TTY BIOPHARM COMPANY LIMITED
2018 Annual General Meeting Minutes
(Translation Version)

Time: June 20, 2018 (Wednesday) 9:00 AM

Location: Room 447, Nankang Software Incubaor
(Address: Building E, 4F., No. 19-11, Sanchong Rd., Nangang Dist., Taipei City, Taiwan)

Total outstanding TTY shares: 248,649,959 shares

Total shares represented by shareholder present in person or by proxy: 214,649,036 shares

Percentage of shares held by shareholder present in person or by proxy: 86.32%

Director Present: Lin, Chuan；Chang, Wen-Hwa; Yang, Tze-Kaing; Chang, Hsiu-Chi ; Tseng, Tien-Szu; Liao, Ying-Ying; Tsai, Duei (Independent Director); Hsueh, Ming-Ling (Independent Director); Lin, Tien-Fu (Independent Director)

Attendance: Hsiao, Ying-Chun, General Manager; Tzeng, Kwo-Yang, CPA of KPMG

Chairperson: Lin, Chuan, Chairman

Recorder: Huang, Ching-Yi

Meeting procedures

I. Calling to the Meeting Order

The aggregate shareholding of the shareholder present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Meeting Rituals

III. Chairman's Address (omitted)

IV. Report Items

1. 2017 Business Report (See Attachment 1)
2. Audit Committee's Review Report on the 2017 Financial Statements (See Attachment 2)
3. Report on Employee and Directors Remuneration in 2017 (See Meeting Handbook)
4. Report on establishment of "Procedures for Ethical Management and Guidelines for Conduct" (See Meeting Handbook)

V. Ratification Items

Item One: (Proposed by the Board of Directors.)

Ratification of 2017 Business Report and Financial Statements

Description:

1. The Company's 2017 Business Report and Financial Statements have been approved by the Board of Directors and reviewed by Audit Committee.
2. The Company's 2017 Financial Statements have been audited by KPMG Taiwan with audited "Unqualified Opinion"

3. Please refer to the Attachment 1 and Attachment 3 for 2017 Business Report and Financial Statements.

VOTING RESULTS: a total of 213,579,879 voting rights were represented by the presence of shareholders at the time of voting; therein 196,839,879 votes for (incl. 86,658,699 voting rights cast by electronic method), 4,652 votes against (incl. 4,652 voting rights cast by electronic method), 0 invalid votes and 16,735,348 votes abstention /no votes (incl. 16,355,599 voting rights cast by electronic method).

RESOLVED, 92.16% of total represented voting rights present voted for and this proposal was approved as proposed.

Item Two: (Proposed by the Board of Directors)

Ratification of 2017 Profit Distribution

Description:

1. Allocation of cash dividend proposed by the Board is total of NT$1,118,924,816 (i.e. NT$ 4.5 per share based on the number of shares recorded in the Register of Shareholders on the ex-dividend date. All cash dividends are rounded down to the dollar after discount any cents. The remaining amount will be treated as the other revenue of the Company. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors shall be authorized to resolve the ex-dividend date, payment date and other relevant issues.
2. Please refer to the Attachment 4 for Distribution of 2017 Profits Table.

VOTING RESULTS: a total of 213,579,879 voting rights were represented by the presence of shareholders at the time of voting; therein 204,254,261votes for (incl. 94,073,081 voting rights cast by electronic method), 4,652 votes against (incl. 4,652 voting rights cast by electronic method), 0 invalid votes and 9,320,966 votes abstention /no votes (incl. 8,941,217 voting rights cast by electronic method).

RESOLVED, 95.63% of total represented voting rights present voted for and this proposal was approved as proposed.

VI. Extraordinary Motions: None.

VII. Adjournment: The Chairman announced the meeting adjourned at 9:18 am on June 20, 2018.

Attachment 1

TTY BIOPHARM COMPANY LIMITED

Business Report

I. The Company's Business Result for year 2017

(1) Business Plan Implementation Result

The Company's consolidated net business revenue for year 2017 reached NT$4,078,760 thousands, which represents an increase by NT$318,043 thousands (8.46%) compared to the revenue of NT$3,760,717 thousands for year 2016. This increase was mainly caused by growth of oncology and anti-infective medicine sales and received milestone payments for year 2017. Net profit attributed to the parent company for year 2017 totaled NT$1,344,731 thousands which represents an increase by NT$151,407 thousands (12.69%) compared to that of NT$1,193,324 thousands in year 2016. This increase has been mainly caused by the increase of operating profit to NT$ 77,303 thousands in year 2017 and gains from asset disposal for NT$ 222,174 thousands.

(2) Budget Implementation Status

The Company's net business revenue for 2017 is NT$ 3,672,040 thousands, achieving 100.71% of the annual budget target. Pre-tax net profit is NT$ 1,563,698 thousands, achieving 129.38% of the annual budget target.

(3) Income & Expenditure and Profitability Analysis

Item	Year	2017	2016
Income & Expenditure	Interest Income (in thousands)	3,408	2,508
	Interest Expenditure (in thousands)	25,191	25,362
Profitability Analysis	Return on Assets %	15.77	14.29
	Return on Equity %	24.73	22.77
	Net Profit Margin %	36.62	35.68
	Earnings Per Share (NTD)	5.41	4.80

(4) Research & Development Status

In continuation of the R&D strategy of past years, the company constantly refines its liposome technologies and long-lasting gradual-release injection technologies, develops new ingredients and medications, and explores new applications for currently available products with the goal of benefiting a greater number of patients and creating more value for shareholders.

To ensure diversified developments for liposome, which has been under the Company's in-depth exploration for many years, in order to create sustained values for the Company, the Company collaborates with a Dutch company to set up a joint venture. Through collaborating partner's expertise in the capability of developing drugs for brain illness treatment together with the Company's liposome technology, a liposome new drug has been jointly developed accordingly for the treatment of acute Multiple Sclerosis. Additionally, the Company is also engaged in developing sustained release microsphere products to treat Acromegaly and functional endocrine tumors of stomach, intestine and pancreas. Meanwhile, the Company also collaborates with major international manufacturer to jointly develop two liposome products for offshore markets. Currently, validation for three batches has already been completed and the Company has already received the first phase milestone payment in accordance with agreement.

Looking ahead, the Company will continue to develop forward-looking and innovative technologies to consolidate its core competitiveness and leadership position.

II. Overview of the 2018 Business Plan

(1) Operation Policy

Ever since its incorporation, TTY has experienced several critical strategic leaps and successfully transformed itself into a "new drug development oriented innovative international biopharma company" for the purpose of creating excellence and ever-lasting business. In addition to the in-depth exploration of Taiwan market, China and major countries in Asia in order to obtain stable growth for domestic and offshore businesses, we also proceed to expand emerging markets across the world. TTY explores its self-developed product revenue and brand efficiency through direct sales or collaboration with strategic partners. TTY is also closely connected with international expert social media groups and provides treatment solutions with the best drug economic values. TTY is dedicated to become an international biopharma company specialized in developing special formulation and biotechnological drugs, marketing and manufacturing.

(2) Quantity and Basis for Projected Sales

In year 2018, the Company expects to sell 356,000 thousands tablets of oral products and 6,400 thousands vials of injection. The Company's projected sales volume has been established in accordance with IMS statistic report and under considerations of possible changes in market supply and demand going forward, new product development speed as well as national health insurance policy.

(3) Critical Production and Marketing Policies

For the upcoming year, TTY shall continue its strategy and goal from the past, and shall utilize its previous achievements as a basis during its relentless dedication to self-challenge while approaching toward its next milestone:

With respect to "marketing strategy," we shall continue to evaluate major countries in Asia as well as global emerging markets in addition to our in-depth exploration of Taiwan market. Exploration of TTY product revenue and brand efficiency will be conducted through management of direct sales and strategic partner collaboration. As for "Research & Development Strategy," we shall continue to enhance the development of specialty pharma platform. In the meantime, we shall balance our needs for short/medium/long term R&D and be engaged in aggressive and cautious search for and assessment of development targets in a bid to enhance product assortments for respective business divisions in the Company. With respect to "Production Strategy," we shall continue to establish and maintain drug manufacturing bases meeting international quality requirements and enhance production capacity planning which comes with flexibility and economies of scale for the purpose of ensuring our cost and competitive advantages.

III. The Company's Future Development Strategy

Corporate Vision: "Enhance Human Life Quality with Technology"

Corporate Mission: "Commitment to development and manufacturing of specialty pharma (patentable or high entry barrier), biological products and new drugs; Enhancement of TTY product assortments; Continuous enhancement of high market-entrance obstacle drug development platform as well as undisrupted extension of utilization efficiency over such platform," "Specialized in the in-depth exploration and international development over manufacturing and R&D for anti-cancer, critical illness anti-infection and specialty pharma," "Becoming one of the most innovative biopharma company in the world as well as the best collaborating partner for international biotechnology company in drug development and international market promotion."

For future development, TTY shall, in addition to exploiting maximum efficiency on current R&D achievements, continue to explore international markets and aggressively look for international collaboration opportunities, and achieve its development goals through the following critical strategies:

(1) Balanced evaluations over early/middle/final phase drug development targets for the purpose of enhancing product assortments(specialty pharma, biopharma, new drug) and meeting this organization's short/long term operation goals;

(2) Collaboration with international cooperation partners in order to speed up development for new drugs which come with unmet medical needs, high entry barrier (technology, manufacturing) and high drug economic values;

(3) Concentrate in an ongoing basis on the implementation of "localized" business activities and life cycle management "best suited for local community" in respective target markets;

(4) Development of specialty pharma through competitive self-owned and joint developments for the purpose of creating stable operation patterns for Contract Development and Manufacturing Organization (CDMO) and adding values to TTY international business development;

(5) Establishment, renewal and maintenance of drug manufacturing bases which meet with international quality requirements;

(6) Utilization of critical strategic activities of mergers and acquisitions, strategic alliance or joint venture to complete integration of value chain which starts from R&D and manufacturing to marketing;

(7) Continued implementation of production process improvement and enhancement of production capacity planning (capable of supplying international mass production demand) which comes with flexibility and economies of scale for the purpose of ensuring cost advantage;

(8) Rapid acquisition and cultivation of local talents with "entrepreneurial spirit" and continued enhancement over product development talents possessing balanced developments in the fields of "science, regulation, business management;"

(9) Product development supported by current sales revenue from Taiwan;

(10) Amortization of facility operation costs through international characteristic drug OEM/joint development revenue;

(11) Introduction of R&D result into in global market and completion of offshore license -out; Combination of product and R&D revenue for the purpose of investing the future while creating positive business cycle;

(12) Concentration on global biotechnology investment targets to maximize group profits.

IV. Impacts from External Competition Environment, Regulatory Environment and Macro-Economic Environment

With the increasing stringent regulations in recent years, production costs after the implementation of PIC/S continues to increase exponentially. Meanwhile, health insurance drugs prices have experienced numerous price adjustments which lead to imbalance between input and output as well squeeze drug manufacturers' revenue and profits.

With respect to industry development, China, India and even countries across Southeast Asia have all been engaged in generic drug industry and price competition has therefore become even fiercer. Furthermore, scales of drug manufacturers as well as market in Taiwan are small. Pricing competition will cause stagger in the development of Taiwan pharma market.

The Legislative Yuan passed amendments to certain articles of the Pharmeceutical Affairs Act on December 29th, 2017. A total of 26 articles have been amended or added. This is mainly for adding new drug data exclusive protection for new indications as well as establishing patent connection system. After implementation of patent connection in the future, drug permit certicate owner for new drug shall submit drug patent rights information within 45 days strating from the next day after receiving drug permit certificate. At the time of applicatioin, Generic Drug permit certificate applicant must also claim with respect to each and every patent rights published by original manufacturer. Original manufacturer must be notified withing deadline in the event of representation claiming that patent rights should be rescinded or there are no rights being trespassed (representation prescribe in Paragraph IV). In the event of original manufacturer's filing of patent rights trespassing litigation within deadline after its receiving of notification, health competent authority will suspend issuing Generic Drug permit certificate for twelve months starting from its receiving of notification but that review will still be continued. In the event that review is completed within suspension period, Generic Drug permit certificate applicant will therefore be notified accordingly, and application of drug listing and price verification can therefore be filed to the National Health Insurance Administration in accordance with the notification. The first Generic Drug permit certificate application making successful challenge will obain a 12-month exclusive sales period. After the introduction of connection system, it is expected that problems, similar to the ones in the U.S., of new drug patent abusive publications and reverse payment will likely appear. Increase of threshold for future Generic Drug applications could extremely increase costs for patent and rights infringement litigations.

TTY has strong IP and regulation team and all of TTY's cancer product formulation and production processes meet with Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme Good Manufacturing Practice (PIC/S GMP) regulations, and currently there are numerous drug applications being submitted in accordance with laws and regulations. All these have helped TTY’s drugs maintain their competitiveness in domestic market. Furthermore, TTY’s liposome technology platform, long acting gradual-release injection technology platform, freeze-dry manufacturing process and capsule manufacturing process technologies have become matured. In the meantime, TTY owns drug manufacturing bases which meet with international quality requirements, and PIC/S GMP certifications in numerous countries have already been obtained through official factory inspections in Europe, Japan and U.S. With our preeminent technology and high standard factory equipment, numerous large scale or innovative pharma companies have actively approached TTY for collaboration discussion. TTY will also choose appropriate strategic partners for collaboration in order to enhance our competitiveness in offshore markets.

Chairman of the Board: Lin, Chuan

Responsible Management: Hsiao, Ying-Chun

Responsible Accountant: Wang, Shu-Wen

Attachment 2

TTY BIOPHARM COMPANY LIMITED

Audit Committee's Review Report on the 2017 Financial Statements

The Board of Directors presented the year 2017 Business Report, Financial Statement (including the consolidated financial statement), and the profit distribution proposal. The Financial Statement (including the consolidated financial statement) was audited by KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Company's audit committee. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to: 2018 Annual Meeting of Shareholders of the Company

Hsueh, Ming-Ling

Chairman of the Audit Committee

March 29, 2018

Attachment 3

KPMG

安侯建業聯合會計師事務所
KPMG
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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

We have audited the financial statements of TTY Biopharm Company Limited(" the Company"), which comprise the balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Impairment of accounts receivable

   Please refer to Notes 4(f), 5(a) and 6(c) of the financial statements for the accounting principles on the impairment of accounts receivable, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of allowance for impairment with respect to the receivable.

   Key audit matters:

   The Company judgment in determining the recoverable amounts of individual accounts receivable balances which were overdue is based on historical trend adjusted for certain current factors. Impairment assessment of accounts receivable is one of the key audit matters for our audit, as it requires management to exercise subjective judgment in making assumptions and estimations when calculating for impairment allowances on accounts receivable.

Auditing procedures performed:

Our principal audit procedures included: assessing the default rate, which was calculated by the Company's internal management, and the relevant internal data, and evaluating the reasonableness of parameters and assumption; assessing the assumptions and data used in the calculation for individual accounts receivable; testing the appropriateness and adequacy of provision for doubtful accounts made by the management and the subsequent collection of accounts receivable. Evaluating the adequacy of the disclosures; considering the historical accuracy of the provisions for allowance account, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

2. Inventory valuation

Please refer to Notes 4(g), 5(b) and 6(d) of the financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Company' s revenue and income may be effected by the price fluctuations.

Auditing procedures performed:

Our principal audit procedures included: overviewing the stock ageing list, analyzing the movement of stock ageing by period; ensuring the allowance of inventory is in conformity with the accounting policies; realizing the differences between net realizable price and the current selling price, and evaluating the reasonableness of them; overviewing the sales situation on and after the period of slow-moving inventory, testing and verifying the correctness about the allowance that was calculated by the Directors; considering the historical accuracy of the provisions for inventory allowance and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year compared to the previous years; evaluating the adequacy of the disclosures.

Other Matter

We did not audit the financial statements of PharmaEngine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 8.13% and 8.58% of the related total assets as of December 31, 2017 and 2016, respectively, and the related investment gains represented 4.39% and 9.29% of the profit before tax for the years ended December 31, 2017 and 2016, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shin-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2018

Notes to Readers

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

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a) and (s))	$ 759,043	9	562,174	7
1150	Notes receivable, net (notes 6(c) and (s))	47,640	1	32,288	-
1170	Accounts receivable, net (notes 6(c) and (s))	802,985	9	666,194	8
1180	Accounts receivable due from related parties, net (notes 6(c), (s) and 7)	52,641	1	48,805	1
1200	Other receivables, net (notes 6(c), (s) and 7)	82,383	1	44,103	1
130X	Inventories (note 6(d))	625,503	7	525,006	6
1410	Prepayments	14,412	-	25,923	-
1476	Other current financial assets(notes 6(a) and (s))	-	-	5,550	-
1470	Other current assets	1,461	-	3,493	-
		2,386,068	28	1,913,536	23
	Non-current assets:				
1523	Non-current available-for-sale financial assets, net (notes 6(b) and (s))	47,200	1	70,800	1
1550	Investments accounted for using equity method (note 6(e))	3,327,751	37	3,566,861	42
1600	Property, plant and equipment (note 6(f))	2,513,641	29	2,536,258	30
1760	Investment property, net (notes 6(g))	77,644	1	77,999	1
1780	Intangible assets (note 6(h))	9,189	-	13,936	-
1915	Prepayments for equipment	165,320	2	181,472	2
1920	Refundable deposits paid (notes 6(s) and 7)	22,939	-	19,945	-
1981	Cash surrender value of life insurance (note 6(s))	7,275	-	5,198	-
1984	Other non-current financial assets, others (notes 6(a), (s) and 8)	124,007	1	125,847	1
1840	Deferred tax assets (note 6(m))	25,324	-	25,761	-
1990	Other non-current assets, others	60,321	1	12,436	-
		6,380,611	72	6,636,513	77
	Total assets	$ 8,766,679	100	8,550,049	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term loans (notes (i) and (s))	$ 1,650,000	19	1,249,010	15
2150	Notes payable (note 6(s))	36,882	-	16,099	-
2170	Accounts payable (note 6(s))	58,555	1	57,909	1
2230	Current tax liabilities (note 6(m))	126,631	1	183,226	2
2250	Current provisions	-	-	3,805	-
2200	Other payables (notes 6(s))	432,245	5	415,493	5
2300	Other current liabilities(notes 6(s))	48,049	1	46,022	1
2320	Long-term liabilities, current portion (note 6(j))	300,000	3	200,000	2
		2,652,362	30	2,171,564	26
	Non-Current liabilities:				
2540	Long-term loans (notes 6(j) and (s))	250,000	3	630,000	7
2570	Deferred tax liabilities (note 6(m))	298,136	3	314,729	4
2640	Net defined benefit liability, non-current (note 6(l))	54,310	1	44,621	1
2645	Guarantee deposits received (note 6(u))	10,759	-	10,607	-
2650	Credit balance of investments accounted for using equity method (note 6(e))	4,336	-	-	-
		617,541	7	999,957	12
	Total liabilities	3,269,903	37	3,171,521	38
	Equity (note 6(n)):				
3100	Share capital	2,486,500	29	2,486,500	29
	Capital surplus:				
3200	Capital surplus	396,113	5	405,368	5
	Retained earnings:				
3310	Legal reserve	722,945	8	603,613	7
3320	Special reserve	110,154	1	110,154	1
3350	Total unappropriated retained earnings	1,758,633	20	1,487,805	17
3400	Other equity interest	22,431	-	285,088	3
	Total equity	5,496,776	63	5,378,528	62
	Total liabilities and equity	$ 8,766,679	100	8,550,049	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017 Amount	2017 %	2016 Amount	2016 %
4000	**Operating revenue (notes 6(p) and 7)**	$ 3,672,040	100	3,344,262	100
5000	**Cost of sales (notes 6 (d) and 7)**	1,321,777	36	1,128,745	34
	Gross profit	2,350,263	64	2,215,517	66
5910	Less:Unrealized profit (loss) from sales	10,004	-	7,550	-
5920	Add:Realized (profit) loss from sales	7,550	-	9,319	-
	Gross profit, net	2,347,809	64	2,217,286	66
6000	**Operating expenses:**				
6100	Selling expenses	689,514	19	594,375	18
6200	General and administrative expenses	226,955	6	238,537	7
6300	Research and development expenses	219,126	6	230,192	7
		1,135,595	31	1,063,104	32
	Net operating income	1,212,214	33	1,154,182	34
	Non-operating income and expenses (notes 6(r) and 7):				
7010	Other income	20,058	1	18,193	1
7020	Other gains and losses	225,646	6	63,090	2
7050	Finance costs	(25,191)	(1)	(25,362)	(1)
7070	Share of profit of subsidiaries and associates accounted for using equity method (note 6(e))	130,971	4	221,934	7
		351,484	10	277,855	9
	Profit before tax	1,563,698	43	1,432,037	43
7950	Less: Income tax expense (note 6 (m))	218,967	6	238,713	7
	Profit for the year	1,344,731	37	1,193,324	36
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements effects of defined benefit plans	(9,701)	-	(2,282)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(9,701)	-	(2,282)	-
8360	**Other components of other comprehensive income that may be reclassified to profit or loss**				
8361	Exchange differences on translation	(117,339)	(3)	(22,194)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(23,600)	(1)	(63,584)	(2)
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(141,661)	(4)	7,061	-
8399	Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss	(19,943)	1	(3,794)	-
		(262,657)	(7)	(74,923)	(3)
8300	**Other comprehensive income for the year, net of tax**	(272,358)	(7)	(77,205)	(3)
	Total comprehensive income for the year	**$ 1,072,373**	**30**	**1,116,119**	**33**
	Earnings per share, net of tax (Note 6(o))				
	Basic earnings per share	**$**	**5.41**		**4.80**
	Diluted earnings per share	**$**	**5.40**		**4.79**

See accompanying notes to financial statements.

(English Translation of and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
Balance at January 1, 2016	$ 2,486,500	373,985	482,511	110,154	1,288,140	16,160	343,851	360,011	5,101,301
Profit	-	-	-	-	1,193,324	-	-	-	1,193,324
Other comprehensive income	-	-	-	-	(2,282)	(18,522)	(56,401)	(74,923)	(77,205)
Total comprehensive income	-	-	-	-	1,191,042	(18,522)	(56,401)	(74,923)	1,116,119
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	121,102	-	(121,102)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(870,275)	-	-	-	(870,275)
Other changes in capital surplus:									
Changes in equity of associates accounted for using equity method	-	31,383	-	-	-	-	-	-	31,383
Balance at December 31, 2016	2,486,500	405,368	603,613	110,154	1,487,805	(2,362)	287,450	285,088	5,378,528
Profit	-	-	-	-	1,344,731	-	-	-	1,344,731
Other comprehensive income	-	-	-	-	(9,701)	(97,372)	(165,285)	(262,657)	(272,358)
Total comprehensive income	-	-	-	-	1,335,030	(97,372)	(165,285)	(262,657)	1,072,373
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	119,332	-	(119,332)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(944,870)	-	-	-	(944,870)
Other changes in capital surplus:									
Changes in equity of associates accounted for using equity method	-	5,070	-	-	-	-	-	-	5,070
Disposal of investments accounted for using equity method	-	(14,325)	-	-	-	-	-	-	(14,325)
Balance at December 31, 2017	**$ 2,486,500**	**396,113**	**722,945**	**110,154**	**1,758,633**	**(99,734)**	**122,165**	**22,431**	**5,496,776**

Note ：The Company's remuneration of directors of $14,950 and $15,786 and remuneration of employees of $24,040 and $22,048 for the years ended December 31, 2017 and 2016, had been deducted from statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,563,698	1,432,037
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	129,261	97,421
Amortization expense	5,447	10,436
Interest expense	25,191	25,362
Interest income	(3,408)	(2,508)
Share of profit of subsidiaries and associates accounted for using equity method	(130,971)	(221,934)
Loss on disposal of property, plant and equipment	1,938	117
Allocation of deferred income	(1,010)	(1,010)
Gain on disposal of investments	(222,174)	-
Decrease in current provisions	(3,805)	-
Unrealized profit (loss) from sales	10,004	7,550
Realized loss (profit) from sales	(7,550)	(9,319)
Total adjustments to reconcile profit (loss)	(197,077)	(93,885)
Changes in operating assets and liabilities:		
Notes receivable	(15,352)	(5,268)
Accounts receivable	(140,627)	113,776
Other receivable	(8,834)	(8,466)
Inventories	(100,497)	(32,841)
Other current assets	13,543	13,498
Notes payable	20,783	(3,143)
Accounts payable	646	(72,570)
Other payable	18,395	79,684
Other current liabilities	2,027	6,011
Net defined benefit liability	(12)	(136)
Net changes in operating assets and liabilities	(209,928)	90,545
Total adjustments	(407,005)	(3,340)
Cash provided by operating activities	1,156,693	1,428,697
Interest received	3,408	2,508
Dividends received	133,732	92,823
Interest paid	(25,074)	(25,404)
Income taxes paid	(271,775)	(171,521)
Net cash flows from operating activities	996,984	1,327,103
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(50,000)	(25,059)
Proceeds from disposal of investments accounted for using equity method	213,714	-
Acquisition of property, plant and equipment	(83,027)	(88,445)
Proceeds from disposal of property, plant and equipment	114	220
(Increase) decrease in refundable deposits paid	(2,994)	620
Acquisition of intangible assets	(700)	(1,437)
Decrease (increase) in other financial assets	7,390	(501)
Increase in prepayments for equipment	(10,922)	(28,226)
Increase in other non-current assets	(49,962)	(2,789)
Net cash flows used in investing activities	23,613	(145,617)
Cash flows from (used in) financing activities:		
Increase in short-term loans	8,719,000	6,263,020
Decrease in short-term loans	(8,318,010)	(6,214,010)
Proceeds from long-term loans	250,000	630,000
Repayments of long-term loans	(530,000)	(500,000)
Increase in guarantee deposits received	152	7,976
Decrease in other current liabilities	-	(426,725)
Cash dividends paid	(944,870)	(870,275)
Net cash flows used in financing activities	(823,728)	(1,110,014)
Net increase in cash and cash equivalents	196,869	71,472
Cash and cash equivalents at beginning of period	562,174	490,702
Cash and cash equivalents at end of period	**$ 759,043**	**562,174**

See accompanying notes to financial statements.

KPMG

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited :

Opinion

We have audited the consolidated financial statements of TTY Biopharm Company Limited and its subsidiaries (" the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Impairment of accounts receivable

   Please refer to Notes 4(g), 5(a) and 6(c) of the consolidated financial statements for the accounting principles on the impairment of accounts receivable, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of allowance for impairment with respect to the receivable.

Key audit matters:

The Group judgment in determining the recoverable amounts of individual accounts receivable balances which were overdue is based on historical trend adjusted for certain current factors. Impairment assessment of accounts receivable is one of the key audit matters for our audit, as it requires management to exercise subjective judgment in making assumptions and estimations when calculating the impairment allowances on accounts receivable.

Auditing procedures performed:

Our principal audit procedures included: assessing the default rate, which was calculated by the Group's internal management, and the relevant internal data, and evaluating the reasonableness of parameters and assumption; assessing the assumptions and data used in the calculation for individual accounts receivable; testing the appropriateness and adequacy of provision for doubtful accounts made by the management and the subsequent collection of accounts receivable. Evaluating the adequacy of the disclosures; considering the historical accuracy of the provisions for allowance account, and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

2. Inventory valuation

Please refer to Notes 4(h), 5(b) and 6(d) of the consolidated financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Group's revenue and income may be effected by the price fluctuations.

Auditing procedures performed:

Our principal audit procedures included: overviewing the stock ageing list, analyzing the movement of stock ageing by period; ensuring the allowance of inventory is in conformity with the accounting policies; realizing the differences between net realizable price and the current selling price, and evaluating the reasonableness of them; overviewing the sales situation on and after the period of slow-moving inventory, testing and verifying the correctness about the allowance that was calculated by the Directors; considering the historical accuracy of the provisions for inventory allowance and using the information as evidence for evaluating the appropriateness of the assumptions made in the current year compared to the previous years; evaluating the adequacy of the disclosures.

Other Matter

We did not audit the financial statements of Pharma Engine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 7.50% and 7.89% of the related consolidated total assets as of December 31, 2017 and 2016, respectively, and the related investment gains represented 4.30% and 8.80% of the consolidated profit before tax for the years ended December 31, 2017 and 2016, respectively.

We also audited the financial statements of TTY Biopharm Company Limited as of and for the years ended December 31, 2017 and 2016 and have issued an unqualified and a modified unqualified audit report, respectively, thereon.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shin-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2018

Notes to Readers

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

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

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

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a) and (v))	$ 1,441,374	15	2,108,713	23
1150	Notes receivable, net (note 6(c) and (v))	73,339	1	62,278	1
1170	Accounts receivable, net (note 6(c) and (v))	915,846	10	783,373	8
1180	Accounts receivable due from related parties, net (note 6(c), (v) and 7)	8,973	-	13,668	-
1200	Other receivables, net (note 6(c), (v) and 7)	73,622	1	46,309	-
130X	Inventories (note 6 (d))	693,713	7	565,683	7
1410	Prepayments	15,511	-	26,884	-
1476	Other current financial assets (note 6(a), (v) and 8)	1,771,755	19	1,057,186	12
1470	Other current assets	2,457	-	4,186	-
		4,996,590	53	4,668,280	51
	Non-current assets:				
1523	Non-current available-for-sale financial assets, net (note 6(b) and (v))	286,586	3	539,205	6
1550	Investments accounted for using equity method, net (note 6(f))	1,024,020	11	1,007,758	11
1600	Property, plant and equipment (note 6(h))	2,548,006	27	2,585,575	28
1760	Investment property, net (note (i))	89,023	1	77,999	1
1780	Intangible assets (note 6(j))	142,203	1	29,648	-
1840	Deferred tax assets (note 6(o))	30,912	-	31,760	-
1915	Prepayments for equipment	169,161	2	181,472	2
1920	Refundable deposits paid (note 6(v) and 7)	28,365	-	24,001	-
1981	Cash surrender value of life insurance (note 6(v))	7,275	-	5,198	-
1984	Other non-current financial assets (note 6(a), (v) and 8)	124,326	1	126,816	1
1990	Other non-current assets	60,600	1	12,593	-
		4,510,477	47	4,622,025	49
	Total assets	$ 9,507,067	100	9,290,305	100

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term loans (note 6(k) and (v))	$ 1,650,000	18	1,249,010	13
2150	Notes payable (note 6(v))	37,403	-	16,572	-
2160	Notes payable to related parties (note 6(m) and 7)	22,464	-	-	-
2170	Accounts payable (note 6(v))	95,055	1	84,671	1
2230	Current tax liabilities (note 6(o))	131,881	1	193,201	2
2250	Current provisions	-	-	5,327	-
2200	Other payables (note 6(v) and 7)	496,623	5	483,329	6
2300	Other current liabilities (note 7)	49,472	1	48,548	1
2320	Long-term liabilities, current portion (note 6(l))	300,000	3	200,000	3
		2,782,898	29	2,280,658	26
	Non-Current liabilities:				
2540	Long-term loans (note 6(l) and (v))	250,000	3	630,000	7
2570	Deferred tax liabilities (note 6(o))	298,136	3	314,729	3
2640	Net defined benefit liability, non-current (note 6(n))	54,310	1	44,621	-
2645	Guarantee deposits received (note 6(v))	10,086	-	9,985	-
		612,532	7	999,335	10
	Total liabilities	3,395,430	36	3,279,993	36
	Equity attributable to owners of parent (note 6(p)):				
	Share capital:				
3100	Share capital	2,486,500	27	2,486,500	27
	Capital surplus:				
3200	Capital surplus	396,113	4	405,368	4
	Retained earnings:				
3310	Legal reserve	722,945	8	603,613	6
3320	Special reserve	110,154	1	110,154	1
3350	Total unappropriated retained earnings	1,758,633	18	1,487,805	16
3400	Other equity interest	22,431	-	285,088	3
	Equity attributable to the parent company:	5,496,776	58	5,378,528	57
36XX	Non-controlling interests (note 6(p))	614,861	6	631,784	7
	Total equity	6,111,637	64	6,010,312	64
	Total liabilities and equity	$ 9,507,067	100	9,290,305	100

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (note 6(r) and 7)**	$ 4,078,760	100	3,760,717	100
5000	**Cost of sales (note 6(d) and 7)**	1,407,701	35	1,203,773	32
	Gross profit	2,671,059	65	2,556,944	68
5910	Less:Unrealized profit (loss) from sales	6,346	-	4,132	-
5920	Add:Realized (profit) loss on from sales	4,132	-	6,408	-
	Gross profit, net	2,668,845	65	2,559,220	68
6000	**Operating expenses (note 7 and 12):**				
6100	Selling expenses	824,571	20	726,935	19
6200	General and administrative expenses	291,609	7	310,913	8
6300	Research and development expenses	295,675	7	341,685	9
		1,411,855	34	1,379,533	36
	Net operating income	1,256,990	31	1,179,687	32
	Non-operating income and expenses (note 6(t) and 7):				
7010	Other income	35,135	1	26,310	1
7020	Other gains and losses, net	214,440	5	168,648	4
7050	Finance costs, net	(25,191)	(1)	(22,979)	(1)
7070	Share of profit (loss) of associates accounted for using equity method, net (note 6(f))	113,693	3	160,393	4
		338,077	8	332,372	8
	Profit before tax	1,595,067	39	1,512,059	40
7950	Less: Income tax expense (note 6(o))	226,753	6	257,335	7
	Profit of the year	1,368,314	33	1,254,724	33
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements effects of defined benefit plans	(9,701)	-	(2,282)	-
8349	Less:Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(9,701)	-	(2,282)	-
8360	**Other components of other comprehensive income that may be reclassified to profit or loss**				
8361	Exchange differences on translation	(117,382)	(3)	(22,249)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(273,278)	(7)	(36,279)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(u))	(642)	-	(8,361)	-
8399	Less:Income tax related to components of other comprehensive income that may be reclassified to profit or loss	(19,943)	-	(3,794)	-
		(371,359)	(10)	(63,095)	(2)
8300	**Other comprehensive income for the year, net of tax**	(381,060)	(10)	(65,377)	(2)
	Total comprehensive income for the year	**$ 987,254**	**23**	**1,189,347**	**31**
	Profit attributable to:				
	Owners of parent	$ 1,344,731	32	1,193,324	31
	Non-controlling interests	23,583	1	61,400	2
		$ 1,368,314	**33**	**1,254,724**	**33**
	Comprehensive income attributable to:				
	Owners of parent	$ 1,072,373	25	1,116,119	29
	Non-controlling interests	(85,119)	(2)	73,228	2
		$ 987,254	**23**	1,189,347	31
	Earnings per share, net of tax (note 6(q))				
	Basic earnings per share	**$**	**5.41**		**4.80**
	Diluted earnings per share	**$**	**5.40**		**4.79**

See accompanying notes to financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
						Total other equity interest					
	Share capital		Retained earnings								
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Owners of parent company	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 2,486,500	373,985	482,511	110,154	1,288,140	16,160	343,851	360,011	5,101,301	593,649	5,694,950
Profit	-	-	-	-	1,193,324	-	-	-	1,193,324	61,400	1,254,724
Other comprehensive income	-	-	-	-	(2,282)	(18,522)	(56,401)	(74,923)	(77,205)	11,828	(65,377)
Total comprehensive income	-	-	-	-	1,191,042	(18,522)	(56,401)	(74,923)	1,116,119	73,228	1,189,347
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	121,102	-	(121,102)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(870,275)	-	-	-	(870,275)	(35,093)	(905,368)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	31,383	-	-	-	-	-	-	31,383	-	31,383
Balance at December 31, 2016	2,486,500	405,368	603,613	110,154	1,487,805	(2,362)	287,450	285,088	5,378,528	631,784	6,010,312
Profit	-	-	-	-	1,344,731	-	-	-	1,344,731	23,583	1,368,314
Other comprehensive income	-	-	-	-	(9,701)	(97,372)	(165,285)	(262,657)	(272,358)	(108,702)	(381,060)
Total income(decrease)	-	-	-	-	1,335,030	(97,372)	(165,285)	(262,657)	1,072,373	(85,119)	987,254
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	119,332	-	(119,332)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(944,870)	-	-	-	(944,870)	(51,804)	(996,674)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	5,070	-	-	-	-	-	-	5,070	-	5,070
Disposal of investments accounted for using equity method	-	(14,325)	-	-	-	-	-	-	(14,325)	-	(14,325)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	120,000	120,000
Balance at December 31, 2017	**$ 2,486,500**	**396,113**	**722,945**	**110,154**	**1,758,633**	**(99,734)**	**122,165**	**22,431**	**5,496,776**	**614,861**	**6,111,637**

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,595,067	1,512,059
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	133,246	100,691
Amortization expense	8,143	22,355
Interest expense	25,191	22,979
Interest income	(22,273)	(14,190)
Share of profit of associates accounted for using equity method	(113,693)	(160,393)
Loss on disposal of property, plant and equipment	1,967	121
Allocation of deferred income	(1,010)	(1,010)
Gain on disposal of investments	(222,174)	(104,924)
Unrealized profit (loss) from sales	6,346	4,132
Realized loss (profit) from sales	(4,132)	(6,408)
Decrease in current provisions	(5,327)	-
Total adjustments to reconcile profit (loss)	(193,716)	(136,647)
Changes in operating assets and liabilities:		
Notes receivable	(11,061)	(13,148)
Accounts receivable	(128,037)	157,478
Other receivable	3,264	(16,607)
Inventories	(128,256)	(33,711)
Other current assets	13,019	13,483
Total changes in operating assets	(251,071)	107,495
Notes payable	20,831	(4,196)
Notes payable to related parties	22,464	-
Accounts payable	11,427	(68,016)
Other payable	14,394	25,788
Other current liabilities	932	17,374
Net defined benefit liability	(12)	(136)
Total changes in operating liabilities	70,036	(29,186)
Net changes in operating assets and liabilities	(181,035)	78,309
Total adjustments	(374,751)	(58,338)
Cash provided by operating activities	1,220,316	1,453,721
Interest received	20,974	14,190
Dividends received	66,502	47,280
Interest paid	(25,074)	(23,021)
Income taxes paid	(286,198)	(265,647)
Net cash flows from operating activities	996,520	1,226,523
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	(20,659)	-
Proceeds from disposal of available-for-sale financial assets	-	64,028
Proceeds from disposal of financial assets measured at cost	-	83,748
Acquisition of investments accounted for using equity method	-	(25,059)
Proceeds from disposal of investments accounted for using equity method	213,714	455,398
Acquisition of property, plant and equipment	(83,787)	(90,262)
Proceeds from disposal of property, plant and equipment	114	220
Increase in refundable deposits paid	(4,367)	(16)
Acquisition of intangible assets	(700)	(1,437)
Increase in other financial assets	(771,268)	(566,190)
Increase in prepayments for equipment	(13,004)	(12,070)
Increase in other non-current assets	(50,110)	(2,625)
Net cash flows used in investing activities	(730,067)	(94,265)
Cash flows from (used in) financing activities:		
Increase in short-term loans	8,719,000	6,263,020
Decrease in short-term loans	(8,318,010)	(6,214,010)
Proceeds from long-term debt	250,000	630,000
Repayments of long-term debt	(530,000)	(500,000)
Increase in guarantee deposits received	101	7,889
Cash dividends paid	(944,870)	(870,275)
Dividends paid to non-controlling interests	(51,804)	(35,093)
Net cash flows used in financing activities	(875,583)	(718,469)
Effect of exchange rate changes on cash and cash equivalents	(58,209)	(15,600)
Net (decrease) increase in cash and cash equivalents	(667,339)	398,189
Cash and cash equivalents at beginning of period	2,108,713	1,710,524
Cash and cash equivalents at end of period	$ **1,441,374**	**2,108,713**

See accompanying notes to financial statements.

Attachment 4

TTY BIOPHARM COMPANY LIMITED

Distribution of 2017 Profits Table

Unit: NTD

Item	Amount	Note
Unappropriated retained earnings of previous years	423,603,492	
Less: 2017 retained earnings adjustment	9,701,431	Pension liabilities remeasurement
Unappropriated retained earnings after adjustments	413,902,061	
Add: 2017 Net profit after tax for the year	1,344,731,421	
Less: Appropriated as legal capital reserve (10%)	134,473,142	
Retained earnings available for distribution as of December 31, 2017	1,624,160,340	
Allocation Items		
Cash Dividends to Shareholders	1,118,924,816	Cash dividends of NT$4.5 per share
Unappropriated retained earnings as of December 31, 2017	505,235,524	

Note：

1. Total 248,649,959 outstanding common shares
2. The year 2017 profit after tax will be subject to this distribution of profits

Chairman of the Board: Lin, Chuan

Responsible Management: Hsiao, Ying-Chun

Responsible Accountant: Wang, Shu-Wen