' meeting outside the ROC, it should entrust a professional stock agency within the ROC to handle shareholder voting matters.</p>		<p>association stipulates that if a shareholder wishes to attend the shareholders' meeting in person or to exercise his voting rights in writing or electronically after the proxy letter is served, he shall submit a written notice to the company at least two days before the shareholders' meeting. Or the stock agency gives a notice of revocation of the entrustment; if the revocation is overdue, the voting rights of the entrusted proxy shall prevail. However, if the shareholder fails to give notice of revocation in accordance with the provisions of this article, but still attends the shareholders' meeting in person and exercises the right to vote, even though the shareholder has not actually sent the notice of revocation, the behavior of the shareholder to attend and exercise the right to vote shall still be deemed as such. The shareholders have revoked their previous intention to exercise voting rights by means of a proxy in accordance with the Articles of Association.</p>
<p>1. Shareholders who hold more than 1% of the total number of issued shares may submit a proposal to the company for the general meeting of shareholders in writing or electronically. The Board of Directors shall be listed as a proposal unless the proposal shareholders hold less than 1% of the shares, the proposal is not a resolution obtained by the shareholders' meeting, the proposal is proposed outside the acceptance period of the announcement, the proposal exceeds 300 words, or the proposal</p>	<p>Articles 172, 172-1, 173-1 of the Companies Act</p>	<p>There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>exceeds one piece . Shareholders' proposals are proposals to urge the company to promote public interests or fulfill its social responsibilities, and the Board of Directors can still be included in the proposal.</p> <p>2. Shareholders who continue to hold more than half of the total number of issued shares for more than three months may convene an extraordinary general meeting on their own. The calculation of the shareholder's shareholding period and the number of shares held shall be based on the shareholding at the time of closing the transfer of shares.</p> <p>3. The following matters shall be listed and explained in the reasons for convening the shareholders' meeting, and shall not be proposed as interim motions. Its main content may be placed on the website designated by the securities regulatory authority or the company, and its website should be stated in the notice:</p> <p>(1) Election or dismissal of directors and supervisors; (2) change the articles of association; (3) capital reduction; (4) apply for cessation of public offering; (5) Dissolution, merger, stock exchange, division of company; (6) To conclude, change or terminate the contract</p>		



<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts related to the Corporations Act or the Securities Exchange Act</b>	<b>Bylaws and Reasons for Differences</b>
<p>regarding the lease of the entire business, the entrustment of the business, or the regular joint business with or with others;</p> <p>(7) assign all or a substantial part of the business or property;</p> <p>(8) Those who have transferred all the business or property of others and have a significant influence on the operation of the company;</p> <p>(9) Private placement of equity securities.</p> <p>(10) Director's license to engage in non-compete behavior;</p> <p>(11) Distribution of dividends and bonuses in whole or in part by way of Issue of new shares;</p> <p>(12) The statutory surplus reserve and the capital reserve obtained from the issuance of share premiums or received as gifts are distributed to the original shareholders in the form of Issuance of new shares.</p>		
<p>The company shall, 30 days before the ordinary shareholders' meeting or 15 days before the extraordinary shareholders' meeting, announce the notice of the shareholders' meeting, the proxy paper, the reasons for the approval, discussion, election or dismissal of directors, supervisors, etc. and explanatory information.</p>	<p>5 of the Procedures Manual for the Shareholders' Meeting of the Public Offering Company shall be recorded and complied with.</p>	<p>There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.</p>
<p>After the power of attorney is delivered to the company, if a shareholder wishes to attend the shareholders' meeting in person or to</p>	<p>Article 177-2 of the Companies Act</p>	<p>According to the opinions of Cayman lawyers, according to the principles of common law in Cayman, the voting rights exercised by shareholders attending the</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>exercise his voting rights in writing or electronically, he or she shall notify the company in writing of the revocation of the proxy two days before the shareholders' meeting; The voting rights exercised shall prevail.</p>		<p>shareholders meeting in person shall take precedence. And when permitted by the company's articles of association, the voting rights of the holders of the power of attorney shall prevail. However, the company's articles of association may still provide for ways of withdrawing a proxy other than the shareholder's in-person presence. This principle of prioritizing in-person attendance is not inconsistent with the spirit of Taiwan's company law encouraging shareholders to participate in person, so there should be no adverse impact on shareholders' rights and interests.</p> <p>When implementing electronic voting, the issuing company must refer to the relevant Cayman and Taiwan laws and regulations in force at the time according to the articles of association to meet the legal requirements.</p>
<ol style="list-style-type: none"> <li>1. The articles of association of the company may stipulate that the distribution of surpluses or the appropriation of losses shall be made after the end of each quarter or half of the fiscal year.</li> <li>2. The company's first three quarters or first half fiscal year's profit distribution or loss appropriation proposal shall be submitted together with the business report and financial statement to the supervisor or audit committee for review, and then submitted to the Board of Directors for resolution.</li> <li>3. When the company distributes the surplus in accordance with the provisions of the preceding paragraph, it</li> </ol>	<p>Article 228-1 of the Companies Act</p>	<p>Article 228-1 of the Company Law adopts the principle of company autonomy. The Company maintains an annual profit distribution or loss appropriation, so there is no need to add this article.</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>shall first estimate and retain the tax payable, make up for the loss according to the law, and set aside the statutory surplus reserve. However, when the statutory surplus reserve has reached the paid-in capital, this limit is not applicable.</p> <p>4. When the company distributes the surplus in accordance with the provisions of Paragraph 2 in the form of Issue of new shares, it shall be attended by shareholders representing more than two-thirds of the total number of issued shares, with the approval of more than half of the voting rights of the shareholders present. If the total number of shares of the shareholders present is less than the aforesaid quota, the attendance of shareholders representing more than half of the total number of issued shares and the consent of more than two-thirds of the voting rights of the shareholders present may be carried out.</p> <p>5. When a company distributes surplus or makes up for losses in accordance with the provisions of the preceding four paragraphs, it shall do so in accordance with the financial statements audited or reviewed by an accountant.</p>		
<p>1. The various registers and reports of supervisors (if the company has supervisors) produced by</p>	<p>1. Article 184, Paragraph 1 of the Company Law</p> <p>2. Article 229 of the</p>	<p>There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>the Board of Directors and put forward to the shareholders' meeting shall be prepared by a stock agency located in the ROC ten days before the ordinary shareholders' meeting. Shareholders may at any time Check it out.</p> <p>2. The Board of Directors shall keep the articles of association and the minutes of previous shareholders' meetings, financial statements, shareholders' register and corporate bond stubs in the stock agency within the ROC . Or copy, the company and should order the stock agency to provide.</p> <p>3. If the Board of Directors or other convening authority convene a shareholders' meeting, they may request the company or stock agency to provide a register of shareholders.</p>	<p>Companies Act</p> <p>3. Section 210 of the Companies Act</p> <p>4. Article 210-1 of the Companies Act</p>	<p>provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.</p>
<p>1. When the shareholders' meeting resolves one of the following matters, the dissenting shareholders shall have the right to request the company to purchase shares:</p> <p>(1) Company division, merger, acquisition or share conversion;</p> <p>(2) The company concludes, alters or terminates the lease of the entire business, entrusts the operation or the contract of joint operation with <del>or with</del> others, transfers all or a major part of the business or property, or transfers the entire</p>	<p>1. Articles 317 and 186 of the Company Law</p> <p>2. Article 12 of the Mergers and Acquisitions Law</p>	<p>Article 30(B) of The Company 's Articles of Association states: " The Company may, by special resolution, merge with another company in accordance with the provisions of Cayman Law". Article 31(A) (a), (b), (c), (e) of The Company's Articles of Association states: "The Company may, by a Type A Special (Severe) Resolution: (a) conclude, modify, Terminate any contract under which it leases out the whole of its business, entrusts it to operate, or often operates jointly with others...(b) assigns all or a substantial portion of its business or assets...(c) assigns the entire business or property of another to operate The Company Persons with significant influence ... (e) to be divided in accordance with the provisions of Taiwan law."</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>business or property of others, which has a significant impact on the company's operations.</p> <p>2. The shareholder's request for the preceding paragraph shall be submitted in writing within 20 days from the date of the resolution of the shareholders' meeting, and the requested purchase price shall be specified. If the shareholders and the company reach an agreement on the purchase price, the company shall pay the price within 90 days from the date of the resolution of the shareholders' meeting. If no agreement is reached, the company shall, within 90 days from the date of the resolution, pay the price at what it considers a fair price to the shareholders who have not reached an agreement; if the company fails to pay, it shall be deemed to agree to the price requested by the shareholder.</p> <p>3. If a shareholder requests the company to purchase the shares it owns based on the reasons set forth in Subparagraph 1 of Paragraph 1, if the shareholder and the company fail to reach an agreement on the purchase price within 60 days from the date when the shareholders' meeting makes a resolution, the company shall Within ten days, with all the shareholders who have not reached an agreement as the counterparties,</p>		<p>Article 32 of The Company's Articles of Association states: "If the shareholders' meeting in accordance with the relevant provisions of the Cayman Law, with respect to Articles 30(B) and 31(A), subparagraphs (a), (b), (c), (e) If the resolution has been passed, the shareholders have notified The Company in writing of their intention to object to the resolution before the shareholders' meeting, and if they raise their objection again at the shareholders' meeting, they may request The Company to buy all their shares at the then fair price; However, if the shareholders' meeting makes a resolution pursuant to Article 31(A)(b), after the transfer of The Company's business or assets, the company is dissolved at the same time, the shareholders shall not enjoy the aforesaid right to request the purchase of shares. , In the case of merger, acquisition or share conversion with another company, shareholders who express their dissent in writing or verbally before or during the shareholders' meeting, and who abstain their voting rights, may request The Company to make a fair price to buy all of its shares".</p> <p>Article 32.1 of The Company's Articles of Association stipulates: "A request under Article 32 shall be submitted to The Company within 20 days from the date of the resolution, with a written request specifying the type and amount of shares to be repurchased and the requested repurchase price. The Company and the If the requesting dissenting shareholder reaches an agreement on the purchase price of the shares held by the shareholder, The Company shall pay the price within 90 days from the date of resolution. If the Company fails to pay within the 90-day period, it shall be deemed to have agreed to the</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>apply to the court for the ruling of the price, and the Taipei District Court of Taiwan shall be the court with jurisdiction.</p>		<p>price requested by the shareholders. For the dissenting shareholders' request in accordance with this article, if The Company and the dissenting shareholders If no agreement on the acquisition price is reached within 60 days from the date of the resolution of the shareholders' meeting, The Company shall, within 30 days after the lapse of the 60-day period, agree on the acquisition price within 60 days from the date of the resolution of the shareholders' meeting. The company that has reached an agreement shall, within 30 days after the 60-day period has elapsed, take all dissenting shareholders who have not reached an agreement as the counterparty, and the Taipei District Court in Taiwan as the court of competent litigation jurisdiction, and the petition shall be the ruling on the price. The acquisition price is final and binding between the Company and the dissenting shareholder. Nothing in this section restricts or prohibits the shareholder's right to claim payment of the fair value of the shares which may be exercised by a shareholder in accordance with section 238 of the Cayman Law because of his objection to the merger or combination. ".</p>
<p>The following proposals involving significant shareholders' rights and interests shall be attended by shareholders representing more than two-thirds of the total number of issued shares, and shall be approved by more than half of the voting rights of the shareholders present. If the total number of shares of shareholders present is less than the aforesaid quota, the presence of shareholders representing more than half of the total number of issued shares and the consent of more than two-thirds of the voting rights of the</p>	<ol style="list-style-type: none"> <li>1. Section 185 of the Companies Act</li> <li>2. Section 209 of the Companies Act</li> <li>3. Section 227 of the Companies Act</li> <li>4. Section 277 of the Companies Act</li> <li>5. Article 240 Item 1 of the Companies Act</li> <li>6. Section 316 of the Companies Act</li> <li>7. Article 43-6 of the Securities Exchange Act</li> <li>8. Section 267 of the</li> </ol>	<p>Article 2(A)(52) of the company's articles of association stipulates that a special resolution is a resolution approved by two-thirds or more of the shares entitled to exercise voting rights at the shareholders' meeting. According to the provisions of the Cayman company law, changes to the articles of association, mergers and dissolutions should be carried out by special resolutions. In order to comply with the provisions of the Cayman Company Law on special resolutions, Articles 30 and 148 of the articles of association of The Company stipulate that special resolutions should be passed, rather than Type A special heavy resolutions or Type B heavy resolutions. And because the special</p>

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts related to the Corporations Act or the Securities Exchange Act</b>	<b>Bylaws and Reasons for Differences</b>
<p>shareholders present may be implemented:</p> <ol style="list-style-type: none"> <li>1. The company concludes, alters or terminates the contract concerning leasing out the entire business, entrusting the operation, or often jointly operating with or with others, assigning all or a major part of the business or property, or assigning the entire business or property of others, which has a significant impact on the company's operations;</li> <li>2. change the articles of association;</li> <li>3. Changes to the articles of association that impair the rights of shareholders of preference shares shall be subject to a resolution of the shareholders meeting of preference shares;</li> <li>4. Distribution of dividends and bonuses in whole or in part by way of Issue of new shares;</li> <li>5. Resolutions of dissolution, merger or division;</li> <li>6. Issuance of new shares with restricted employee rights.</li> <li>7. Share conversion</li> </ol>	<p>Companies Act</p> <p>9. Article 29 of the Mergers and Acquisitions Law</p>	<p>resolution under Cayman law should be approved by more than two-thirds of the shares entitled to exercise voting rights, in principle, it is not lower than the provisions of my country's company law, so this part should have no adverse impact on the protection of shareholders' rights and interests.</p>
<p>If the company participates in the elimination, general transfer, share conversion or division after the merger, and the listing is terminated, and the surviving, transferee, existing or newly established company is an unlisted (cabinet) company, the total number of issued shares of the company shall be divided into three parts. Two or more</p>	<p>Articles 18, 27, 28, 29 and 35 of the Mergers and Acquisitions Act</p>	<p>The Company has revised the meaning of the newly revised part of the Checklist for the Protection of Shareholders' Rights and Interests of Foreign Issuers of the Stock Exchange in May 2010, with reference to the Cayman Articles of Association and relevant legal terms, and amended it into the Articles of Association of The Company.</p>

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts related to the Corporations Act or the Securities Exchange Act</b>	<b>Bylaws and Reasons for Differences</b>
shareholders agree.		
<b>Permissions and Responsibilities of Participant and Director</b>		
When the shareholders' meeting elects directors and supervisors, each share has the same voting rights as the number of directors and supervisors to be elected. One person may be elected in a centralized manner, or several people may be elected. people.	Section 198 of the Companies Act	There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.
directors , independent directors, compensation committees, audit committees or supervisors shall comply with the provisions of the ROC Securities Act.	Article 216-1 of the Companies Act	There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.
<p>1. If the company Director (excluding Independent Director) or supervisor, during the term of office, transfers more than half of the company's shares held at the time of election, he will be dismissed of course.</p> <p>2. After the company Director (excluding Independent Director) or supervisor is elected, if the transfer exceeds 1/2 of the company's shares held at the time of the election, or during the period of suspension of stock transfer before the shareholders' meeting, transfer the shares held When it exceeds one-half, its election loses its validity.</p>	Article 197 of the Company Law, Article 227 of the Company Act, Article 14-2 of the Securities and Exchange Act	There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.
1. company sets up supervisors, they shall be elected by the shareholders' meeting, and at least one of the supervisors must have a	Articles 216 to 222 of the Companies Act.	There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the



Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>domicile in China.</p> <p>2. supervisor shall not exceed three years. But to be re-elected.</p> <p>3. When all the supervisors are dismissed, the Board of Directors shall hold an extraordinary general meeting of shareholders within 60 days to elect them.</p> <p>4. Supervisors shall supervise the execution of the company's business, and may investigate the company's business and financial status at any time, check, transcribe or copy books and documents, and may request the Board of Directors or managers to report.</p> <p>5. The supervisors shall check the various lists fabricated and proposed by the Board of Directors for the shareholders' meeting, and report their opinions to the shareholders' meeting.</p> <p>6. Supervisors may appoint accountants and lawyers on behalf of the company to conduct audits.</p> <p>7. Supervisors may attend the Board of Directors to present their opinions. If the Board of Directors or Director conducts business in violation of laws, regulations or resolutions of the shareholders' meeting, the supervisor shall immediately notify the Board of Directors or Director to stop their behavior.</p> <p>8. Each supervisor may</p>		<p>articles of association.</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
<p>exercise supervisory power independently.</p> <p>9. The supervisor shall not concurrently serve as the director, manager or other staff of the company.</p>		
<p>1. Shareholders who continue to hold more than 1% of the company's total issued shares for more than six months may request the supervisor in writing to file a lawsuit against the Director for the company, and the Taipei District Court in Taiwan shall be the court with jurisdiction for the lawsuit.</p> <p>2. Within 30 days after the shareholder makes a request, if the supervisor does not file a lawsuit, the shareholder may file a lawsuit for the company, and the Taipei District Court in Taiwan shall be the court of first instance jurisdiction.</p> <p>3. The Supervisor or the Independent Director of the Audit Committee may, in the interests of the company, convene a shareholders' meeting when necessary, except that the Board of Directors does not convene or is unable to convene a shareholders' meeting.</p>	<p>the Companies Act .</p> <p>Article 14-4 of the Securities Exchange Act</p>	<p>There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.</p>
<p>director or supervisor (applicable to a supervisory company) sets pledge rights for shares that exceed one-half of the company's shares held at the time of election, the excess shares shall not exercise voting rights, and shall not be</p>	<p>Article 197-1 of the Companies Act</p>	<p>There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee, so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.</p>

Important Matters for the Protection of Shareholders' Rights and Interests	Acts related to the Corporations Act or the Securities Exchange Act	Bylaws and Reasons for Differences
included in the voting rights of shareholders present.		
<ol style="list-style-type: none"> <li>1. The director or supervisor of the company shall, of course, be dismissed when the shares transferred during the term of office exceed half of the company's shares held at the time of election.</li> <li>2. After the company director or supervisor is elected, if the transfer exceeds one-half of the company's shares held at the time of the election, or during the period of suspension of stock transfer before the shareholders' meeting, when the transfer of the shares exceeds one-half , its election loses its validity.</li> </ol>	Articles 197 and 227 of the Company Act, Article 14-2 of the Securities and Exchange Act	With reference to the provisions of Article 14-2, Item 4 of the Taiwan Securities and Exchange Act, the transfer of shares held by an Independent Director does not apply to the provisions of Article 197, Item 1 and 3 of the Taiwan Company Law. Therefore, Article 101.1 of the Articles of Association of this foreign issuer expressly states Exclude the application of the specification requirements in the far left column to the Independent Director.
<ol style="list-style-type: none"> <li>1. The director of the company shall perform the business faithfully and fulfill the duty of care of the good manager . If there is any violation of the regulations, the company shall be liable for damages. If the act is done by oneself or others, the shareholders' meeting may make a resolution that the income from the act shall be regarded as the income of the company.</li> <li>2. If the Director of the company violates the law and causes damage to others in the execution of the company's business, he shall be jointly and severally liable with the company for compensation.</li> <li>3. The manager and</li> </ol>	Article 8, Paragraphs 2 and 3, Article 23, Paragraph 3 , and Article 5, Paragraph 1, and Paragraph 2 of the Mergers and Acquisitions Act	There is no concept of a supervisor in the Cayman company law, and The Company has set up an audit committee , so there is no relevant provisions for a supervisor in the articles of association. The rest are stipulated in the articles of association of the company.

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts related to the Corporations Act or the Securities Exchange Act</b>	<b>Bylaws and Reasons for Differences</b>
supervisor of the company shall bear the same liability for damages as the director of the company within the scope of performing their duties.		
When a legal person is a shareholder, its Representative may be elected as the Director or Supervisor. When there are several Representatives, they may be elected separately, but may not be elected or serve as Director and Supervisor at the same time.	Article 27(2) of the Companies Act	A Cayman company may have a natural person or a legal person as the Director, but a legal person can only be elected as a Director in its own name and can assign a Representative to perform the duties. However, the Cayman Company Law does not have the concept of a legal representative being elected as several Directors. In addition, the Cayman company law does not have the concept of a supervisor. Since The Company has set up an audit committee, the provisions on supervisors do not apply.
<ol style="list-style-type: none"> <li>1. continue to hold more than 1% of the total issued shares of the company for more than six months may request the supervisor in writing to file a lawsuit against the Director for the company, and the Taipei District Court in Taiwan shall be the court of first instance jurisdiction.</li> <li>2. Within 30 days after the shareholder makes a request, if the supervisor does not file a lawsuit, the shareholder may file a lawsuit for the company, and the Taipei District Court in Taiwan shall be the court of first instance jurisdiction.</li> <li>3. Except that the Board of Directors does not convene or is unable to convene shareholders' meetings, supervisors may, for the benefit of the company, convene shareholders' meetings</li> </ol>	the Companies Act .	According to this foreign issuer, there is no supervisor, because this foreign issuer adopts the audit committee system and has not set up a supervisor, so this foreign issuer shall refer to the provisions of Article 14-4, Item 3 of the Taiwan Securities and Exchange Act. As well as the intention of the Ministry of Economic Affairs of March 1, 2011, Jingshangzi No. 10000533380, Article 75 (D) of this foreign issuer's articles of association stipulates that shareholders may request the Independent Director of the audit committee to report to the foreign issuer to the competent authority. Courts (including the Taipei District Court in Taiwan) for the company to file a lawsuit against Director.

<b>Important Matters for the Protection of Shareholders' Rights and Interests</b>	<b>Acts related to the Corporations Act or the Securities Exchange Act</b>	<b>Bylaws and Reasons for Differences</b>
when necessary.		

6. If any of the situations listed in Article 36, paragraph 2 subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or up to publication of the annual report: None

## INDEPENDENT AUDITORS' AUDIT REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Polaris Group

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Polaris Group and subsidiaries (the “Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

**Key audit matter – Impairment assessment of property, plant and equipment**

Description

The Group is a new drug development company. All acquisitions of property, plant and equipment were mainly for research and development or future production, and their values are related to the outcome of the new drug's development. The carrying value of property, plant and equipment at December 31, 2021 was NT\$1,297,205 thousands which accounted for 17% of consolidated total assets. Please refer to Notes 4 (12) and 4 (15) for its accounting policies relating to acquisition and subsequent measurement of property, plant and equipment, Notes 5 for the uncertainty of accounting estimates and assumptions and Notes 6 (6) and (9) for the details and impairment amount of property, plant and equipment. The management of the Group evaluates the recoverable amount of property, plant and equipment if an indication of impairment is present in accordance with IAS 36 "Impairment of Assets". The evaluation of the recoverable amount is a significant accounting estimate which involves the subjective judgement of management and uncertainty. Thus, we considered the impairment assessment of property, plant and equipment as a key audit matters in this fiscal year.

How our audit addressed the matter

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

1. We obtained an understanding and evaluated the Group's policies and procedures for impairment assessment of property, plant and equipment, the Group's procedures for assessing whether there are impairment indicators of cash generating units, and evaluate its reasonableness;
2. We obtained an appraisal report issued by external experts engaged by the Group for the cash generating units which showed impairment indicators;
3. According to the asset appraisal report issued by the external experts engaged by the Group, we performed the following impairment test procedures:
  - (1) Understanding and evaluating the independence, objectivity and competence of the external experts;
  - (2) Understanding and evaluating the reasonableness of appraisal method used in the appraisal report; and
  - (3) Understanding and evaluating the reasonableness of key assumptions used in the appraisal method, and recalculating to confirm the accuracy of the appraisal report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting

Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.



If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

POLARIS GROUP AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,877,401	75	\$ 150,685	5
1110	Financial assets at fair value through profit or loss - current	6(2)	114,109	2	13,890	-
1136	Current financial assets at amortised cost	6(3)	-	-	1,688,864	50
1170	Accounts receivable, net	6(4)	4,930	-	2,316	-
1200	Other receivables		418	-	5,832	
1410	Prepayments		18,954	-	15,604	1
1476	Other current financial assets	6(1)8	334,141	4	1,528	-
1479	Other current assets, others		37	-	115	-
11XX	Current Assets		6,349,990	81	1,878,834	56
Non-current assets						
1550	Investments accounted for under equity method	6(5)	62,352	1	39,552	1
1600	Property, plant and equipment	6(6)(9)	1,297,205	17	1,322,198	39
1755	Right-of-use assets	6(7)	66,982	1	88,419	3
1780	Intangible assets	6(8)	381	-	596	-
1920	Refundable deposits	8	7,864	-	1,903	-
1990	Other non-current assets	6(10)	37,330	-	30,878	1
15XX	Non-current assets		1,472,114	19	1,483,546	44
1XXX	Total assets		\$ 7,822,104	100	\$ 3,362,380	100
Liabilities and Equity						
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 277,951	4	\$ 21,887	1
2200	Other payables	6(12)	138,652	2	121,356	4
2280	Current lease liabilities		20,167	-	19,179	-
2320	Long-term liabilities, current portion	6(13)	-	-	115,581	3
21XX	Current Liabilities		436,770	6	278,003	8
Non-current Liabilities						
2540	Long-term borrowings	6(13)	117,261	2	126,199	4
2580	Non-current lease liabilities		21,371	-	42,741	1
2670	Other non-current liabilities, others	6(14)	32,825	-	33,908	1
25XX	Non-current liabilities		171,457	2	202,848	6
2XXX	Total Liabilities		608,227	8	480,851	14
Equity						
	Share capital	6(17)				
3110	Share capital - common stock		7,188,451	92	6,529,014	194
	Capital surplus	6(18)				
3200	Capital surplus		9,824,000	126	5,290,730	157
	Retained earnings	6(19)				
3350	Accumulated deficit	(	9,422,362)	( 121)	( 8,681,875)	( 258)
	Other equity interest					
3400	Other equity interest	(	376,212)	( 5)	( 256,340)	( 7)
3XXX	Total equity		7,213,877	92	2,881,529	86
Significant contingent liabilities and unrecognized contract commitments			9			
Significant event after the balance date			11			
3X2X	Total liabilities and equity		\$ 7,822,104	100	\$ 3,362,380	100

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

POLARIS GROUP AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	6(20)	\$ 15,041	2	\$ 9,410	1
5000 Operating costs	6(23)(24)	( 12,944)	( 2)	( 6,979)	( 1)
5900 Net operating profit		2,097	-	2,431	-
Operating expenses	6(23)(24)				
6200 General and administrative expenses		( 179,724)	( 24)	( 135,267)	( 20)
6300 Research and development expenses		( 554,290)	( 75)	( 545,222)	( 83)
6000 Total operating expenses		( 734,014)	( 99)	( 680,489)	( 103)
6900 Operating loss		( 731,917)	( 99)	( 678,058)	( 103)
Non-operating income and expenses					
7100 Interest income		7,892	1	27,064	4
7020 Other gains and losses	6(21)	8,191	1	1,636	1
7050 Finance costs	6(22)	( 14,674)	( 2)	( 5,155)	( 1)
7060 Share of loss of associates and joint ventures accounted for under equity method	6(5)	( 9,202)	( 1)	( 5,663)	( 1)
7000 Total non-operating income and expenses		( 7,793)	( 1)	17,882	3
7900 Loss before income tax		( 739,710)	( 100)	( 660,176)	( 100)
7950 Income tax expense	6(25)	( 777)	-	( 48)	-
8200 Loss for the year		( \$ 740,487)	( 100)	( \$ 660,224)	( 100)
<b>Items that will not be reclassified subsequently to profit or (loss)</b>					
8361 Cumulative translation differences of foreign operations		( \$ 135,663)	( 18)	( \$ 158,584)	( 2)
<b>Items that may be reclassified subsequently to profit or (loss)</b>					
8361 Cumulative translation differences of foreign operations		15,791	2	66,255	16
Other comprehensive loss for the year		( \$ 119,872)	( 16)	( \$ 92,329)	( 14)
8500 Total comprehensive loss for the year		( \$ 860,359)	( 116)	( \$ 752,553)	( 114)
Loss per share					
9750 Basic and diluted loss per share	6(26)	( \$ 1.09)	( \$ 1.01)		

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

POLARIS GROUP AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent company					
	Notes	Common stock	Capital surplus	Accumulated deficit	Other equity – cumulative translation differences of foreign operations	Total equity	
<u>2020</u>							
Balance at January 1, 2020		\$ 6,529,014	\$ 5,266,256	( \$ 8,021,651)	( \$ 164,011)	\$ 3,609,608	
Net loss for the year		-	-	( 660,224)	-	( 660,224)	
Other comprehensive loss for the year		-	-	-	( 92,329)	( 92,329)	
Total comprehensive loss for the year		-	-	( 660,224)	( 92,329)	( 752,553)	
Costs of employee stock options	6(16)(18)	-	16,250	-	-	16,250	
Net changes in equity of associates	6(5)(18)	-	8,224	-	-	8,224	
Balance at December 31, 2020		<u>\$ 6,529,014</u>	<u>\$ 5,290,730</u>	<u>( \$ 8,681,875)</u>	<u>( \$ 256,340)</u>	<u>\$ 2,881,529</u>	
<u>2021</u>							
Balance at January 1, 2021		\$ 6,529,014	\$ 5,290,730	( \$ 8,681,875)	( \$ 256,340)	\$ 2,881,529	
Net loss for the year		-	-	( 740,487)	-	( 740,487)	
Other comprehensive loss for the year		-	-	-	( 119,872)	( 119,872)	
Total comprehensive loss for the year		-	-	( 740,487)	( 119,872)	( 860,359)	
Cash capital increase	6(17)	640,000	4,480,000	-	-	5,120,000	
Employee stock option exercised	6(16)(18)	19,437	33,229	-	-	52,666	
Costs of employee stock options	6(16)(18)	-	21,317	-	-	21,317	
Net changes in equity of associates	6(5)(18)	-	( 1,276)	-	-	( 1,276)	
Balance at December 31, 2021		<u>\$ 7,188,451</u>	<u>\$ 9,824,000</u>	<u>( \$ 9,422,362)</u>	<u>( \$ 376,212)</u>	<u>\$ 7,213,877</u>	

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

**POLARIS GROUP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		( \$ 739,710 )	( \$ 660,176 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(23)	153,859	133,234
Amortisation	6(8)(23)	210	40
Impairment loss	6(9)(21)	75,368	-
Compensation cost of employee stock options	6(16)(24)	48,026	16,241
Interest expense	6(22)	14,674	5,155
Interest income		( 7,892 )	( 27,064 )
Loss on disposal of property, plant and equipment	6(6)	409	515
Gain on lease modification	6(7)	-	( 41 )
Gain on Paycheck Protection Program Loans forgiveness		( 65,396 )	-
Gain on government grants		( 820 )	-
Loss on financials assets at fair value through profit or loss	6(2)(21)	1,992	655
Share of loss of associates accounted under equity method		9,202	5,663
Gain on disposal of investments accounting for under equity method	6(5)(21)	( 18,757 )	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable-net	6(4)	( 2,614 )	( 2,316 )
Other receivables		5,414	( 5,520 )
Prepayments		( 3,350 )	( 3,163 )
Other current assets		78	505
Other non current assets		( 6,452 )	( 741 )
Net changes in liabilities relating to operating activities			
Notes payable		-	( 94 )
Other payables		2,033	( 74,129 )
Other non-current liabilities		-	( 2,960 )
Cash used in operations		( 533,726 )	( 607,870 )
Income tax paid	6(25)	( 777 )	( 48 )
Interest paid		( 12,647 )	( 4,944 )
Interest received		7,892	27,064
Net cash used in operating activities		( 529,258 )	( 585,798 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6(6)(27)	( 204,343 )	( 51,044 )
Acquisition of financial assets at fair value through profit or loss	6(21)	( 57,893 )	( 14,532 )
Acquisition of intangible assets	6(8)	-	( 636 )
Increase in financial assets at amortised cost	6(3)	-	( 1,688,864 )
Acquisition of investments accounted under equity method		( 69,536 )	( 31,346 )
Decrease (increase) in refundable deposits		( 5,961 )	8
Decrease (increase) in other current financial assets	6(1)	( 332,064 )	8,417
Proceeds from financial assets amortised at cost		1,688,864	-
Net cash provided by investing activities		1,019,067	( 1,777,997 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	6(11)(28)	275,615	21,877
Payment of short-term borrowings	6(11)(28)	( 21,397 )	( 40,117 )
Proceeds from long-term debt	6(13)(28)	29,657	36,044
Payment of long-term debt	6(28)	( 86,199 )	-
Payment of principal portion of lease liabilities	6(28)	( 18,998 )	( 16,542 )
Proceeds from employee stock option exercised		52,666	-
Proceeds from cash capital increased	6(17)	5,120,000	-
Net cash provided by financing activities		5,351,344	1,272
Effect of exchange rate changes on cash		( 104,437 )	( 96,149 )
Increase (decrease) in cash and cash equivalents		5,726,716	( 2,458,672 )
Cash and cash equivalents at beginning of year		150,685	2,609,357
Cash and cash equivalents at end of year		\$ 5,877,401	\$ 150,685

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

POLARIS GROUP AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

Polaris Group (the “Company”) was incorporated in the Cayman Islands on February 9, 2006. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY-1104, Cayman Islands. The Company and its subsidiaries (collectively referred herein as “the Group”) are generally engaged in Biotechnology services, drug inspection, Contract Development and Manufacturing Organization services, new drug development, manufacturing and sales. The Group’s lead therapeutic, ADI-PEG 20, is currently being evaluated in human clinical trials for the treatment of various cancer indications.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note: Earlier application from January 1, 2021 is allowed by FSC.

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 –comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial

statements are set forth below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
  - (b) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Notes 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2021	December 31, 2020	
The Company	Polaris Pharmaceuticals, Inc.	Biotechnology technical development	100	100	-
The Company	DesignRx Europe Limited	Biotechnology technical development	100	100	-



Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2021	December 31, 2020	
The Company	Polaris Group Korea Limited	Biotechnology technical development	100	100	-
The Company	Polaris Pharmaceuticals Australia Pty Ltd.	Biotechnology technical development	100	100	-
The Company	Polaris Pharmaceuticals Ireland Limited	Biotechnology technical development	100	100	-
The Company	TDW Group	Investment holdings	-	-	1
The Company	TDW Pharmaceuticals, Inc. (Taiwan)	Biotechnology services and drug testing	100	100	1
The Company	DesignRx Pharmaceuticals, Inc.	New drug development and manufacture	100	100	1
The Company	TDW HK Limited	Investment holdings	100	100	1
TDW HK Limited	DesignRx Pharmaceuticals (Shanghai) Inc. (China)	New drug development	100	100	-
TDW HK Limited	DesignRx Pharmaceuticals (Chengdu) Co., Ltd. (China)	New drug development and manufacture	100	100	-

Note 1: TDW Group was dissolved on October 1, 2020, and its shares of 100% owned subsidiaries, TDW Pharmaceuticals, Inc. (Taiwan), DesignRx Pharmaceuticals, Inc., and TDW HK Limited, were transferred to the Company.

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

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

E. Significant restrictions: None.

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

#### (4) Foreign currency translation

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

##### A. Foreign currency transactions and balances

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

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

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

#### B. Translation of foreign operations

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

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

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

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

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

The Group classifies all assets which do not meet one of the above criteria as non-current.

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

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

The Group classifies all liabilities which do not meet one of the above criteria as non-current.

(6) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

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

(8) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

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

(10) Impairment of financial assets

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

(11) Investments accounted for using equity method/associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive

income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

(12) Property, plant and equipment

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

Buildings	20~50 years
Laboratory equipment	5~10 years
Production equipment	5~10 years
Machinery and equipment	3~7 years
Office equipment	3~7 years
Leasehold improvements	The shorter of service life or lease term

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
- C. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;

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

- D. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and
  - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

(14) Intangible Assets

Intangible assets include softwares acquired externally, and are stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

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

(17) Notes payable

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

B. The Group initially measures notes payable at fair value and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method. The short-term notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

Employees' compensation and directors' and supervisors' remuneration

Employees' and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts

and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(19) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which case the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of subsidiaries in Taiwan and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is

determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(21) Share capital

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

(22) Revenue recognition

The Group provides the production of biological drugs and services to customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(23) Government grants

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



(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The Group's chief operating decision maker is the Board of Directors.

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

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

Critical accounting estimates and assumptions

Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the recoverable amount arising from the assets depending on how assets are utilised. Any changes of economic circumstances or estimates due to changes in Group strategy might cause material impairment on assets in the future. As of December 31, 2021, the Group's balance of property, plant and equipment, net of impairment loss, was \$1,297,205. The Group recognised impairment loss of \$75,368 for the year ended December 31, 2021.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 147	\$ 78
Checking accounts and demand deposits	479,654	150,607
Time deposits	<u>5,397,600</u>	<u>-</u>
Total	<u>\$ 5,877,401</u>	<u>\$ 150,685</u>

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

B. As of December 31, 2021 and December 31, 2020, cash and cash equivalents amounting to \$334,141 and \$1,528 respectively pledged to others as collateral, and were classified as other financial assets-current. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 6(11) and Note 8.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets, current:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 45,065	\$ -
Ordinary corporate bonds	27,414	14,538
Stock options	-	7
Beneficiary certificates	<u>44,222</u>	<u>-</u>
	116,701	14,545
Valuation adjustment	( <u>2,592</u> )	( <u>655</u> )
	<u>\$ 114,109</u>	<u>\$ 13,890</u>

(3) Financial assets measured at amortised cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits	<u>\$ -</u>	<u>\$ 1,688,864</u>

(4) Accounts receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivables	<u>\$ 4,930</u>	<u>\$ 2,316</u>

As of December 31, 2021 and 2020, there were no overdue accounts receivables.

(5) Investments accounted for using equity method

	<u>2021</u>	<u>2020</u>
January 1	\$ 39,552	\$ -
Addition of investments accounted for	61,972	38,912
Disposal of investments accounted for using equity method	( 27,103)	-
Share of profit or loss accounted for using	( 9,202)	( 5,663)
Changes in capital surplus- equity of	( 1,276)	8,224
Exchange difference, net	( <u>1,591</u> )	( <u>1,921</u> )
December 31	<u>\$ 62,352</u>	<u>\$ 39,552</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates:		
Launxp Biomedical Co., Ltd.	\$ -	\$ 31,086
Nanotein Technologies, Inc.	<u>62,352</u>	<u>8,466</u>
December 31	<u>\$ 62,352</u>	<u>\$ 39,552</u>

#### Associates

- (a) As of December 31, 2021 and 2020, the balance of the investments accounted for using equity method was \$62,352 and \$39,552, respectively. The comprehensive net loss recognised for the year ended December 31, 2021 and 2020 were \$9,202 and \$5,663, respectively.

- (b) The basic information of the Group's associates is as follows:

		<u>Shareholding ratio</u>	
<u>Company name</u>	<u>Principal place of business</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Launxp Biomedical Co., Ltd.	Taichung City	16.66%	19.87%
Nanotein Technologies, Inc.	USA	41.00%	19.00%

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2021 and 2020, the carrying amount of the Group's individually immaterial associates amounted to \$86, 698 and \$103, 441, respectively.

	<u>2021</u>	<u>2020</u>
Loss for the period from continuing	(\$ <u>27,862</u> )	(\$ <u>29,701</u> )

- (d) The shareholding ratio of the Group to the outstanding ordinary shares of Launxp Biomedical Co., Ltd. ("Launxp") decreased to 16.66% in May 2021 due to the Group did not participate in the capital increase raised by the Launxp proportionally to its interest to Launxp. Also, the Group has no significant influence over the Board. The Group lost its significant influence over Launxp. The remaining investment in Launxp were re-measured at fair value. The difference between fair value and carrying value is \$17,481 and changes in capital surplus- equity of associates recognized by the equity method that are not recognized according to the shareholding ratio amounting to \$1,276 was recognised in profit and loss. The total amount recognised as 'other gain and loss' under profit and loss was \$18,757.
- (e) The Group holds 41% of the outstanding common shares of Nanotein Technologies, Inc. in 2021, considering that the Group only owns one third of the board seats, the evaluation has significant influence over the investee company without controlling it.

(6) Property, plant, and equipment

	<u>Land</u>	<u>Building</u>	<u>Laboratory equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
At January 1								
Cost	\$ -	\$ 988,952	\$ 575,060	\$ 5,535	\$ 16,642	\$ 440,559	\$ 8,655	\$ 1,995,403
Accumulated depreciation	-	( 21,172)	( 355,891)	( 5,259)	( 14,547)	( 276,336)	-	( 673,205)
	<u>\$ -</u>	<u>\$ 967,780</u>	<u>\$ 219,169</u>	<u>\$ 276</u>	<u>\$ 2,095</u>	<u>\$ 124,223</u>	<u>\$ 8,655</u>	<u>\$ 1,322,198</u>
Opening net book amount as at January 1	\$ -	\$ 967,780	\$ 219,169	\$ 276	\$ 2,095	\$ 124,223	\$ 8,655	\$ 1,322,198
Additions	164,402	-	2,695	-	593	-	31,292	198,982
Disposals	-	-	( 273)	( 102)	( 34)	-	-	( 409)
Transfer	-	-	16,823	-	871	-	( 17,694)	-
Depreciation charge	-	( 22,396)	( 62,690)	-	( 1,007)	( 47,854)	-	( 133,947)
Impairment loss	-	( 75,368)	-	-	-	-	-	( 75,368)
Net exchange differences	( 891)	( 7,516)	( 2,703)	( 2)	( 29)	( 2,910)	( 200)	( 14,251)
Closing net book amount as at December 31	<u>\$ 163,511</u>	<u>\$ 862,500</u>	<u>\$ 173,021</u>	<u>\$ 172</u>	<u>\$ 2,489</u>	<u>\$ 73,459</u>	<u>\$ 22,053</u>	<u>\$ 1,297,205</u>
At December 31,								
Cost	\$ 163,511	\$ 981,184	\$ 573,302	\$ 3,438	\$ 16,424	\$ 373,543	\$ 22,053	\$ 2,133,455
Accumulated depreciation	-	( 118,684)	( 400,282)	( 3,266)	( 13,934)	( 300,084)	-	( 836,250)
	<u>\$ 163,511</u>	<u>\$ 862,500</u>	<u>\$ 173,020</u>	<u>\$ 172</u>	<u>\$ 2,490</u>	<u>\$ 73,459</u>	<u>\$ 22,053</u>	<u>\$ 1,297,205</u>

	<u>Building</u>	<u>Laboratory equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
At January 1							
Cost	\$ 223,560	\$ 522,667	\$ 5,444	\$ 17,851	\$ 412,281	\$ 809,390	\$ 1,991,193
Accumulated depreciation	( 15,220)	( 329,673)	( 5,077)	( 15,132)	( 252,254)	-	( 617,356)
	<u>\$ 208,340</u>	<u>\$ 192,994</u>	<u>\$ 367</u>	<u>\$ 2,719</u>	<u>\$ 160,027</u>	<u>\$ 809,390</u>	<u>\$ 1,373,837</u>
Opening net book amount as at January 1	\$ 208,340	\$ 192,994	\$ 367	\$ 2,719	\$ 160,027	\$ 809,390	\$ 1,373,837
Additions	-	5,796	-	442	944	47,977	55,159
Disposals	-	( 351)	-	( 12)	( 152)	-	( 515)
Transfer	764,866	82,863	-	82	16,099	( 863,910)	-
Depreciation charge	( 5,614)	( 60,625)	( 94)	( 1,078)	( 45,995)	-	( 113,406)
Net exchange differences	188	( 1,508)	3	( 58)	( 6,700)	15,198	7,123
Closing net book amount as at December 31	<u>\$ 967,780</u>	<u>\$ 219,169</u>	<u>\$ 276</u>	<u>\$ 2,095</u>	<u>\$ 124,223</u>	<u>\$ 8,655</u>	<u>\$ 1,322,198</u>
At December 31,							
Cost	\$ 988,952	\$ 575,060	\$ 5,535	\$ 16,642	\$ 400,559	\$ 8,655	\$ 1,995,403
Accumulated depreciation	( 21,172)	( 355,891)	( 5,259)	( 14,547)	( 276,336)	-	( 673,205)
	<u>\$ 967,780</u>	<u>\$ 219,169</u>	<u>\$ 276</u>	<u>\$ 2,095</u>	<u>\$ 124,223</u>	<u>\$ 8,655</u>	<u>\$ 1,322,198</u>

- A. As of December 31, 2021 and 2020, amount of borrowing costs capitalized as part of property, plant and equipment were \$0 and \$7,305, respectively, and the interest rate were both 1.8%.
- B. Property, plant, and equipment were not pledged to others as collaterals.
- C. Please refer to Note 6(9) for the details of impairment of property, plant and equipment.

(7) Leasing arrangements - lessee

A. The Group leases various assets including buildings and offices, land, and office equipment. Apart from contract period of land-use right is 50 years, rental contracts are typically made for 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Some offices of the Group are with a lease term of 12 months or less, and some offices and office equipment are leased as the subject assets of low value.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and offices	\$ 37,314	\$ 57,701
Land-use rights	29,449	30,393
Office equipment	219	325
	<u>\$ 66,982</u>	<u>\$ 88,419</u>

	<u>2021</u>	<u>2020</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings and offices	\$ 19,110	\$ 18,899
Land-use rights	705	695
Office equipment	97	234
	<u>\$ 19,912</u>	<u>\$ 19,828</u>

D. The Group's sub-subsidiary, DesigneRx Pharmaceuticals (Chengdu) Inc., signed a land use agreement with the People's Republic of China on August 6, 2013. The land with a lease term of 50 years is located in the southwest area of the West Zone of Chengdu High-tech Zone, and is paid in full at the time of signing of the lease contract.

E. For the years ended 2021 and 2020, additions of right-of-use assets of the Group were \$0 and \$51,397, respectively.

F. The profit or loss items related to the lease contract are as follows:

	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,240	\$ 2,609
Expense on short-term lease contracts	866	3,618
Expense on leases of low-value assets	-	1,386
Gain on lease modification	-	( 41)

G. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$22, 105 and \$24,155, respectively.

H. Information about the right to use land as collateral is provided in Notes 8.

(8) Intangible assets

	<u>2021</u>	<u>2020</u>
January 1	<u>Computer software</u>	<u>Computer software</u>
Cost	\$ 653	\$ -
Accumulated amortization and impairment	( 57)	-
	<u>\$ 596</u>	<u>\$ -</u>
Opening net book value at January 1	\$ 596	\$ -
Addition	-	637
Amortisation expense	( 210)	( 40)
Net exchange difference	( 5)	( 1)
Closing net book amount at December 31	<u>\$ 381</u>	<u>\$ 596</u>
At December 31		
Cost	\$ 631	\$ 653
Accumulated amortization and impairment	( 250)	( 57)
	<u>\$ 381</u>	<u>\$ 596</u>

(9) Impairment of non-financial assets

As of 2021, due to the outbreak of COVID-19 and the instability of Mainland China's real estate market, some real estate and plants in China have been impaired. The Group has adjusted its carrying value to the recoverable amount and recognized a impairment loss of \$75,368. The recoverable amount is the fair value of the real estate minus the disposal cost, which is assessed by the comparison method and the replacement cost method. As for the part of the land-use right, it is calculated and compared with the target weighted average price, and the balance of the land-use right is calculated up to December 31, 2021 based on the remaining balance of the land-use right. It was estimated that the economic life of the buildings is 30.8 years, that of clean rooms is 14.4 years, and that of machines and equipment was estimated as 7 to 15 years depending on the nature. The fair value valuation of non-financial assets was at level 3. There is no impairment indicators identified in 2020. The foresaid impairment losses are detailed as follows:

	2021		2020	
	Recognised as current profit or loss	Recognised as other comprehensive income	Recognised as current profit or loss	Recognised as other comprehensive income
Impairment loss - building	(\$ 75,368)	\$ -	\$ -	\$ -

(10) Other non-current assets - others

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Tax retained	\$ <u>37,330</u>	\$ <u>30,878</u>

(11) Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>
Bank borrowings		
Secured borrowings (1)	\$ 56,458	2.85%~3.4%
Secured borrowings (1)	<u>221,493</u>	3.44%~3.56
	<u>\$ 277,951</u>	

<u>Nature of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>
Bank borrowings		
Secured borrowings (2)	\$ <u>21,887</u>	4.70%

A. The borrowings was secured by time deposit. The maturity date of the borrowing was May 13, 2022.

B. The borrowing was secured by the land-use right and was fully repaid on December 16, 2021.

(12) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Clinical trial and supplies payable	\$ 64,338	\$ 69,681
Share-based payment payable (Notes	26,961	915
Salary payable	22,113	14,300
Construction and equipment payable	1,543	6,355
Professional service payable	510	371
Others	<u>23,187</u>	<u>29,734</u>
	<u>\$ 138,652</u>	<u>\$ 121,356</u>

(13) Long-term borrowings

<u>Nature of borrowings</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Security borrowings (1~3)	1.80%	Land-use right	\$ 117,261
Less: long-term borrowings mature within one year			<u>-</u>
			<u>\$ 117,261</u>



<u>Nature of borrowings</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Secured borrowings (1~3)	1.80%	Land-use right	\$ 205,737
Non-secured borrowings (4)	1.00%	None	36,043
Less: long-term borrowings mature within one year			( 115,581)
			<u>\$ 126,199</u>

- A. The long-term borrowing is from August 23, 2016 to August 11, 2024. The loan is repaid in five installments as agreed. The Group has repaid three installments of the borrowing, and the remaining two installments will be repaid in 2023 and 2024 with amount of RMB 20 million and RMB 7 million, respectively.
- B. The guarantee fee and borrowing consultation fee are 1.5% and 0.3%, respectively on an annual basis.
- C. The borrowings are used for the construction of factory buildings and special funds for the purchase of equipment. It was classified as other financial assets – current. Please refer to Notes 8 for details.
- D. The 2020 U.S. Paycheck Protection Program
- Two US subsidiaries of the Group applied for loans under Paycheck Protection Program (“PPP”) from two banks, totaling US\$1,265,578. The Group obtained the loan in May 2020 for a period of two years at a fixed interest rate of 1% per annum calculated on a simple interest basis.
  - According to the agreement, the loan shall be repaid in eighteen installments starting from the sixth month after the loans are granted to the company. If the companies utilise the fund in payroll, rent and other eligible expenses for operation, the company may apply for loan forgiveness to U.S. Small Business Administration (“SBA”) and do not need to repay principal and interest. According to Regulations of Paycheck Protection Act of 2020, P.L. 116-142, the start date of calculating principals and interests as well as the repayment date have been postponed to the date of loan forgiveness application date. The Group applied 2 loan forgiveness in the fourth quarter of 2020 and the first quarter of 2021. The Group had received the notice of loan forgiveness approval from SBA on February 2, 2021 and May 20, 2021, respectively. The Group recognised gain on loan forgiveness amounting to \$35,972 for the year ended December 31, 2021.
- E. The 2021 US Paycheck Protection Program
- Two US subsidiaries of the Group separately applied for the Second Draw PPP from the two banks according to the US PPP. The Group received loans on February 22 and March 11, 2021, totaling \$1,052,820, with a five-year term and a fixed interest rate of 1% per annum, calculated on a simple interest basis.

- (b) According to the agreement, the loan shall be repaid in sixty installments starting from the tenth month after the loans are granted to the company. If the companies utilise the fund in payroll, rent and other eligible expenses for operation, the company may apply for loan forgiveness to U.S. Small Business Administration (“SBA”) and do not need to repay principal and interest. According to Regulations of Paycheck Protection Act of 2020, P.L. 116-142, the start date of calculating principals and interests as well as the repayment date have been postponed to the date of loan forgiveness application date. The Group applied 2 loan forgiveness in the July and August 2021. The Group had received the notice of loan forgiveness approval from SBA on August 10, 2021 and October 4, 2021, respectively. The Group recognised gain on loan forgiveness amounting to \$29,424 for the year ended December 31, 2021.

(14) Other non-current liabilities - others

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Long-term deferred income	\$ <u>32,825</u>	\$ <u>33,908</u>

Long term deferred income was generated from the project construction subsidies given by the Management Committee of Chengdu High-tech Industrial Development Zone of the People’s Republic of China to support the construction of AID-PEG 20 and other anti-tumor drug R & D and production base projects of the Group. Long-term deferred incomes are amortised and recognised as other gains based on the remaining useful life of the plant. The Group recognised other gains in 2021 and 2020 of \$820 and \$ 3,653, respectively.

(15) Pension

The Group have established a defined contribution pension plan for its employees whose nationality is Republic of China in accordance with the *Labor Pension Act* of the Republic of China. Other subsidiaries have also established a defined contribution pension plan in accordance with local regulations, appropriated pension or retirement reserve based on employees’ salaries. The companies have no further obligations other than annual appropriations. Defined contribution pension plan is to make contributions no less than a fixed rate of the salary. The Group has no further obligations apart from making monthly appropriations. The relevant pension expenses recognised are as follows:

	<u>2021</u>	<u>2020</u>
Defined-contribution pension scheme	\$ <u>993</u>	\$ <u>986</u>

(16) Share-based payment

A. As of December 31, 2021, the subject matter of the share-based payment agreement issued by the Group is the shares of the company, as follows:

(a) Equity-settled share-based payment

<u>Agreement type</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vested conditions</u>
Stock option plan	2012.02.21	1,735,999	10 years	Four-year service period
Stock option plan	2012.02.28	480,000	10 years	Immediately vested
Stock option plan	2012.08.01	1,478,000	10 years	Four-year service period
Stock option plan	2012.10.10	88,000	10 years	Four-year service period
Stock option plan	2012.10.10	20,000	10 years	Two-year service period
Stock option plan	2013.05.20	2,204,000	10 years	Four-year service period
Stock option plan	2013.09.13	276,000	10 years	Four-year service period
Stock option plan	2014.08.15	2,436,280	10 years	Four-year service period
Stock option plan	2014.11.24	520,000	10 years	Four-year service period
Stock option plan	2014.11.24	4,000	10 years	Two-year service period
Stock option plan	2014.12.30	400,000	10 years	Four-year service period
Stock option plan	2015.04.15	519,999	10 years	Four-year service period
Stock option plan	2015.07.07	128,000	10 years	Four-year service period
Stock option plan	2015.10.30	312,000	10 years	Four-year service period
Stock option plan	2015.11.17	2,674,000	10 years	Four-year service period
Stock option plan	2018.01.03	5,336,000	10 years	Four-year service period
Stock option plan	2018.05.31	120,000	10 years	Four-year service period
Stock option plan	2019.11.20	1,788,000	10 years	Four-year service period
Stock option plan	2020.04.01	4,697,000	10 years	Four-year service period
Stock option plan	2021.06.24	818,000	10 years	Four-year service period
Stock option plan	2021.12.13	640,000	10 years	Four-year service period

(b) Cash-settled share-based payment

<u>Agreement type</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vested conditions</u>
Stock option plan	2012.08.01	512,500	10 years	Four-year service period
Stock option plan	2014.08.15	1,270,120	10 years	Four-year service period
Stock option plan	2015.11.17	454,000	10 years	Four-year service period
Stock option plan	2018.01.03	775,000	10 years	Four-year service period
Stock option plan	2018.05.31	90,000	10 years	Four-year service period

B. The details of the company's share-based payment agreement are as follows:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>No. of options</u>	<u>Weighted average exercise price (US\$)</u>	<u>No. of options</u>	<u>Weighted average exercise price (US\$)</u>
Options outstanding at January 1	17,114,766	\$ 1.28	17,444,194	\$ 1.57
Options granted	1,458,000	2.47	4,697,000	0.47
Option exercised	(1,943,713)	0.96	-	-
Options forfeited /expired	(1,944,680)	1.63	(5,026,428)	1.55
Option outstanding at December 31	<u>14,684,373</u>	1.39	<u>17,114,766</u>	1.28
Options exercisable at December 31	<u>7,823,076</u>	1.76	<u>9,859,695</u>	1.73

- C. The weighted-average stock price of stock option at exercise dates for the year ended December 31, 2021 was US\$2.60. There was no stock options exercised for the year ended December 31, 2020.
- D. On December 31, 2021 and 2020, the range of exercise price of the Company's outstanding stock option is US\$0.33 to US\$3.30, with a weighted-average remaining contractual period of 6.05 and 5.65 years, respectively.
- E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-price model. Relevant information as of December 31, 2021 is as follows:

(a) Share-based agreement issued by the Company – equity-settled:

Agreement Type	Grant Date	Stock Price (US\$)	Exercise Price (US\$)	Expected price Volatility	Expected Option Life (Year)	Expected Dividends	Risk-free Interest Rate	Fair Value Per Unit (US\$)
Stock option plan	2012.02.21	0.88	0.88	80.00%	5.05~6.05	-	0.96~1.24%	0.56~0.60
Stock option plan	2012.02.28	0.88	1.17	80.00%	5.00	-	0.87%	0.51
Stock option plan	2012.08.01	1.18	1.25	80.00%	4.51~5.62	-	0.64~0.80%	0.70~0.77
Stock option plan	2012.10.10	1.18	1.25	80.00%	5.46~6.06	-	0.79~0.94%	0.75~0.80
Stock option plan	2013.05.20	1.50	1.50	75.00%	5.89~6.11	-	1.09%	0.97~0.99
Stock option plan	2013.09.13	1.50	1.50	72.50%	5.91~6.08	-	2.02%	0.97~0.99
Stock option plan	2014.08.15	2.06	2.06	49.65%	5.00	-	1.77%	0.92
Stock option plan	2014.11.24	1.93	1.93	67.50%	6.00	-	1.82%	1.18
Stock option plan	2014.12.30	1.93	1.93	66.00%	6.00	-	1.84%	1.16
Stock option plan	2015.04.15	2.50	2.50	64.00%	6.00	-	1.50%	1.47
Stock option plan	2015.07.07	2.50	2.50	63.00%	6.00	-	1.77%	1.46
Stock option plan	2015.10.30	2.50	2.50	63.50%	6.00	-	1.70%	1.46
Stock option plan	2015.11.17	3.30	3.30	63.50%	6.00	-	1.84%	1.94
Stock option plan	2018.01.03	1.95	1.68	45.00%	6.00	-	2.30%	0.98
Stock option plan	2018.05.31	1.93	1.68	45.00%	6.00	-	2.71%	0.98
Stock option plan	2019.11.20	0.33	0.33	45.00%	7.00	-	1.65%	0.17
Stock option plan	2020.04.01	0.47	0.47	45.00%	7.00	-	0.51%	0.22
Stock option plan	2021.06.24	2.40	2.40	47.76%	7.00	-	1.26%	1.19
Stock option plan	2021.12.13	2.57	2.57	45.71%	7.00	-	1.37%	1.24

(b) The share-based agreement issued by the Company – cash-settled

Agreement Type	Grant Date	Stock Price (US\$)	Exercise Price (US\$)	Expected Price Volatility	Expected Option Life (Year)	Expected Dividends	Risk-free Interest Rate	Fair Value Per Unit (US\$)
Stock option plan	2012.08.01	2.66	1.25	37.95%	0.58	-	0.39%	1.41
Stock option plan	2014.08.15	2.66	2.06	37.95%	0.62	-	0.39%	0.68
Stock option plan	2015.11.17	2.66	3.30	43.11%	0.88	-	0.39%	0.22
Stock option plan	2018.01.03	2.66	1.68	51.76%	2.01	-	0.73%	1.23
Stock option plan	2018.05.31	2.66	1.68	48.78%	2.41	-	0.83%	1.26

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

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

	<u>2021</u>	<u>2020</u>
Equity-settled	\$ 21,317	\$ 16,250
Cash-settled	<u>26,709</u>	<u>( 9)</u>
	<u>\$ 48,026</u>	<u>\$ 16,241</u>

G. Liabilities arising from share-based payment transactions are shown below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Liabilities on cash-settled share-based payment	\$ 26,961	\$ 915
Total intrinsic value of liabilities for which the vesting conditions have been met	19,788	-

(17) Share capital

- A. As of December 31, 2021, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand ordinary shares, and the paid-up capital was \$7,188,451 with a par value of NT \$10 per share. All proceed from shares issued have been collected.
- B. On May 25, 2021, the Board of Directors of the Company adopted a resolution to raised additional cash through issuing 64,000 thousand shares at NT\$80 per share. The base date of subscription is July 14, 2021 and the base date of cash capital increase is August 5, 2021. All proceeds from issuing shares have been collected.
- C. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2021</u>	<u>2020</u>
January 1	\$ 652,901,396	\$ 652,901,396
Employee stock options exercised	1,943,713	-
Cash capital increase	<u>64,000,000</u>	<u>-</u>
December 31	<u>\$ 718,845,109</u>	<u>\$ 652,901,396</u>

(18) Capital surplus

2021					
	Share premium	Employee stock option	Expired conversion rights	Changes in ownership interests in associates	Total
January 1	\$ 4,732,778	\$ 542,091	\$ 7,637	\$ 8,224	\$ 5,290,730
Cash capital					
Increase	4,480,000	-	-	-	4,480,000
Employee stock options exercised	67,068	( 33,839 )	-	-	33,229
Employee stock option compensation costs	-	21,317	-	-	21,317
Changes in equity of associates accounted for using equity method	-	-	-	( 1,276 )	( 1,276 )
December 31	\$ 9,279,846	\$ 529,569	\$ 7,637	\$ 6,948	\$ 9,824,000

2020					
	Share premium	Employee stock option	Expired conversion rights	Changes in ownership interests in associates	Total
January 1	\$ 4,732,778	\$ 525,841	\$ 7,637	\$ -	\$ 5,266,256
Employee stock option compensation costs	-	16,250	-	-	16,250
Changes in equity of associates accounted for using equity method	-	-	-	8,224	8,224
Decembr31	\$ 4,732,778	\$ 542,091	\$ 7,637	\$ 8,224	\$ 5,290,730

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

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

C. Please refer to Notes 6 (16) for the details of capital surplus- employee stock options.

D. Please refer to Notes 6 (5) for the details of capital surplus - changes in ownership interests in associates.

(19) Retained earnings

According to the Articles of Incorporation of the Group, stock dividends should be appropriated no less than 10% of the distributable surplus of the current year, and the proportion of cash dividends shall not be less than 10% of the total amount of stock dividends of the current year. The Group did not appropriate stock dividends for the year ended December 31, 2021 and 2020.

(20) Operating revenue

	<u>2021</u>	<u>2020</u>
Contract development and manufacturing organization services	\$ <u>15,041</u>	\$ <u>9,410</u>

The Group derives revenue from the transfer of services over time and the geographical region of all revenue was the United States.



(21) Other gains and losses

	<u>2021</u>	<u>2020</u>
Gain on Paycheck Protection Program Loans forgiveness	\$ 65,396	\$ -
Gain on disposal of investments accounting for under equity method	18,757	-
Foreign exchange gains (losses)	349	( 5,644)
Impairment loss of property, plant, and equipment	( 75,368)	-
Loss on financials assets at fair value through profit or loss	( 1,992)	( 655)
Other gains	<u>1,049</u>	<u>7,935</u>
	<u>\$ 8,191</u>	<u>\$ 1,636</u>

(22) Financial costs

	<u>2021</u>	<u>2020</u>
Interest expenses:		
Lease liabilities	\$ 2,240	\$ 2,609
Bank loans	<u>12,434</u>	<u>9,851</u>
	14,674	12,460
Less: amount met capitalisation requirements	<u>-</u>	<u>( 7,305)</u>
	<u>\$ 14,674</u>	<u>\$ 5,155</u>

(23) Additional information on the nature of operating costs and expenses

<u>2021</u>	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>
Employee benefit expenses	\$ 5,348	\$ 279,154	\$ 284,502
Clinical and supplies used expenses	5,577	136,369	141,936
Depreciation charges on property, plant, and equipment	1,266	132,681	133,947
Professional expenses	-	55,576	55,576
Depreciation charges on right-of-use assets	85	19,827	19,912

2021	Operating Cost	Operating Expenses	Total
Travel and social engagement expenses	-	3,648	3,648
Amortization expenses	-	210	210
Other expenses	668	106,559	107,227
	<u>\$ 12,944</u>	<u>\$ 734,014</u>	<u>\$ 746,958</u>

2020	Operating Cost	Operating Expenses	Total
Employee benefit expenses	\$ 3,717	\$ 239,539	\$ 243,256
Clinical and supplies used expenses	540	177,549	178,089
Depreciation charges on property, plant, and equipment	-	113,406	113,406
Professional expenses	-	34,585	34,585
Depreciation charges on right-of-use assets	-	19,828	19,828
Travel and social engagement expenses	-	2,912	2,912
Amortization expenses	-	40	40
Other expenses	2,722	92,630	5,352
	<u>\$ 6,979</u>	<u>\$ 680,489</u>	<u>\$ 87,468</u>

(24) Employee benefit expenses

2021	Operating Cost	Operating Expenses	Total
Salary expenses	\$ 4,535	\$ 192,831	\$ 197,366
Employee stock option	-	48,026	48,026
Labor and health insurance	813	31,265	32,078
Pension expenses	-	992	992
Other personnel expenses	-	6,040	6,040
	<u>\$ 5,348</u>	<u>\$ 279,154</u>	<u>\$ 284,502</u>

2020	Operating Cost	Operating Expenses	Total
Salary expenses	\$ 3,144	\$ 185,071	\$ 188,215
Employee stock option	-	16,241	16,241
Labor and health insurance	573	28,366	28,939
Pension expenses	-	986	986
Other personnel expenses	-	8,875	8,875
	<u>\$ 3,717</u>	<u>\$ 239,539</u>	<u>\$ 243,256</u>

A. According to the provisions of the Articles of Incorporation of the Company, the ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. The Company did not distribute and recognise employees' compensation and directors' remuneration for the years ended December 31, 2021 and 2020.

(25) Income tax

A. Income tax expenses

(a) Components of income tax expense:

	2021	2020
Current income tax:		
Income tax on profits for the year	\$ <u>777</u>	\$ <u>48</u>

(b) Relationship between income tax expense and accounting profit:

	2021	2020
Tax calculated based on loss before tax and statutory tax rate (Note)	(\$ 51,418)	(\$ 29,113)
Expenses disallowed by tax regulation	20	2,015
Tax exempt income by tax regulation	( 17,093)	-
Effect from Alternative Minimum Tax	777	47
Temporary differences and tax losses not recognised as deferred tax assets	76,450	36,707

Others	( <u>7,959</u> )	( <u>9,608</u> )
Income tax expenses	<u>\$ 777</u>	<u>\$ 48</u>

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

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

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

December 31, 2020			
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry Year
2009 to 2020	<u>\$ 1,870,211</u>	<u>\$ 1,870,211</u>	2021 - unlimited duration

The unused amount and unrecognized deferred tax assets are primarily attributable to the Group's subsidiaries Polaris Pharmaceuticals, Inc., DesigneRx Pharmaceuticals, Inc., TDW Pharmaceuticals, Inc., and DesigneRx Pharmaceuticals (Chengdu) Co., Ltd.

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

December 31, 2021				
Deduction items	Year of occurrence	Unused amount - federal tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditure	2005 to 2021	<u>\$ 83,803</u>	<u>\$ 83,803</u>	2025 to 2041

December 31, 2020				
Deduction items	Year of occurrence	Unused amount-federal tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditure	2004 to 2020	\$ 84,751	\$ 84,751	2024 to 2040

December 31, 2021				
Deduction items	Year of occurrence	Unused amount-state tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditure	2003 to 2021	\$ 91,252	\$ 91,252	Unlimited duration

December 31, 2020				
Deduction items	Year of occurrence	Unused amount - state tax	Unrecognised deferred tax assets	Expiry year
Research and development expenditure	2003 to 2020	\$ 85,671	\$ 85,671	Unlimited duration

The above unused amount and unrecognised deferred tax assets mainly occurred in Polaris pharmaceuticals, Inc. and DesignRx Pharmaceuticals, Inc.

D. Deductible temporary differences not recognised as deferred tax assets:

	December 31, 2021	December 31, 2020
Deductible temporary differences	\$ 581,425	\$ 257,169

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

(26) Loss per share

	2021		
	Amount after tax	Weighted average number of outstanding shares (thousands)	Loss per share (in NT\$ dollar)
Basic and diluted loss per share			
Current loss attributable to ordinary shareholders of the parent	( \$ 740,487 )	680,096	( \$ 1.09 )

	2020		
	Amount after tax	Weighted average number of outstanding shares (thousands)	Loss per share
Basic and diluted loss per share			
Current loss attributable to ordinary shareholders of the parent	( \$ 660,224 )	652,901	( \$ 1.01 )

Note: As the Group has a net loss for the years ended December 31, 2021 and 2020, the inclusion of potential ordinary shares such as employee stock options will cause anti-dilution effect on loss per share, only the calculation of basic loss per share is disclosed.

(27) Additional information on cash flow

A. Investing activities with partial cash payments:

	2021	2020
Purchase of property, plant, and equipment	\$ 198,982	\$ 55,159
Add: opening balance of payable for equipment and engineering	6,355	2,240
Less: ending balance of payable for equipment and engineering	( 1,543 )	( 6,355 )
Increase: other current financial assets (Note)	549	-
Cash payment in current period	<u>\$ 204,343</u>	<u>\$ 51,044</u>

Note: Please refer to Notes 8.

(28) Changes in liabilities from financing activities

	2021	
	Long-term and short-term borrowings	Long-term and short-term lease liabilities
January 1	\$ 263,667	\$ 61,920
Change in cash flows from financing activities	197,676 (	18,998)
Impact of changes in foreign exchange rate	( 1,167 ) (	1,384)
Changes in other non-cash items	( 64,964 )	-
December 31	<u>\$ 395,212</u>	<u>\$ 41,538</u>
	2020	
	Long-term and short-term borrowings	Long-term and short-term lease liabilities
January 1	\$ 243,767	\$ 32,221
Change in cash flows from financing activities	17,814 (	16,542)
Impact of changes in foreign exchange rate	2,086 (	3,270)
Changes in other non-cash items	-	49,511
December 31	<u>\$ 263,667</u>	<u>\$ 61,920</u>

7. Related Party Transactions

A. Major transactions with relations

Endorsements and guarantees: Please refer to Schedule 2 for details.

B. Remuneration information of key management

	2021	2020
Short-term employees' welfare	\$ 23,341	\$ 25,950
Pension	108	958
Share-based payments	6,321	1,978
	<u>\$ 29,770</u>	<u>\$ 28,886</u>

## 8. Pledged Assets

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

Assets	Carrying Amount		Purpose of Guarantee
	December 31, 2021	December 31, 2020	
Other financial assets-current			
Bank deposit	\$ 1,981	\$ 1,528	Earmarked and restricted bank deposits (Note 1)
Time deposit	332,160	-	For secured borrowings, please refer to Notes 6 (11) for details.
	<u>\$ 334,141</u>	<u>\$ 1,528</u>	
Refundable deposits			
Investment deposit	<u>\$ 5,991</u>	<u>\$ -</u>	Investment deposit of Yilan Plant (Note 2)
Right-to-use assets			
Land-use right	<u>\$ 29,449</u>	<u>\$ 30,393</u>	For secured borrowings, please refer to Notes 6 (7), (11) and (13)

Note 1: Part of the funds will be used for the construction of plant and purchase of equipment only in accordance with the contract signed with Chengdu Yingkai Investment Co., Ltd. and Bank of China Limited Chengdu Branch, and part of the deposit will be placed in restricted bank accounts. Please refer to Notes 6 (1) and Notes 6 (13) respectively.

Note 2: This is to the investment deposit paid to the Hsinchu Science Park, which is expected to be used for the construction of the Yilan Plant.



9. Significant Contingent Liability and Unrecognized Contractual Commitment

A. Contingency

In January 2011, the Company entered into an agreement with a research institution to provide the research drug for the institution to conduct clinical trials related to the Company's core course of treatment, and it was agreed in the agreement that the Company would subsidize the research cost of the institution in the amount of US\$ 950,000 if any of the following events occurred: (1) Authorize a third party to commercialize and sell the Company's core courses of treatment; (2) Sell the commercial right of core treatment courses to a third party; (3) The Company is acquired by a third party. There are uncertainties regarding the development of the Company's core courses of treatment, and the probability, timing, and contingent liabilities of the foregoing events cannot be reasonably estimated.

B. Commitments

Expenditures that the Group has signed but has not yet incurred are summarized as follows:

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 31,932	\$ 37,523
Clinical trial project	572	12,659
	<u>\$ 32,504</u>	<u>\$ 50,182</u>

10. Significant Disaster Loss

None.

11. Significant Events After the Balance Sheet Date

- A. According to the decision of the Board of Directors, the Company intends to invest in the construction of plant in the Yilan Science Park as a newly established subsidiary on January 27, 2022. As of the date of this financial report, the subsidy was still in the process of establishment.
- B. On February 25, 2022, the Company approved the cash capital increased of its subsidiary, DesigneRx Pharmaceuticals, Inc., amounting of US\$ 8 million.
- C. In order to meet the working capital requirements of operations and repayment of loans, the Company approved the loan to its subsidiary, DesigneRx Pharmaceuticals (Chengdu) Inc., on February 25, 2022, with an amount of US\$ 20 million.

## 12. Others

### A. Capital management

The Group's capital management aims to ensure that the Group can continue as a going concern, maintain the best capital structure to fund the expansion and upgrading of plant and equipment, and provide remuneration to shareholders.

Therefore, the Group's capital management aims to ensure that it has the necessary financial resources and management plans to maintain or adjust its capital structure to meet the requirements of working capital, capital expenditure, research and development expenses, debt repayment and dividend payments in the coming year.

### B. Financial instrument

#### (a) Fair value information on financial instruments

The carrying amounts of the Group's financial instruments (including cash and cash equivalents, financial assets at amortised cost - current, investments accounted for under equity method, accounts receivable, other receivables, other financial assets, refundable deposits, notes payable, other payables, short-term borrowings, long-term borrowings and lease liabilities) as measured at amortized cost are reasonable approximations of fair value. Please refer to Note 12 C for fair value information of the financial instruments as measured at fair value.

#### (b) Risk control policies

- i. The Group's daily operations are subject to a number of financial risks, including exchange rate risk, credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial markets and seeks to mitigate the potential adverse impact on the Group's financial position and financial performance.
- ii. Risk management shall be carried out by the Finance Department of the Group in accordance with the policies approved by the Board of Directors. The Group's Finance Department is responsible for identifying, assessing and mitigating financial risks through close cooperation with the Company's operating units.

(c) The nature and extent of the material financial risk

I. Market risks

Exchange rate risks

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to RMB and TWD. The risk is associated with future business transactions, recognized assets and liabilities, and net investments in foreign operations.
- ii. The Management of the Group has formulated policies for companies within the Group to manage exchange rate risk relative to their functional currencies. Exchange rate risks are generated when future business transactions, recognized assets or liabilities are denominated in foreign currencies other than the entity's functional currency.
- iii. The Group's business involves a range of non-functional currencies (with US dollars being the functional currencies of the Company and some subsidiaries, and TWD and RMB being the functional currencies of the other subsidiaries). Therefore, subject to exchange rate fluctuations, the information of foreign currency assets and liabilities that are significantly affected by exchange rate fluctuations is as follows (unit: thousands):

		December 31, 2021			
		Foreign Currency (in thousands)	Exchange Rates	Functional Currency (USD)	Carrying Amount (TWD)
<b>(Foreign currency: functional currency)</b>					
<u>Financial assets</u>					
<u>Monetary items</u>					
RMB : USD	\$	13,484	6.37	\$ 2,117	\$ 58,593
TWD : USD		11,485	27.68	415	11,485
<u>Financial liabilities</u>					
<u>Monetary items</u>					
RMB : USD		93,037	6.37	14,605	404,278
TWD : USD		8,050	27.68	291	8,050

	December 31, 2020			
	Foreign Currency (in thousands)	Exchange Rates	Functional Currency (USD)	Carrying Amount (TWD)

**(Foreign currency:  
functional currency)**

Financial assets

Monetary items

RMB : USD	\$	6,819	6.51	\$	1,048	\$	29,851
NTD : USD		11,301	28.48		397		11,301

Financial liabilities

Monetary items

RMB : USD		53,950	6.51		8,292		236,158
NTD : USD		7,536	28.48		265		7,536

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

	2021		
	Sensitivity Analysis		
	Range of Fluctuation	Profit/Loss Affected (USD)	Profit/Loss Affected (TWD)

**(Foreign currency: functional  
currency)**

Financial assets

Monetary items

RMB : USD	1%	\$	21	\$	586
TWD : USD	1%		4		115

Financial liabilities

Monetary items

RMB : USD	1%	\$	146		4,043
NTD : USD	1%		3		80

2020			
Sensitivity Analysis			
	Range of Fluctuation	Profit/Loss Affected (US\$)	Profit/Loss Affected (NT\$)
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB : USD	1%	\$ 10	\$ 299
TWD : USD	1%	4	113
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB : USD	1%	\$ 83	2,362
TWD : USD	1%	3	75

- v. The aggregate amount of total exchange gains (losses) (realized and unrealized) recognized under the Group's monetary items in 2021 and 2020 due to significant exchange rate fluctuations is \$349 and (\$5,644), respectively.

#### Price risk

- i. The Group's equity instruments that are exposed to price risk are financial assets at fair value through profit or loss.
- ii. The Group invests primarily in equity instruments issued by domestic and foreign companies, the price of which is subject to uncertainty about the future value of the underlying investment. If these equity instruments rise or fall by 1%, while all other factors remain unchanged, the after-tax net profit for 2021 will increase or decrease by \$1,141 due to the benefit or loss of the equity tool measured at fair value.

#### Cash flow and fair value interest rate risk

- i. The Group's interest rate risk is derived from bank deposits and short and long-term loans. Loans issued at floating rates are short-term loans and expose the Group to interest rate risk on cash flows. Interest rate volatility risk is implemented and monitored by the Group's Finance department. As at 31 December 2021, the Group's loans issued at floating rates are mainly denominated in RMB.
- ii. When the RMB loan rate rises or falls by 1%, while all other factors remain unchanged, the after-tax net profit for 2021 will be reduced or increased by \$2,780 mainly due to the change in interest expenses caused by floating rate borrowings.

#### II. Credit risk

- i. The credit risk of the Group is the risk of financial losses of the Group due to the failure of customers or counterparties of financial instruments to meet their contractual obligations, mainly from the inability of counterparties to settle accounts receivable under the terms of collection, contractual cash flows from investments in debt instruments measured at amortized cost and contractual cash flows from investment in debt instruments measured at fair value through profit or loss.
- ii. In accordance with the group's stated internal credit policy, each of the Group's operating units is required to conduct a management and credit risk analysis on each of its new counterparties before setting the terms and conditions of payment. Internal risk control involves assessing the credit quality of a counterparty considering its financial position, past experience and other factors. Limits on individual risks are established and regularly monitored by the Board of Directors based on internal or external ratings. The principal credit risks are from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only those with good credit ratings will be accepted as the object of transaction.
- iii. The Group adopts IFRS9 as the premise and assumes that if the payment under the contract is overdue for more than 90 days according to the agreed terms, it is deemed to have breached the contract. Most of the Group's receivables are from customers of the good credit. The carrying amount of receivables at December 31, 2021 and December 31, 2020 is \$4,930 and \$2,316, respectively, with no material expected credit loss.

### III. Liquidity risk

- i. The Group finance department forecasts cash flow and monitors the forecast of the Group's working capital requirements to ensure that sufficient funds are available to meet operational and R&D needs in line with the internal technological R&D project schedule.
- ii. The following table shows the Group's non-derivative financial liabilities grouped according to their respective maturity dates. Non-derivative financial liabilities are analysed based on the remaining period from the balance sheet date to the contract maturity date. The contract cash flow amount disclosed in the following table is the undiscounted amount:

#### Non-derivative financial liabilities:

December 31, 2021	Under 1 year	1 to 2 years	2 to 5 years	Above 5 years
Other Payables	\$ 138,652	\$ -	\$ -	\$ -
Long- and short-term borrowings	283,686	88,319	30,720	-
Lease liabilities	21,628	16,197	5,720	-

#### Non-derivative financial liabilities:

December 31, 2020	Under 1 year	1 to 2 years	2 to 5 years	Above 5 years
Other Payables	\$ 121,356	\$ -	\$ -	\$ -
Long- and short-term borrowings	141,684	10,177	119,982	-
Lease liabilities	23,803	23,588	23,194	-

C. Information on fair value

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

Level 1: The quotation in the active market of the same assets or liabilities available to the enterprise at the measurement date (unadjusted). An active market is a market in which sufficient frequency and number of asset or liability transactions occur to provide pricing information on an ongoing basis. The beneficiary certificate invested by the Group and the fair value of US corporate bonds which are popular bonds are of the kind.

Level 2: Directly or indirectly observable inputs of assets or liabilities, except those included in Level 1.

Level 3: Unobservable input values of assets or liabilities. The non-TWSE listed, non-TPEX listed or non-emerging market stocks and stock options are of the kind.

- (b) Please refer to Notes 12 B for information on the fair value of the Group's financial assets and liabilities not measured at fair value.
- (c) For financial and non-financial instruments measured at fair value as at December 31, 2021 and 2020, the basic classification of the Group based on the nature and characteristics of its assets and liabilities and the risk and fair value levels is as follows:

- I. The information on the Group's financial assets and liabilities classified based on the nature is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
- Equity investment	\$ -	\$ -	\$ 45,065	\$ 45,065
- Bond investment	26,598	-	-	26,598
- Beneficiary certificate	42,446	-	-	42,446
	<u>\$ 69,044</u>	<u>\$ -</u>	<u>\$ 45,065</u>	<u>\$ 114,109</u>



December 31, 2020	Level 1	Level 2	Level 3	Total
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
- Equity investment	\$ 13,888	\$ -	\$ -	\$ 13,888
- Stock option	-	-	2	2
	<u>\$ 13,888</u>	<u>-</u>	<u>2</u>	<u>\$ 13,890</u>

II. The methods and assumptions employed by the Group to measure fair value are described below:

- i. Where the Group's corporate bonds and beneficial certificates takes the public quotation available at the active markets as fair price input value (i.e. Level 1).
  - ii. Except for the financial instruments with active markets mentioned above, the fair value of other financial instruments is obtained by means of evaluation techniques or reference to counterparty quotations. The fair value obtained through valuation techniques may be calculated by reference to the current fair value of other financial instruments with similar material conditions and characteristics, the discounting method of cash flow, or by other valuation techniques or by the calculation using a model based on market information available on the consolidated balance sheet date.
- (d) There was no transfer between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.
- (e) The table below shows the changes to Level 3 for the years ended December 31, 2021 and 2020.

	2021	2020
January 1	\$ -	\$ -
Input of Level 3	45,860	-
Net effect of exchange rate	( 795 )	-
December 31	<u>\$ 45,065</u>	<u>\$ -</u>

- (f) The Finance Department of the Group is responsible for evaluating the fair value classified as Level 3, and the evaluation process is as follows: the financial department verifies the independent fair value of financial instruments, and ensures that the evaluation results are close to market conditions through independent source information, and that the source information is independent, reliable, consistent with other information and represents the executable price. In addition, the Finance Department regularly calibrates the evaluation model, performs backtracking tests, updates the input values and information required by the evaluation model and any other necessary fair value adjustments to ensure that the evaluation results are reasonable.
- (g) The quantitative information and sensitivity of significant unobservable inputs to the evaluation model used for items measured at Level 3 fair value are described below:

Non-derivative equity instrument:	Fair value as at December 31, 2021	Evaluation technique	Significant unobservable input value	Range (weighted average)	Relationship between the input value and fair value
		The latest transaction price of the inactive market			
Unlisted shares	\$ 45,065		N/A	N/A	N/A

### 13. Supplementary Disclosures

#### A. Significant transactions information

- (1) Loans to others: Please refer to Schedule 1.
- (2) Provision of endorsements and guarantees to others: Please refer to Schedule 2.
- (3) Holdings of marketable securities at the end of the period (excluding subsidiaries, associates and joint ventures): Please refer to Schedule 3.
- (4) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Schedule 4.
- (5) Acquisition of real estate reaching NT\$300 million or more than 20% of paid-in capital: None.
- (6) Disposal of real estate of NT\$300 million or more than 20% of paid-in capital: None.
- (7) Purchase or sales of goods from or to related parties reaching NT\$100 million or more than 20% of paid-in capital: None.

(8) Receivables from related parties reaching NT\$100 million or more than 20% of paid-in capital: Please refer to Schedule 5.

(9) Trading in derivative instruments undertaken during the reporting periods: None.

(10) Significant inter-company transactions during the reporting period: Please refer to Schedule 6.

B. Information on investees

Name, locations and other information of investee companies (excluding investees in Mainland China): Please refer to Schedule 7.

C. Information on investment in Mainland China

(1) Basic information: Please refer to Schedule 8.

(2) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: N/A.

D. Major shareholders information

Major shareholders information: Please refer to Schedule 9.

14. Segment Information

A. General information

The Group is only engaged in the single industry of new drug development. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified the Group has only on reportable operating segment.

B. Measurement of segment information

(1) The chief operating decision-maker evaluates the performance of the operating segments based on a measure of profit before tax. The accounting policies and accounting estimates of the operating segments are consistent with the significant accounting policies and estimates and assumptions set out in Notes 4 and 5.

(2) The financial information presented to chief operating decision makers is the same as and measured in the consolidated statements of comprehensive income.

C. Geographical information

Geographical information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.	\$ 15,041	\$ 321,971	\$ 9,410	\$ 248,547
China	-	1,076,183	-	1,187,199
Taiwan	-	3,744	-	6,345
Total	\$ 15,041	\$ 1,401,898	\$ 9,410	\$ 1,442,091

Non-current assets refer to property, plant, and equipment, right-of-use assets, intangible assets and other non-current assets-others.

POLARIS GROUP AND ITS SUBSIDIARIES  
LOANS TO OTHERS  
DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 1

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ending December 31,2021	Balance at December 31,2021	Actual amount drawn down	Interest rate	Nature of loans	Amount of transaction with the borrower	Reasons for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Polaris Pharmaceuticals, Inc.	Polaris Pharmaceuticals Australia Pty Ltd.	Financing receivable-from related parties	Yes	27,680	27,680	21,867	1.83%	Short-term financing	-	Working capital turnover	-	-	-	219,684	219,684	Note 3

Note1: The descriptions of the Column Code are as follows:

- (1) For issuers, please fill in 0 in the Column.
- (2) Investee companies are numbered in order starting with the Arabic numeral 1.

Note 2: The Company's loan and amount of short-term financing for individuals shall not exceed 10% of the net value as specified in the Company's financial statements verified and approved by the Company's accountant recently, and the total limit shall not exceed 40% of the net value as specified in the Company's financial statements verified and approved by the Company's accountant recently.

Note 3: The loan amount and total limit of short-term financing between overseas subsidiaries with 100% voting rights held by the Company shall not exceed the net value as specified in the Company's financial statements verified or approved by the Company's account.

POLARIS GROUP AND ITS SUBSIDIARIES  
PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS  
DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 2

No	Endorsement /Guarantee provider	Guaranteed Party Name	Relationship (Note 2)	Limits on endorsement/			Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statement	Maximum endorsement/ guarantee amount (Note 3)	Guarantee provided by parent company (Note 7)	Guarantee provided by a subsidiary (Note 7)	Guarantee Subsidiaries in Mainland China (Note 7)	Footnote
				Guarantee amount Provided to each guaranteed party	Maximum outstanding endorsement /guarantees amount as of December 31, 2021	Outstanding endorsement /guarantees amount as of December 31, 2021								
(Note 1)				(Note 3)	(Note 4)	(Note 5)	(Note 6)							
0	Polaris Group	DesignRx Pharmaceuticals (Chengdu) Inc.	2	\$ 14,427,754	\$ 332,160	\$ 332,160	\$ 278,016	\$ 332,160	0.05	\$ 21,641,631	Y	N	Y	Note 3

Note1: The descriptions of the Column Code are as follows:

- (1) For issuers, please fill in 0 in the Column.
- (2) Investee companies are numbered in order starting with the Arabic numeral 1.

Note 2: The relationship between the endorser and the endorsee is divided into the following 7 types, please only indicate the type:

- (1) Companies with which the company does business.
- (2) Where the Company directly or indirectly holds more than 50% of the voting shares.
- (3) Companies that directly and indirectly hold more than 50% of the voting shares of the Company.
- (4) Companies in which the Company directly or indirectly holds more than 90% of the voting shares.
- (5) Companies that insure each other in accordance with the contract between contractors or co-builders for the purpose of undertaking the project.
- (6) Companies that are endorsed by all capital contributing shareholders according to their shareholding ratio due to joint investment.
- (7) A joint guarantee for the performance of the pre-sale housing sales contract within the trade in accordance with the *Consumer Protection Law*.

Note 3: The total amount of endorsement made by the Company to others shall not exceed 300% of the net value of the Company and 200% of the net value of the Company for an individual.

Note 4: Maximum balance of endorsement for others in the current year.

Note 5: The amount approved by the Board of Directors shall be filled in. However, if the Board of Directors authorizes the Chairman to make the decision in accordance with Paragraph 8 of Article 12 of the *Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies*, the amount of the decision shall be filled in.

Note 6: Input the actual disbursement amount of the endorsee within the balance of endorsement.

Note 7: Those endorsements from TPEx-listed or TWSE-listed parent companies to their subsidiaries, from subsidiaries to their TPEx-listed or TWSE-listed parent companies, to companies in mainland China shall fill in Y.

POLARIS GROUP AND ITS SUBSIDIARIES  
HOLDINGS OF MARKETABLE SECURITIES (EXCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE)  
DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 3

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Closing Period				Footnote (Note 4)
				Number of shares	Book Value (Note 3)	Ownership	Fair Value	
Polaris Group	Launxp Biomedical Co., Ltd.	N/A	Financial assets at fair value through profit or loss - current	3,000,000	\$ 45,065	16.66%	\$ 45,065	None
Polaris Group	At&T Bond	N/A	Financial assets at fair value through profit or loss - current	N/A	\$ 26,598	N/A	\$ 26,598	None
Polaris Group	FSITC	N/A	Financial assets at fair value through profit or loss - current	N/A	\$ 20,894	N/A	\$ 20,894	None
Polaris Group	Shanghai Commercial & Savings Bank	N/A	Financial assets at fair value through profit or loss - current	N/A	\$ 21,552	N/A	\$ 21,552	None

Note 1: The term “securities” in this Schedule refers a to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS No. 9 “Financial Instruments”.

Note 2: If the issuer of securities is not a related party, this Column is not required.

Note 3: For those measured at fair value, please fill in the book balance after fair value evaluation and adjustment and deducting accumulated impairment in the column of carrying amount;  
For those not measured at fair value, please fill in the book balance of original acquisition cost or amortized cost minus accumulated impairment in the column of carrying amount.

Note 4: In case that the listed securities is restricted due to the provision of security, pledge loan or other provisions in accordance with the agreement, the number of shares provided for security or pledged loan, the amount of guarantee or pledged loan and the restricted use shall be indicated in the Remarks column.



POLARIS GROUP AND ITS SUBSIDIARIES

ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED COST REACHING NT\$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FROM THE YEAR ENDED DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 4

Investor	Marketable securities (Note)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1,2021		Addition		Number of shares	Disposal (Note 3)		Gain (loss) on disposal	Balance as at December 31,2021	
					Number Of Shares	Amount	Number Of Shares	Amount		Selling price	Book Value		Number of shares	Amount
The Company	Share	Investments accounted for under equity method	Designrx Pharmaceuticals, Inc.	Subsidiary	55,179,257	\$ 1,194,995	20,000,000	\$ 558,475	-	\$ -	\$ -	\$ -	75,179,257	\$ 1,753,470

Note 1: The term “securities” in this Schedule refers to stocks, bonds, beneficiary certificates and negotiable securities derived from the above items.

Note 2: If the securities are accounted as an investment accounted for under equity method, the two columns must be filled in, with the other columns remaining blank.

Note 3: Calculate whether the cumulative purchase and sale amount reaches NT\$300 million or 20% of the paid-in capital according to the market price.

POLARIS GROUP AND ITS SUBSIDIARIES  
RECEIVABLES FROM RELATED PARTIES REACHING NT \$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE  
DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31,2021	Turnover rate	Overdue receivables from related parties		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Polaris Pharmaceutical, Inc.	Polaris Group	Parent Company	\$ 118,754	56%	\$ -	Subsequent collection	\$ 75,084	\$ -

POLARIS GROUP AND ITS SUBSIDIARIES  
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 6

Number (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction		Transaction term	Percentage of consolidated total operating revenue or total assets (Note 3)
				General ledger account	Amount		
0	Polaris Group	Polaris Pharmaceutical, Inc.	Parent company to subsidiary	R&D expenses	\$ 97,871	Note 3	650.69%

Note1: Information about the business transactions between the parent company and the subsidiary company shall be indicated in the serial number column as follows:

- (1) For parent company, 0 shall be indicated.
- (2) Subsidiaries are numbered by company starting with the Arabic numeral 1.

Note 2: There are three types of relationship with the trader, which can be marked. (If it is the same transaction between the parent company and the subsidiary or between the subsidiaries, there is no need to disclose it repeatedly. For example, if the parent company has disclosed the transactions between its subsidiaries, the subsidiary need not disclose the transaction repeatedly; Transactions between the subsidiaries which have been disclosed by one subsidiary need not be repeated by another subsidiary) :

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: The terms of the transactions are similar to those of the general transactions, except that there are no similar transactions to follow and the terms of the transactions are determined by the parties through negotiation.

Note 4: When calculating the ratio of the transaction amount to the consolidated total revenue or total assets, in the case of assets and liabilities, it shall be calculated by the ratio of ending balance to total consolidated assets. In the case of profit or loss, the ratio of the cumulative amount to the consolidated total revenue shall be calculated.

Note 5: The material transactions in this Schedule may be determined by the Company according to the principle of materiality.

POLARIS GROUP AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (EXCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 7

Investor	Investee	Location	Main business items	Initial investment amount		Shares held as of December 31, 2021			Net income (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as of December 31, 2021	Balance as of December 31, 2020	Number of shares	Ownership	Book value			
The Company	Polaris Pharmaceuticals, Inc.	US	Biotechnology R&D	\$ 150,995	\$ 150,995	23,000	100%	\$ 219,684	\$ 15,708	\$ 15,708	
The Company	Polaris Group Korea Limited	South Korea	Biotechnology R&D	1,159	1,159	3,184	100%	73	( 90)	( 90)	
The Company	DesignRx Europe Limited	UK	Biotechnology R&D	-	-	1	100%	-	-	-	Note 1
The Company	Polaris Pharmaceuticals Australia Pty Ltd.	Australia	Biotechnology R&D	2	2	100	100%	( 23,995)	( 6,953)	( 6,953)	
The Company	Polaris Pharmaceuticals Ireland Limited	Ireland	Biotechnology R&D	4	4	100	100%	-	-	-	
The Company	DesignRx Pharmaceuticals, Inc.	US	R&D and manufacturing of new drugs	1,753,470	1,194,995	75,179,257	100%	330,969	( 156,048)	( 156,048)	
The Company	TDW PHARMACEUTICALS INC.	Taiwan	Biotechnology services, drug testing	853,612	853,612	41,800,000	100%	6,158	( 14,829)	( 14,829)	
The Company	TDW HK Limited	HK	Holding company	1,416,405	1,416,405	45,300,001	100%	735,672	( 220,345)	( 220,345)	
The Company	Nanotein Technologies, Inc.	US	Biotechnology services, drug testing	70,884	8,912	3,696,357	41%	86,698	( 17,413)	( 6,835)	Note 2

Note 1: The initial investment amount is 1 pound.

Note 2: The associates re-invested by the Company.

POLARIS GROUP AND ITS SUBSIDIARIES  
INFORMATION ON INVESTMENTS IN MAINLAND CHINA - BASIC INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2021

Express in thousands of TWD  
(except as otherwise stated)

Schedule 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Investment flow		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income (loss) of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				Remitted to Mainland China	Remitted to Taiwan								
DesignRx Pharmaceuticals (Shanghai) Inc.	R&D of new drugs	\$ 108,950	Note 1	\$ -	\$ -	\$ -	\$ -	(\$ 1,298)	100%	(\$ 1,298)	\$ 4,315	\$ -	Note 2
DesignRx Pharmaceuticals (Chengdu) Inc.	R&D of new drugs	1,413,200	Note 1	-	\$ -	\$ -	\$ -	( 218,788)	100%	( 218,788)	729,177	-	Note 2

Note 1: Reinvest in the mainland China through TDW HK Limited.

Note 2: Recognize as profit or loss in accordance with financial statements verified by certified accountants of the Group.

POLARIS GROUP AND ITS SUBSIDIARIES  
MAJOR SHAREHOLDERS INFORMATION  
DECEMBER 31, 2021

Schedule 9

Major Shareholders	Shareholding	
	Number of shares held	Shareholding ratio
Digital Capital Inc.	290,000,000	40.34%
Digital Mobile Venture Led.	61,729,295	8.59%
MAI INVESTMENT CO., LTD.	40,527,138	5.64%

**Polaris Group**



**Person in Charge: Chen Hung-Wen**

