

**TTY BIOPHARM COMPANY LIMITED  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2019 and 2018**

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

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## Independent Auditors' Review Report

To the Board of Directors  
TTY Biopharm Company Limited:

### Introduction

We have reviewed the accompanying consolidated balance sheets of TTY Biopharm Company Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) as of June 30, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows, for the three months and six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. The 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 International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 6(g), the investments accounted for using equity method of the Group amounted to \$295,791 thousand and \$309,510 thousand as of June 30, 2019 and 2018, respectively, and the related investment income of \$9,354 thousand, \$10,815 thousand, \$14,763 thousand and \$8,459 thousand for the three months and six months ended June 30, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months and six months ended June 30, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of PharmaEngine, Inc., which represented investment in accounted for using the equity method of the Company. The financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for PharmaEngine, Inc., is based solely on the review report of another auditor. The investment in PharmaEngine, Inc. accounted for using the equity method amounted to \$548,493 thousand and \$597,782 thousand, constituting 5.97% and 6.33% of the consolidated total assets as of June 30, 2019 and 2018, respectively, and the share of profit of associates accounted for using the equity method amounted to \$4,497 thousand, \$12,470 thousand, \$8,705 thousand and \$3,663 thousand, constituting 1.35%, 2.20%, 1.23% and 0.40% of total profit before tax, for the three months and six months ended June 30, 2019 and 2018, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)  
August 12, 2019

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2019 and 2018**

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

**June 30, 2019, December 31, 2018, and June 30, 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (note 6(a) and (x))	\$ 2,355,210	27	2,372,294	27	1,243,079	13
1120 Current financial assets at fair value through other comprehensive income (note 6(c) and (x))	133,649	1	132,560	1	171,319	2
1150 Notes receivable, net (note 6(d), (x) and 7)	32,050	-	40,063	-	50,097	1
1170 Accounts receivable, net (note 6(d) and (x))	1,081,223	12	837,003	9	860,530	9
1180 Accounts receivable due from related parties, net (note 6(d), (x) and 7)	10,586	-	16,156	-	22,275	-
1200 Other receivables, net (note 6(e), (x) and 7)	61,582	1	76,821	1	141,616	1
130X Inventories (note 6(f))	739,178	8	750,888	8	715,627	8
1410 Prepayments	30,406	-	23,749	-	24,148	-
1476 Other current financial assets (note 6(a), (l), and (x))	315,555	3	398,271	4	1,750,955	19
1470 Other current assets (note 6(l))	7,014	-	6,796	-	13,085	-
	<u>4,766,453</u>	<u>52</u>	<u>4,654,601</u>	<u>50</u>	<u>4,992,731</u>	<u>53</u>
<b>Non-current assets:</b>						
1510 Non-current financial assets at fair value through profit or loss (note 6(b) and (x))	5,967	-	5,496	-	402	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c) and (x))	374,037	4	322,276	4	317,616	3
1550 Investments accounted for using equity method, net (note 6(g) and (x))	898,556	10	901,648	11	907,292	10
1600 Property, plant and equipment (note 6(i))	2,425,287	27	2,474,331	28	2,508,883	27
1760 Investment property, net (note 6(j))	101,979	1	88,150	1	88,768	1
1780 Intangible assets (note 6(k))	143,908	2	153,188	2	162,762	2
1840 Deferred tax assets	37,246	-	38,072	-	30,812	-
1915 Prepayments for business facilities	190,069	2	188,633	2	187,948	2
1920 Refundable deposits paid (note 6(x))	28,238	-	26,252	-	25,618	-
1981 Cash surrender value of life insurance (note 6(x))	13,357	-	13,357	-	7,275	-
1984 Other non-current financial assets (note 6(l), (x) and 8)	153,952	2	143,678	2	124,270	1
1990 Other non-current assets (note 6(l))	44,103	-	43,453	-	87,192	1
	<u>4,416,699</u>	<u>48</u>	<u>4,398,534</u>	<u>50</u>	<u>4,448,838</u>	<u>47</u>
<b>Total assets</b>	<u>\$ 9,183,152</u>	<u>100</u>	<u>9,053,135</u>	<u>100</u>	<u>9,441,569</u>	<u>100</u>
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
Short-term borrowings (note 6(m) and (x))	\$ 700,000	8	1,150,000	13	765,230	8
Contract liabilities-current (note 6(t))	6,288	-	6,405	-	10,724	-
Notes payable (note 6(x))	2,297	-	3,761	-	8,922	-
Notes payable to related parties (note 6(x) and 7)	2	-	-	-	7,468	-
Accounts payable (note 6(x))	193,172	2	154,621	2	150,499	2
Total accounts payable to related parties (note 6(x) and 7)	-	-	14,382	-	-	-
Dividends payable (note 6(v) and 7)	1,145,662	12	-	-	1,154,018	12
Other payables, others (note 6(x))	396,050	4	469,037	5	468,105	5
Current tax liabilities	161,061	2	132,286	1	162,688	2
Other current liabilities	52,453	1	41,391	-	35,563	-
Long-term liabilities, current portion (note 6(n) and (x))	350,000	4	-	-	-	-
	<u>3,006,985</u>	<u>33</u>	<u>1,971,883</u>	<u>21</u>	<u>2,763,217</u>	<u>29</u>
<b>Non-current liabilities:</b>						
Long-term borrowings (note 6(n) and (x))	-	-	350,000	4	550,000	6
Deferred tax liabilities	278,723	3	278,723	3	298,156	3
Net defined benefit liability, non-current	58,474	1	58,459	1	54,343	1
Guarantee deposits received (note 6(x))	2,601	-	2,445	-	6,046	-
Other non-current liabilities	2,495	-	-	-	-	-
	<u>342,293</u>	<u>4</u>	<u>689,627</u>	<u>8</u>	<u>908,525</u>	<u>10</u>
	<u>3,349,278</u>	<u>37</u>	<u>2,661,510</u>	<u>29</u>	<u>3,671,742</u>	<u>39</u>
<b>Total liabilities</b>						
<b>Equity attributable to owners of parent (note 6(r)):</b>						
Share capital:						
Capital stock	2,486,500	27	2,486,500	28	2,486,500	27
Capital surplus	338,026	4	348,819	4	373,049	4
Retained earnings:						
Legal reserve	1,003,556	11	857,418	9	857,419	9
Special reserve	110,154	1	110,154	1	110,154	1
Unappropriated retained earnings	1,241,903	13	1,954,321	22	1,256,272	13
Other equity interest	84,320	1	46,821	1	88,704	1
<b>Equity attributable to the parent company:</b>	<u>5,264,459</u>	<u>57</u>	<u>5,804,033</u>	<u>65</u>	<u>5,172,098</u>	<u>55</u>
Non-controlling interests (note 6(r))	569,415	6	587,592	6	597,729	6
	<u>5,833,874</u>	<u>63</u>	<u>6,391,625</u>	<u>71</u>	<u>5,769,827</u>	<u>61</u>
<b>Total liabilities and equity</b>	<u>\$ 9,183,152</u>	<u>100</u>	<u>9,053,135</u>	<u>100</u>	<u>9,441,569</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

For the three months and six months ended June 30, 2019 and 2018

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

	For the three months ended June 30				For the six months ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(t) and 7)</b>	\$ 1,090,917	100	997,362	100	2,205,525	100	2,037,817	100
5000 <b>Operating costs (note 6(f), (p) and 12)</b>	392,278	36	350,391	35	767,486	35	692,856	34
<b>Gross profit</b>	698,639	64	646,971	65	1,438,039	65	1,344,961	66
5910 Less: Unrealized profit (loss) from sales	(1,341)	-	2,045	-	7,466	-	8,561	-
5920 Add: Realized profit (loss) from sales	-	-	-	-	7,046	-	6,346	-
<b>Gross profit, net</b>	699,980	64	644,926	65	1,437,619	65	1,342,746	66
6000 <b>Operating expenses (note 6(p) and 12):</b>								
6100 Selling expenses	231,957	21	216,688	23	464,487	21	442,272	22
6200 Administrative expenses	90,781	8	99,858	10	179,331	8	185,118	9
6300 Research and development expenses	74,929	7	109,039	11	148,394	7	185,402	9
6450 Reversal of provision for bad debt expense	(115)	-	(5,445)	(1)	(5)	-	(5,445)	-
	397,552	36	420,140	43	792,207	36	807,347	40
<b>Net operating income</b>	302,428	28	224,786	22	645,412	29	535,399	26
<b>Non-operating income and expenses (note 6(v) and 7):</b>								
7010 Other income	14,027	1	14,556	1	26,775	1	18,936	1
7020 Other gains and losses, net	8,546	1	309,010	31	25,758	1	354,592	17
7050 Finance costs, net	(2,917)	-	(4,128)	-	(6,476)	-	(9,109)	-
7060 Share of profit (loss) of associates accounted for using equity method, net	11,902	1	23,285	2	18,543	1	12,122	1
	31,558	3	342,723	34	64,600	3	376,541	19
<b>Profit before tax</b>	333,986	31	567,509	56	710,012	32	911,940	45
7950 Less: Income tax expenses (note 6(q))	74,727	7	78,391	8	149,374	7	155,158	8
<b>Profit for the period</b>	259,259	24	489,118	48	560,638	25	756,782	37
8300 <b>Other comprehensive income:</b>								
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>								
8316 Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(27,369)	(3)	(34,084)	(3)	1,595	-	46,176	2
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	(27,369)	(3)	(34,084)	(3)	1,595	-	46,176	2
8360 <b>Components of other comprehensive income (loss) that may be reclassified to profit or loss</b>								
8361 Exchange differences on translation of foreign financial statements	18,328	2	57,629	6	33,311	2	36,114	2
8370 Share of other comprehensive income (loss) of associates accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss (note 6(w))	(97)	-	(1,155)	-	3,160	-	(3,759)	-
8399 Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
Components of other comprehensive income (loss) that may be reclassified to profit or loss	18,231	2	56,474	6	36,471	2	32,355	2
8300 <b>Other comprehensive income</b>	(9,138)	(1)	22,390	3	38,066	2	78,531	4
<b>Total comprehensive income for the period</b>	\$ 250,121	23	511,508	51	598,704	27	835,313	41
<b>Profit attributable to:</b>								
Owners of parent	\$ 258,866	24	495,117	49	552,645	25	751,061	37
Non-controlling interests	393	-	(5,999)	(1)	7,993	-	5,721	-
	\$ 259,259	24	489,118	48	560,638	25	756,782	37
<b>Comprehensive income attributable to:</b>								
Owners of parent	\$ 261,325	24	531,371	53	590,144	27	817,352	40
Non-controlling interests	(11,204)	(1)	(19,863)	(2)	8,560	-	17,961	1
	\$ 250,121	23	511,508	51	598,704	27	835,313	41
<b>Earnings per share, net of tax (note 6(s))</b>								
Basic earnings per share	\$ 1.04		1.99		2.22		3.02	
Diluted earnings per share	\$ 1.04		1.99		2.22		3.02	

See accompanying notes to financial statements.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
	Share capital			Retained earnings			Total other equity interest				Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	
\$											
<b>Balance on January 1, 2018</b>	-	-	-	-	(43)	-	-	-	2	(41)	(41)
Effects of retrospective application	-	-	-	-	-	-	-	-	-	-	-
Equity at beginning of period after adjustments	2,486,500	396,113	722,945	110,154	1,758,590	(99,734)	122,167	122,165	22,433	5,496,735	6,111,596
Profit for the period	-	-	-	-	751,061	-	-	-	-	751,061	756,782
Other comprehensive income	-	-	-	-	-	36,101	30,190	-	66,291	66,291	78,531
Total comprehensive income	-	-	-	-	751,061	36,101	30,190	-	66,291	817,352	835,313
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	134,474	-	(134,474)	-	-	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)	(1,154,018)
Other changes in capital surplus:	-	1,842	-	-	-	-	-	-	-	1,842	1,842
Changes in equity of associates accounted for using equity method	-	(24,906)	-	-	-	-	-	-	-	(24,906)	(24,906)
Disposal of investments accounted for using equity method	-	-	-	-	20	-	(20)	-	(20)	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
<b>Balance on June 30, 2018</b>	\$	373,049	857,419	110,154	1,256,272	(63,633)	152,337	-	88,704	5,172,098	5,769,827
<b>Balance on January 1, 2019</b>	\$	348,819	857,418	110,154	1,954,321	(56,694)	103,515	-	46,821	5,804,033	6,391,625
Profit for the period	-	-	-	-	552,645	-	-	-	-	552,645	560,638
Other comprehensive income	-	-	-	-	-	33,358	4,141	-	37,499	37,499	38,066
Total comprehensive income	-	-	-	-	552,645	33,358	4,141	-	37,499	590,144	598,704
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	146,138	-	(146,138)	-	-	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)	(1,145,662)
Other changes in capital surplus:	-	(10,793)	-	-	-	-	-	-	-	(10,793)	(10,793)
Changes in equity of associates accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-
<b>Balance on June 30, 2019</b>	\$	338,026	1,003,556	110,154	1,241,903	(23,336)	107,656	-	84,320	5,264,459	5,853,874

See accompanying notes to financial statements.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 710,012	911,940
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	68,533	63,813
Amortization expense	9,711	8,429
Reversal of allowance for expected credit losses	(5)	(5,445)
Net income on financial assets or liabilities at fair value through profit or loss	(471)	(7)
Interest expense	6,476	9,109
Interest income	(20,686)	(13,668)
Dividend income	(138)	-
Share of profit of associates accounted for using equity method	(18,543)	(12,122)
Loss on disposal of property, plant and equipment	208	806
Gain on disposal of investments accounted for using equity method	-	(346,039)
Unrealized profit (loss) from sales	7,466	8,561
Realized loss (profit) from sales	(7,046)	(6,346)
Allocation of deferred income	(372)	(505)
<b>Total adjustments to reconcile profit (loss)</b>	<u>45,133</u>	<u>(293,414)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in notes receivable	8,013	23,242
(Increase) decrease in accounts receivable	(238,715)	47,142
Decrease (increase) in other receivable	37,668	(1,972)
Decrease (increase) in inventories	11,827	(21,910)
Increase in prepayments	(5,897)	(19,228)
<b>Total changes in operating assets</b>	<u>(187,104)</u>	<u>27,274</u>
<b>Changes in operating liabilities:</b>		
Decrease in contract liabilities	(117)	(10,828)
Decrease in notes payable	(1,462)	(43,477)
Increase in accounts payable	23,871	55,528
Decrease in other payable	(72,706)	(28,101)
Increase in other current liabilities	217	7,610
Increase in net defined benefit liability	15	33
<b>Total changes in operating liabilities</b>	<u>(50,182)</u>	<u>(19,235)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(237,286)</u>	<u>8,039</u>
<b>Total adjustments</b>	<u>(192,153)</u>	<u>(285,375)</u>
Cash inflow generated from operations	517,859	626,565
Interest received	21,184	13,875
Dividends received	7,574	7,165
Interest paid	(6,653)	(9,378)
Income taxes paid	(119,721)	(124,351)
<b>Net cash flows from operating activities</b>	<u>420,243</u>	<u>513,876</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(51,255)	(156,617)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	50
Proceeds from disposal of investments accounted for using equity method	-	375,282
Acquisition of property, plant and equipment	(11,284)	(22,116)
Proceeds from disposal of property, plant and equipment	4	115
Decrease in refundable deposits	(1,984)	2,750
Acquisition of intangible assets	(431)	(12,032)
Decrease in other financial assets	72,442	52,088
Increase in prepayments for business facilities	(6,436)	(21,863)
Increase in other non-current assets	(632)	(42,205)
<b>Net cash flows from investing activities</b>	<u>424</u>	<u>175,452</u>
<b>Cash flows used in financing activities:</b>		
Increase in short-term loans	1,450,000	2,272,660
Decrease in short-term loans	(1,900,000)	(3,157,500)
Proceeds from long-term debt	-	300,000
Repayments of long-term debt	-	(300,000)
Increase (decrease) in guarantee deposits received	156	(4,040)
Payment of lease liabilities	(3,990)	-
<b>Net cash flows used in financing activities</b>	<u>(453,834)</u>	<u>(888,880)</u>
Effect of exchange rate changes on cash and cash equivalents	16,083	1,257
<b>Net decrease in cash and cash equivalents</b>	<u>(17,084)</u>	<u>(198,295)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>2,372,294</u>	<u>1,441,374</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 2,355,210</u>	<u>1,243,079</u>

See accompanying notes to financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2019 and 2018**

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

**(1) Company history**

TTY Biopharm Company Limited (the “Company”) was established on July 22, 1960. The Company’s registered office address is 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan. The main activities of the Company and its subsidiaries (the “Group”) are producing a variety of pharmaceuticals and chemical drugs. Please refer to Note 14.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on August 12, 2019.

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its assessment.

**(4) Summary of significant accounting policies:**

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" which are endorsed and issued by FSC and do not include all of the information required by the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued by FSC (hereinafter referred to as the "IFRS endorsed by the FSC") for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant policies adopted in the consolidated financial statements are consistent with Note 4 in the consolidated financial statement for the year ended December 31, 2018.

- (b) Basis of consolidation

- (i) List of subsidiaries included in the consolidated financial statements:

<u>Investor</u>	<u>Subsidiary</u>	<u>Nature of business</u>	<u>Shareholding ratio</u>			<u>Notes</u>
			<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %	100.00 %	
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %	100.00 %	
The Company	American Taiwan Biopharma Philippines Inc.	Selling medicine	87.00 %	87.00 %	87.00 %	

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2019	December 31, 2018	June 30, 2018	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	56.48 %	
The Company	EnhanX Inc.	Developing medicine	20.83 %	20.83 %	29.41 %	(Note 1)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	100.00 %	100.00 %	100.00 %	
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Inc.	Developing medicine	29.17 %	29.17 %	- %	(Note 1)
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	100.00 %	- %	(Note 2)
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	- %	(Note 3)
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	- %	(Note 3)

(Note 1) In October 2018, the subsidiary, Xudong Haipu International Co., Ltd. increased the capital of EnhanX Inc. by cash amounted to \$70,000, which increased the shareholding ratio of the Group to 50%.

(Note 2) In September 2018, Xudong Haipu International Co., Ltd. established TTY Biopharm Korea Co., Ltd. as a wholly owned subsidiary, and thus TTY Biopharm Korea Co., Ltd. is listed as a subsidiary of the consolidated financial statement.

(Note 3) In September 2018, the Group established TTY Biopharm Mexico S.A. de C.V., in which Xudong Haipu International Co., Ltd. and Worldco International Co., Ltd. both holds 50% voting rights, and thus TTY Biopharm Mexico S.A. de C.V. is listed as a subsidiary of the consolidated financial statement.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract meet the definition of lease, the Group assesses both of the following:

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 1) the contract involves an identified asset, which can be either explicitly or implicitly specified in the contract, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Group has the right to direct the use of an asset if either:
  - the customer has the right to determine how and for what purpose the asset is used throughout the period; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined, and:
    - the customer has the right to operate the asset, while the supplier does not have the right to change the operating instructions; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

When the lease is established or when the contract is being reassessed to determine whether there is lease, the Group allocates the price listed in the contract to individual lease components.

(ii) As a lessee

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group uses the incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Lease payments included in the measurement of the lease liability comprise of the following payments:

- 1) fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate used to determine those payments; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of the Group's assessment of whether it will exercise a purchase, extension or termination option; or
- 4) there is a change in the estimate of whether to exercise the extension or termination option; or
- 5) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

In regards to the modification to reduce the scope of the lease, the book value for the right-of-use asset is decreased to reflect the partial or full termination of the lease. The difference between those adjustments is recognized in profit or loss.

The Group assesses the right-of-use asset and lease liability are non-significant; therefore, they are listed under "property, plant and equipment", "other current liabilities" and "other non-current liabilities" in the balance sheet.

For the short-term leases and the leases for low-value asset, the Group does not recognize the right-of-use asset and lease liability. The lease payments associated with those leases are recognized as expenses on a straight-line basis over the lease term.

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) As a lessor

When the Group acts as a lessor, it determines whether each lease is a finance lease or an operating lease at lease commencement date. To classify a lease as a finance lease, the Group makes an overall assessment of if the lease transfers substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset; if not, the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease by reference to the right-of-use asset arising from the head lease, and not by reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(d) Income taxes

The income tax expense have been prepared and disclosed in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is recognized based on the average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and it is fully recognized as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost for the interim period was calculated and disclosed on a year-to-date basis by using the actuarial pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with Note 5 of the consolidated financial statements for the year ended December 31, 2018.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts:**

Except for the following disclosures, there is no significant difference as compared with those disclosed in Note 6 of the consolidated financial statements for the year ended December 31, 2018.

(a) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand	\$ 2,884	2,864	2,100
Cash in banks	2,298,763	2,309,430	1,162,570
Time deposits	53,563	60,000	78,409
	<u>\$ 2,355,210</u>	<u>2,372,294</u>	<u>1,243,079</u>

- (i) The above cash and cash equivalents were not pledged as collateral.
- (ii) Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets—current and noncurrent, please see Note 6(l).
- (iii) Please refer to Note 6(x) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Designated as financial assets measured at fair value through profit or loss			
Domestic preferred stock ETFS	\$ <u>5,967</u>	<u>5,496</u>	<u>402</u>

- (i) Please refer to Note 6(v) for the amount of profit or loss recognized based on fair value.
- (ii) The above financial assets were not pledged as collateral.

(c) Financial asset measured at fair value through other comprehensive income

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Equity instrument measured at fair value through other comprehensive income:			
Domestic common stock listed in Stock Exchange	\$ 18,915	18,815	6,643
Domestic common stock listed in Taipei Exchange	177,449	176,580	236,599
Domestic common stock listed in emerging stock market	83,251	83,081	73,553
Domestic preferred stock listed in Stock Exchange	178,800	176,360	172,140
International preferred stock—non—public offering	49,271	-	-
Total	<u>\$ 507,686</u>	<u>454,836</u>	<u>488,935</u>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) The Group holds such equity instrument as long-term strategic investments that are not held for trading purposes; thus, they are categorized as equity instrument measured at fair value through other comprehensive income.
- (ii) Please refer to Note 6(x) for credit and market risk information.
- (iii) The above financial assets were not pledged as collateral.
- (d) Notes receivable and accounts receivable (including related parties)

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Notes receivable	\$ 32,050	40,063	50,097
Accounts receivable	1,108,701	864,486	888,424
Accounts receivable-related parties	10,586	16,156	22,275
Less: Allowance for expected credit losses	<u>(27,478)</u>	<u>(27,483)</u>	<u>(27,894)</u>
	<b><u>\$ 1,123,859</u></b>	<b><u>893,222</u></b>	<b><u>932,902</u></b>

As of June 30, 2019, the Group estimated the expected credit losses for all of notes receivable and accounts receivable using a simple approach. Notes receivable and accounts receivable are grouped by the customers' ability to pay on each contract as well as its forward-looking information. An analysis of expected credit loss on notes and accounts receivable as of June 30, 2019 are as follows:

	<b>June 30, 2019</b>		
	<b>Face value of notes receivable and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not yet overdue	\$ 1,118,446	0%~1%	6,069
Past due less than 90 days	11,885	3%~5%	561
Past due 91-180 days	264	38%~42%	106
Past due more than 181 days	<u>20,742</u>	100%	<u>20,742</u>
	<b><u>\$ 1,151,337</u></b>		<b><u>27,478</u></b>
	<b>December 31, 2018</b>		
	<b>Face value of notes receivable and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not yet overdue	\$ 896,800	0%~1%	8,585
Past due less than 90 days	5,070	3%~5%	223
Past due 91-180 days	337	50%~54%	177
Past due more than 181 days	<u>18,498</u>	100%	<u>18,498</u>
	<b><u>\$ 920,705</u></b>		<b><u>27,483</u></b>

(Continued)



**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>June 30, 2018</b>		
	<b>Face value of notes receivable and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not yet overdue	\$ 935,519	0%~1%	8,416
Past due less than 90 days	6,126	5%~7%	368
Past due 91-180 days	132	67%~71%	91
Past due more than 181 days	19,019	100%	19,019
	<b>\$ 960,796</b>		<b>27,894</b>

The movement of allowance for expected credit losses are as follows:

	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 27,483	33,339
Expected credit loss recognized	(5)	(5,445)
Ending balance	<b>\$ 27,478</b>	<b>27,894</b>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the accounts receivable and notes receivable for the Group were not pledged as collateral.

(e) Other receivables

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Other receivable	\$ 22,213	64,187	83,501
Other receivable—related parties	39,369	12,634	58,115
	<b>\$ 61,582</b>	<b>76,821</b>	<b>141,616</b>

- (i) As of June 30, 2019, December 31, 2018 and June 30, 2018, other receivables were no expected credit loss.
- (ii) Please refer to Note 6(x) for other credit risk information.
- (iii) As of June 30, 2019, December 31, 2018 and June 30, 2018, other receivables were not pledged as collateral.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (f) Inventories

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Merchandise	\$ 232,750	236,594	254,855
Finished goods	124,367	127,517	105,397
Work in process	117,443	92,944	89,789
Raw materials	223,933	208,287	190,545
Materials	<u>36,811</u>	<u>32,666</u>	<u>34,946</u>
Subtotal	735,304	698,008	675,532
Goods in transit	<u>42,176</u>	<u>90,602</u>	<u>92,826</u>
Total	777,480	788,610	768,358
Less: Allowance for inventory market decline and obsolescence	<u>(38,302)</u>	<u>(37,722)</u>	<u>(52,731)</u>
Net amount	<u><u>\$ 739,178</u></u>	<u><u>750,888</u></u>	<u><u>715,627</u></u>

The cost of inventories recognized as operating cost for the three months and six months ended June 30, 2019 and 2018 amounted to \$392,186, \$350,774, \$766,906 and \$690,648, respectively. The main item was the costs from selling goods. The cost for the three months and six months ended June 30, 2019 and 2018 includes the amount of \$92, \$580 and \$2,208, respectively, that the Group wrote down from cost to net realizable value; while the cost for three months ended June 30, 2018 includes the amount of \$(383), as a result of the reversal of allowance for inventory market decline and obsolescence.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the aforesaid inventories were not pledged as collateral.

## (g) Investments accounted for using equity method

(i) The Group's financial information for equity-accounted investees at the reporting date was as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Associates	<u><u>\$ 898,556</u></u>	<u><u>901,648</u></u>	<u><u>907,292</u></u>

1) As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying value of associates had a quoted market price amounted to \$602,765, \$631,554 and \$650,394 respectively, while fair value amounted to \$2,207,172, \$2,745,907 and \$3,734,230, respectively.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) For the six months ended June 30, 2019 and 2018, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased the treasury stocks, which resulted in a change in the shareholding ratio, and such change was (debit) credit of \$(10,793) and \$1,842, respectively, to its capital reserve. For the six months ended June 30, 2018, the Group disposed its investment shares of PharmaEngine, Inc. for a gain of \$346,039, which was included in the "other gains or losses" in the consolidated income statement. For the six months ended June 30, 2019 and 2018, the Group's shareholding ratio rose from 15.52% to 15.70% and declined from 18.22% to 16.39%, respectively.

- (ii) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership		
			June 30, 2019	December 31, 2018	June 30, 2018
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	15.70 %	15.52 %	16.39 %

The following was the summary of financial information on the Group's significant associates. In order to reflect the adjustments for fair value in acquisition of shares and differences in accounting policies, adjustment for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial information:

- Summary financial information on PharmaEngine, Inc.

	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 3,762,543	3,820,100	3,962,532
Non-current assets	30,054	26,685	35,675
Current liabilities	(291,444)	(152,671)	(351,621)
Non-current liabilities	(7,565)	-	-
Net assets	<u>\$ 3,493,588</u>	<u>3,694,114</u>	<u>3,646,586</u>
Net assets attributable to non-controlling interests	<u>\$ 548,493</u>	<u>573,462</u>	<u>597,782</u>
Net assets attributable to investee owners	<u>\$ 2,945,095</u>	<u>3,120,652</u>	<u>3,048,804</u>

  

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Revenue	<u>\$ 79,634</u>	<u>42,243</u>	<u>157,542</u>	<u>76,050</u>
Profit for the period	<u>\$ 28,642</u>	<u>70,150</u>	<u>55,836</u>	<u>21,005</u>
Other comprehensive income	<u>129</u>	<u>(57)</u>	<u>(70)</u>	<u>(24)</u>
Comprehensive income	<u>\$ 28,771</u>	<u>70,093</u>	<u>55,766</u>	<u>20,981</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 4,517</u>	<u>12,461</u>	<u>8,694</u>	<u>3,659</u>
Comprehensive income attributable to investee owners	<u>\$ 24,254</u>	<u>57,632</u>	<u>47,072</u>	<u>17,322</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Net assets attributable to the Group, January 1	\$ 573,462	712,642
Retained earnings impacted by applying new standard for the period	-	(41)
Changes in capital surplus of affiliated companies for the period	(10,793)	1,842
Comprehensive income attributable to the Group for the period	8,694	3,659
Cash dividends received from associates	(22,870)	(48,246)
Disposal of investments for the period	-	(72,074)
Net assets attributable to the Group, June 30	<u>548,493</u>	<u>597,782</u>
Carrying amount of interest in associates, June 30	<u>\$ 548,493</u>	<u>597,782</u>

(iii) Summary financial information on individually insignificant associates

The following is the summary financial information on individually insignificant associates that were accounted for under the equity method:

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	
Carrying amount of interest in individually insignificant associates	<u>\$ 350,063</u>	<u>328,186</u>	<u>309,510</u>	
	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Attributable to the Group:				
Profit for the period	\$ 7,405	10,815	9,838	8,459
Other comprehensive income	11,071	(3,227)	19,523	(1,452)
Comprehensive income	<u>\$ 18,476</u>	<u>7,588</u>	<u>29,361</u>	<u>7,007</u>

(iv) Collateral

As of June 30, 2019, December 31, 2018 and June 30, 2018, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(h) Subsidiaries with significant non-controlling interest

Subsidiaries with significant non-controlling interest were as follows:

<b>Subsidiary</b>	<b>Country of registration</b>	<b>Ownership and voting rights ratio</b>		
		<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
		<b>2019</b>	<b>2018</b>	<b>2018</b>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %
EnhancX Inc.	Taiwan	50.00 %	50.00 %	29.41 %

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The financial information below was prepared in accordance with IFRSs and reflects the adjustments for fair value on the acquisition date and difference in accounting policies. The amounts have not yet been eliminated from intra-group transactions. Information on the aforementioned subsidiaries was as follows:

(i) Summary financial information on TSH Biopharm Co., Ltd.

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Current assets	\$ 879,616	895,718	1,056,733
Non-current assets	381,485	324,603	297,674
Current liabilities	(164,094)	(99,417)	(221,010)
Non-current liabilities	(2,518)	(23)	-
Net assets	<u>\$ 1,094,489</u>	<u>1,120,881</u>	<u>1,133,397</u>
Net assets attributable to non-controlling interest	<u>\$ 476,215</u>	<u>487,724</u>	<u>493,192</u>

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenue	<u>\$ 120,085</u>	<u>141,441</u>	<u>256,994</u>	<u>290,515</u>
Profit for the period	\$ 8,488	6,206	33,690	39,315
Other comprehensive income	(26,570)	(31,843)	1,355	28,097
Comprehensive (loss) income	<u>\$ (18,082)</u>	<u>(25,637)</u>	<u>35,045</u>	<u>67,412</u>
Profit attributable to non-controlling interest	<u>\$ 3,797</u>	<u>2,644</u>	<u>14,639</u>	<u>17,110</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (7,766)</u>	<u>(11,214)</u>	<u>15,228</u>	<u>29,338</u>

	<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Cash flows from operating activities	\$ 31,770	45,899
Cash flows from (used in) investing activities	13,153	(139,767)
Cash flows used in financing activities	(2,215)	-
Net increase (decrease) in cash	<u>\$ 42,708</u>	<u>(93,868)</u>

(ii) Summary financial information on Enhax Inc.

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Current assets	\$ 74,329	82,282	36,168
Non-current assets	115,068	119,999	116,146
Current liabilities	(2,621)	(1,856)	(3,704)
Net assets	<u>\$ 186,776</u>	<u>200,425</u>	<u>148,610</u>
Net assets attributable to non-controlling interests	<u>\$ 93,388</u>	<u>100,212</u>	<u>104,901</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue	\$ -	-	-	-
Loss for the period	\$ (7,000)	(12,711)	(13,649)	(16,276)
Other comprehensive income	-	-	-	-
Comprehensive loss	\$ (7,000)	(12,711)	(13,649)	(16,276)
Loss attributable to non-controlling interest	\$ (3,500)	(8,973)	(6,825)	(11,489)
Comprehensive loss attributable to non-controlling interest	\$ (3,500)	(8,973)	(6,825)	(11,489)

	<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows used in operating activities	\$ (7,842)	(10,628)
Net decrease in cash	\$ (7,842)	(10,628)

(i) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	Carrying amounts:							
Balance on January 1, 2019	\$ 816,169	994,759	356,407	3,149	151,959	2,977	148,911	2,474,331
Balance on June 30, 2019	\$ 816,169	965,458	342,422	2,702	145,717	2,623	150,196	2,425,287
Balance on January 1, 2018	\$ 816,169	1,030,985	383,543	4,043	153,144	3,688	156,434	2,548,006
Balance on June 30, 2018	\$ 816,169	1,014,569	368,002	3,596	143,836	3,334	159,377	2,508,883

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of property, plant and equipment for the six months ended June 30, 2019 and 2018.

Information on depreciation for the periods is discussed in Note 12(a). Please refer to Note 6(j) of the 2018 annual consolidated financial statements for other related information.

(ii) Collateral

As of June 30, 2019, December 31, 2018 and June 30, 2018, the property, plant and equipment were not pledged as collateral.

(iii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to \$150,196, and there were no capitalized loan cost for the six months ended June 30, 2019 and 2018.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (j) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Carrying amounts:</b>			
Balance on January 1, 2019	\$ <u>69,152</u>	<u>18,998</u>	<u>88,150</u>
Balance on June 30, 2019	\$ <u>69,152</u>	<u>32,827</u>	<u>101,979</u>
Balance on January 1, 2018	\$ <u>69,152</u>	<u>19,871</u>	<u>89,023</u>
Balance on June 30, 2018	\$ <u>69,152</u>	<u>19,616</u>	<u>88,768</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the six months ended June 30, 2019 and 2018. Information on depreciation for the periods is discussed in Note 12(a). Please refer to Note 6(k) of the 2018 annual consolidated financial statements for other related information.

## (k) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the six months ended June 30, 2019 and 2018, were as follows:

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2019	\$ 31,080	190,238	221,318
Additions	431	-	431
Reclassifications	(556)	-	(556)
Effect of changes in foreign exchange rate	<u>1</u>	<u>-</u>	<u>1</u>
Balance on June 30, 2019	\$ <u>30,956</u>	<u>190,238</u>	<u>221,194</u>
Balance on January 1, 2018	\$ 32,574	162,386	194,960
Additions	1,136	10,896	12,032
Disposals	(2,514)	-	(2,514)
Reclassifications	-	16,956	16,956
Effect of changes in foreign exchange rate	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Balance on June 30, 2018	\$ <u>31,195</u>	<u>190,238</u>	<u>221,433</u>
<b>Amortization and impairment loss:</b>			
Balance on January 1, 2019	\$ 25,157	42,973	68,130
Amortization for the period	2,179	7,532	9,711
Reclassifications	(556)	-	(556)
Effect of changes in foreign exchange rate	<u>1</u>	<u>-</u>	<u>1</u>
Balance on June 30, 2019	\$ <u>26,781</u>	<u>50,505</u>	<u>77,286</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Balance on January 1, 2018	\$ 23,456	29,301	52,757
Amortization for the period	2,289	6,140	8,429
Disposals	(2,514)	-	(2,514)
Effect of changes in foreign exchange rate	(1)	-	(1)
Balance on June 30, 2018	<u>\$ 23,230</u>	<u>35,441</u>	<u>58,671</u>
<b>Carrying amount:</b>			
Balance on January 1, 2019	<u>\$ 5,923</u>	<u>147,265</u>	<u>153,188</u>
Balance on June 30, 2019	<u>\$ 4,175</u>	<u>139,733</u>	<u>143,908</u>
Balance on January 1, 2018	<u>\$ 9,118</u>	<u>133,085</u>	<u>142,203</u>
Balance on June 30, 2018	<u>\$ 7,965</u>	<u>154,797</u>	<u>162,762</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the aforementioned intangible asset were not pledged as collateral.

(l) Other financial assets and other assets

Details of other financial assets and other assets were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other current financial assets	\$ 315,555	398,271	1,750,955
Other non-current financial assets	153,952	143,678	124,270
Long-term prepayments	43,366	43,366	43,366
Prepayments for long-term investment	-	-	43,741
Others	7,751	6,883	13,170
	<u>\$ 520,624</u>	<u>592,198</u>	<u>1,975,502</u>

(i) Both current and non-current other financial assets were bank deposits that did not qualify as cash and cash equivalents.

(ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use.

(iii) Prepayments for long-term investment were made by the Group to fund its subsidiaries.

(m) Short-term loans

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Secured bank loans	\$ 700,000	1,150,000	765,230
Unused credit line	\$ 2,104,348	1,170,321	2,070,000
Range of interests rates	<u>0.91%~0.93%</u>	<u>0.92%~0.96%</u>	<u>0.88%~3.7%</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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For the six months ended June 30, 2019 and 2018, the Group increased its capital by \$1,450,000, with an interest of 0.91%~0.97% and \$2,272,660 with an interest of 0.88%~3.7%, respectively. The amount paid back were \$1,900,000 and \$3,157,500, respectively. Please refer to Note 6(v) for interest expense and Note 6(x) for liquidity risk and interest rate analysis information.

(n) Long-term loans

Term and condition for the details of long-term borrowings were as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Unsecured bank loans	\$ 350,000	350,000	550,000
Less: Current portion	(350,000)	-	-
Total	<u>\$ -</u>	<u>350,000</u>	<u>550,000</u>
Unused credit line	<u>\$ 600,000</u>	<u>400,000</u>	<u>430,000</u>
Range of interest rate	<u>1.140%~1.180%</u>	<u>1.115%~1.180%</u>	<u>1.136%~1.298%</u>

There were no significant issues, repurchases and repayments of long-term borrowings for the six months ended June 30, 2019 and 2018. Information on interest expense for the periods are discussed in Note 6(v). Please refer to Note 6(x) of the consolidated financial statements for other related information.

(o) Operating leases

(i) Leases as lessee

Non-cancellable rentals payable of operating lease were as follows:

	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Less than one year	\$ 2,987	3,006
Between one and five years	3,825	5,309
	<u>\$ 6,812</u>	<u>8,315</u>

(ii) Leases as lessor

The Group leases out its investment properties (see Note 6(j)). The future minimum leases payments under non-cancellable leases were as follows:

	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Less than one year	\$ 9,200	7,568
Between one and five years	11,811	11,487
	<u>\$ 21,011</u>	<u>19,055</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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(p) Employee benefits

(i) Defined benefit plans

The management believes that there was no material market volatility, material reimbursement and settlement, or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 2018 and 2017.

The Group's pension expenses recognized in profit or loss for the three months and six months ended June 30, 2019 and 2018, were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating cost	\$ 134	156	268	313
Selling expenses	125	143	249	286
Administrative expenses	63	73	127	146
Research and development expenses	83	98	166	195
Total	<u>\$ 405</u>	<u>470</u>	<u>810</u>	<u>940</u>

(ii) Defined contributions plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and six months ended June 30, 2019 and 2018, were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating cost	\$ 2,109	1,973	4,213	3,974
Selling expenses	2,156	2,014	4,255	4,039
Administrative expenses	1,193	1,242	2,368	2,467
Research and development expenses	1,406	1,365	2,857	2,682
Total	<u>\$ 6,864</u>	<u>6,594</u>	<u>13,693</u>	<u>13,162</u>

(q) Income Tax

(i) Income tax expense

The components of income tax for the three months and six months ended June 30, 2019 and 2018 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current tax expense				
Current period incurred	\$ 65,116	76,858	139,763	153,625
Adjustment for prior periods	-	(7,600)	-	(7,600)
Additional 10% Surtax on Undistributed Retained Earnings	9,611	9,133	9,611	9,133
Income tax expense	<u>\$ 74,727</u>	<u>78,391</u>	<u>149,374</u>	<u>155,158</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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(ii) Status of approval on income tax

The Company's income tax returns through 2014 have been examined and approved by the Tax Authority.

(r) Capital and other equity

There were no significant changes in capital and reserves for the six months ended June 30, 2019 and 2018. Please refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2018, for other related information.

(i) Capital surplus

The ending balance of additional-paid in capital were as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Share capital	\$ 484	484	484
Long term investment	<u>337,542</u>	<u>348,335</u>	<u>372,565</u>
	<u><b>\$ 338,026</b></u>	<u><b>348,819</b></u>	<u><b>373,049</b></u>

According to the R.O.C. Company Act amended in 2012, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual shareholders' meeting by the board of directors.

To enhance the Company's financial structure and maintain investors' equity, the Company adopts a stable dividends policy in which earnings distribution cannot be less than 50% of distributable earnings, and cash dividends payment has to be 70% of the distribution.

1) Legal reserve

In accordance with the Company Act amended in 2012, 10% of net income is set aside as legal reserve until it is equal to share capital. If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25% of the actual share capital.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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2) Special reserve

The Company has elected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of \$82,429 and unrealized revaluation increments of \$27,725. The special reserve appropriated can be reversed to the extent that the net debit balance reverses. As of June 30, 2019 and 2018, the special reserve appropriated from the undistributed earnings both amounted to \$110,154.

In accordance with the aforesaid Ruling, a special reserve is set aside from the current year's net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions.

3) Earnings distribution

On June 25, 2019 and June 20, 2018, the general meeting of shareholders resolved to appropriate 2018 and 2017 earnings, respectively. The appropriation and dividends per share were as follows:

	2018		2017	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.50	<u>1,118,925</u>	4.50	<u>1,118,925</u>

(iii) Other equity accounts (net value after tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Available for-sale investments	Total
Balance on January 1, 2019	\$ (56,694)	103,515	-	46,821
Exchange differences on foreign operations	33,334	-	-	33,334
Share of exchange differences of associates accounted for using equity method	24	-	-	24
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	1,005	-	1,005
The share of unrealized profit on financial assets measured at fair value through other comprehensive income	-	3,136	-	3,136
Balance on June 30, 2019	<u>\$ (23,336)</u>	<u>107,656</u>	<u>-</u>	<u>84,320</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Available for-sale financial assets	Total
Balance on January 1, 2018	\$ (99,734)	-	122,165	22,431
Effects of retrospective application	-	122,167	(122,165)	2
Balance on January 1, 2018 after adjustments	(99,734)	122,167	-	22,433
Exchange differences on foreign operations	36,102	-	-	36,102
Share of exchange differences of associates accounted for using equity method	(6)	-	-	(6)
Disposal of affiliated companies using the equity method reclassified to profit or loss	5	-	-	5
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	33,948	-	33,948
Disposal of equity instrument measured at fair value through other comprehensive income which was transferred to retained earnings	-	(20)	-	(20)
The share of unrealized loss on financial assets measured at fair value through other comprehensive income	-	(3,758)	-	(3,758)
Balance on June 30, 2018	<u>\$ (63,633)</u>	<u>152,337</u>	<u>-</u>	<u>88,704</u>

## (iv) Non-controlling interests

	<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 587,592	614,861
Attributable to non-controlling interests:		
Profit for the period	7,993	5,721
Foreign currency translation differences-foreign operations	(23)	12
Unrealized gain on financial assets	590	12,228
Cash dividend distributed	(26,737)	(35,093)
Balance on June 30	<u>\$ 569,415</u>	<u>597,729</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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## (s) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Basic earnings per share				
Profit attributable to ordinary shareholders	\$ <u>258,866</u>	<u>495,117</u>	<u>552,645</u>	<u>751,061</u>
Weighted-average number of ordinary shares	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>
	\$ <u>1.04</u>	<u>1.99</u>	<u>2.22</u>	<u>3.02</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	\$ <u>258,866</u>	<u>495,117</u>	<u>552,645</u>	<u>751,061</u>
Weighted-average number of ordinary shares	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>
Employees' compensation	<u>61</u>	<u>91</u>	<u>263</u>	<u>265</u>
Weighted-average number of ordinary shares (diluted)	<u>248,711</u>	<u>248,741</u>	<u>248,913</u>	<u>248,915</u>
	\$ <u>1.04</u>	<u>1.99</u>	<u>2.22</u>	<u>3.02</u>

## (t) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>For the three months ended June 30, 2019</u>					
	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti-Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 546,562	54,378	202,198	120,085	3,034	926,257
European countries	119,618	-	-	-	-	119,618
Other countries	<u>42,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,702</u>	<u>45,042</u>
	\$ <u>708,520</u>	<u>54,378</u>	<u>202,198</u>	<u>120,085</u>	<u>5,736</u>	<u>1,090,917</u>
Major products/services lines:						
Medicine and health food	\$ 704,163	54,378	202,198	119,625	2,702	1,083,066
Services	<u>4,357</u>	<u>-</u>	<u>-</u>	<u>460</u>	<u>3,034</u>	<u>7,851</u>
	\$ <u>708,520</u>	<u>54,378</u>	<u>202,198</u>	<u>120,085</u>	<u>5,736</u>	<u>1,090,917</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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For the three months ended June 30, 2018						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 483,372	52,841	173,520	141,441	-	851,174
European countries	82,937	-	-	-	-	82,937
Other countries	44,242	12,105	-	-	6,904	63,251
	<u>\$ 610,551</u>	<u>64,946</u>	<u>173,520</u>	<u>141,441</u>	<u>6,904</u>	<u>997,362</u>
For the six months ended June 30, 2019						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 1,080,316	104,402	395,303	254,833	5,105	1,839,959
European countries	231,642	-	-	-	-	231,642
Other countries	116,407	10,530	-	2,161	4,826	133,924
	<u>\$ 1,428,365</u>	<u>114,932</u>	<u>395,303</u>	<u>256,994</u>	<u>9,931</u>	<u>2,205,525</u>
Major products/services lines:						
Medicine and health food	\$ 1,424,008	114,932	395,303	235,962	4,826	2,175,031
Services	4,357	-	-	21,032	5,105	30,494
	<u>\$ 1,428,365</u>	<u>114,932</u>	<u>395,303</u>	<u>256,994</u>	<u>9,931</u>	<u>2,205,525</u>
For the six months ended June 30, 2018						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 971,112	98,398	358,856	290,515	-	1,718,881
European countries	217,159	-	-	-	-	217,159
Other countries	73,961	17,996	-	-	9,820	101,777
	<u>\$ 1,262,232</u>	<u>116,394</u>	<u>358,856</u>	<u>290,515</u>	<u>9,820</u>	<u>2,037,817</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the six months ended June 30, 2018						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Major products/services lines:						
Medicine and health food	\$ 1,235,159	116,394	358,856	255,647	9,820	1,975,876
Services	14,225	-	-	34,868	-	49,093
Royalty	12,848	-	-	-	-	12,848
	<b>\$ 1,262,232</b>	<b>116,394</b>	<b>358,856</b>	<b>290,515</b>	<b>9,820</b>	<b>2,037,817</b>

## (ii) Contract balances

	June 30, 2019	December 31, 2018	June 30, 2018
Contract liability balances	<b>\$ 6,288</b>	<b>6,405</b>	<b>10,724</b>

For details on accounts receivable and allowance for expected credit losses, please refer to Note 6(d).

The beginning balance of contract liability recognized as revenue for the six months ended June 30, 2019 and 2018 were \$4,593 and \$20,292, respectively.

## (u) Remuneration of employees and directors

Based on the Company's articles of incorporation, remuneration of employees and directors is appropriated at the rate of 0.5% to 10% and no more than 2%, respectively, of profit before tax. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the three months and the six months ended June 30, 2019 and 2018, remuneration of employees were \$5,127, \$8,892, \$10,699 and \$13,857, respectively, and of directors' remuneration amounted to \$3,418, \$5,928, \$7,133 and \$9,238, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period. These remunerations were recognized under operating costs or operating expenses for the six months ended June 30, 2019 and 2018. If there's any difference between the amount resolved at the Board of Directors meeting and the estimated amount, the Company will treat the difference as changes in accounting estimates and charged to profit or loss.

For the years ended 2018 and 2017, the remunerations of employees amounted to \$23,893 and \$24,040 respectively, while the remunerations of directors amounted to \$14,950 and \$14,950, respectively. The actual distribution and related information will be posted in the "Market Observation Post system" at the website of the Taiwan Stock Exchange.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Non-operating income and expenses

(i) Other income

The details of other income for the three months and the six months ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest income	\$ 10,933	12,072	20,686	13,668
Rental revenue	3,094	2,484	6,089	5,268
	<u>\$ 14,027</u>	<u>14,556</u>	<u>26,775</u>	<u>18,936</u>

(ii) Other gains and losses

The details of other gains and losses for the three months and the six months ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Losses on disposal of property, plant and equipment	\$ (90)	(775)	(208)	(806)
Gains on disposal of investments	-	287,194	-	346,039
Foreign exchange gains	5,037	21,456	3,370	5,035
Gains on financial assets measured at fair value through profit	102	20	471	7
Other gains	3,497	1,115	22,125	4,317
	<u>\$ 8,546</u>	<u>309,010</u>	<u>25,758</u>	<u>354,592</u>

Gains on disposals of investments, please refer to Note 6(g).

(iii) Finance costs

The details of finance costs for the three months and the six months ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest expense	\$ 2,872	4,128	6,381	9,109
Imputed interest from deposits	1	-	2	-
Other finance costs	44	-	93	-
Interest expense	<u>\$ 2,917</u>	<u>4,128</u>	<u>6,476</u>	<u>9,109</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(w) Reclassification of other comprehensive income

The details of adjustments on components of other comprehensive income for the six months ended June 30, 2019 and 2018 were as follows:

	<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Equity method used to recognize the shares of other comprehensive profit or loss of related companies- Items that may be reclassified to profit or loss:		
Gains (losses) for the period	\$ 3,160	(3,764)
Disposal of share of profit of associates accounted for using equity method	-	5
Net income (losses) recognized in other comprehensive income	<u>\$ 3,160</u>	<u>(3,759)</u>

(x) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(z) of the consolidated financial statements for the year ended December 31, 2018.

(i) Credit risk of accounts receivable

The information regarding accounts receivable and credit risk exposure, please refer to Note 6(d).

For the information of financial assets measured at amortized cost which includes other receivables and time deposit, please refer to Note 6(l). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. In regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(c).

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>June 30, 2019</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,050,000	1,054,528	1,054,528	-	-
Non-interest-bearing liabilities (including related parties)	1,737,183	1,737,183	1,737,183	-	-
Guarantee deposits received	<u>2,601</u>	<u>2,601</u>	<u>2,601</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,789,784</u>	<u>2,794,312</u>	<u>2,794,312</u>	<u>-</u>	<u>-</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>December 31, 2018</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,500,000	1,507,059	1,155,290	351,769	-
Non-interest-bearing liabilities (including related parties)	641,801	641,801	641,801	-	-
Guarantee deposits received	<u>2,445</u>	<u>2,445</u>	<u>2,445</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,144,246</u>	<u>2,151,305</u>	<u>1,799,536</u>	<u>351,769</u>	<u>-</u>
<b>June 30, 2018</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 15,230	15,256	15,256	-	-
Unsecured bank loans	1,300,000	1,312,368	758,087	554,281	-
Non-interest-bearing liabilities (including related parties)	1,789,012	1,789,012	1,789,012	-	-
Guarantee deposits received	<u>6,046</u>	<u>6,046</u>	<u>6,046</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,110,288</u>	<u>3,122,682</u>	<u>2,568,401</u>	<u>554,281</u>	<u>-</u>

The Group does not expect the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The information on assets and liabilities denominated in foreign currencies were as follows:

	<u>June 30, 2019</u>			<u>December 31, 2018</u>			<u>June 30, 2018</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	
<b>Financial assets</b>										
<u>Monetary items</u>										
USD	\$	18,227	31.06	566,131	17,808	30.72	546,973	15,619	30.46	475,755
CNY		4,007	4.52	18,116	4,151	4.47	18,563	4,211	4.59	19,341
JPY		85,969	0.29	24,656	67,702	0.28	17,444	47,362	0.27	12,949
EUR		1,001	35.38	35,415	1,067	35.20	37,558	2,271	35.40	80,393
<u>Nonmonetary items</u>										
USD		47,346	31.06	1,470,568	47,280	30.72	1,452,218	47,275	30.46	1,440,004
CNY		52,140	4.52	235,725	52,386	4.47	234,272	51,652	4.59	237,084
THB		253,230	1.02	257,409	240,499	0.95	229,244	242,391	0.92	223,000
KRW		1,350,759	0.03	36,619	1,498,607	0.03	41,587	-	-	-
MXN		13,640	1.66	22,642	16,011	1.60	25,618	-	-	-

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and accounts receivable, that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the USD, RMB, JPY and EUR as of June 30, 2019 and 2018 would have increased (decreased) the net profit after tax by \$5,155 and \$4,708, respectively. The analysis is performed on the same basis for 2019 and 2018.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the six months ended June 30, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to \$3,370 and \$5,035, respectively.

(iv) Interest rate analysis

The exposure to interest rate risk on financial assets and liabilities is disclosed in the note on liquidity risk management.

The Group mainly borrows capital at floating interest rates, so the cash flow risk arises from changes in interest rates. The Group's main source of borrowed capital is bank loans.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported that increases/decreases in interest rates of 0.25% are considered by management to be a reasonably possible change in interest rate.

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$836 and \$2,181 for the six months ended June 30, 2019 and 2018, respectively, assuming all other variable factors remained constant.

(v) Other market value risk

For the six months ended June 30, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	<b>For the six months ended June 30,</b>			
	<b>2019</b>		<b>2018</b>	
<b>Security Price</b>	<b>Other Comprehensive income after tax</b>	<b>Net income</b>	<b>Other Comprehensive income after tax</b>	<b>Net income</b>
Increase by 10%	\$ <u>50,769</u>	<u>597</u>	<u>48,894</u>	<u>40</u>
Decrease by 10%	\$ <u>(50,769)</u>	<u>(597)</u>	<u>(48,894)</u>	<u>(40)</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) Fair value of financial instruments

1) Categories of financial instruments

The fair value of financial assets and liabilities was as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value, financial instruments whose fair value cannot be reliably measured, and financial instruments whose inputs are unobservable in active markets):

	June 30, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 5,967	5,967	-	-	5,967
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 197,715	197,715	-	-	197,715
Domestic stock- listed company at Taipei Exchange	177,449	177,449	-	-	177,449
Domestic stock- listed company at emerging stock market	83,251	83,251	-	-	83,251
International stock subtotal	<u>49,271</u>	<u>-</u>	<u>-</u>	<u>49,271</u>	<u>49,271</u>
	<u>507,686</u>	<u>458,415</u>	<u>-</u>	<u>49,271</u>	<u>507,686</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,355,210	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,123,859	-	-	-	-
Other receivables (including related party)	61,582	-	-	-	-
Other financial asset	469,507	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	<u>28,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,051,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,565,406</u>	<u>464,382</u>	<u>-</u>	<u>49,271</u>	<u>513,653</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,050,000	-	-	-	-
Notes payable and accounts payable (including related party)	195,471	-	-	-	-
Other payables (including related party)	396,050	-	-	-	-
Dividend payable	1,145,662	-	-	-	-
Guarantee deposit received	<u>2,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,789,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 5,496	5,496	-	-	5,496
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 195,175	195,175	-	-	195,175
Domestic stock- listed company at Taipei Exchange	176,580	176,580	-	-	176,580
Domestic stock- listed company at emerging stock market	83,081	83,081	-	-	83,081
subtotal	<u>454,836</u>	<u>454,836</u>	<u>-</u>	<u>-</u>	<u>454,836</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,372,294	-	-	-	-
Notes receivable and accounts receivable (including related party)	893,222	-	-	-	-
Other receivables (including related party)	76,821	-	-	-	-
Other financial asset	541,949	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	26,252	-	-	-	-
	<u>3,923,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,384,227</u>	<u>460,332</u>	<u>-</u>	<u>-</u>	<u>460,332</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,500,000	-	-	-	-
Notes payable and accounts payable (including related party)	172,764	-	-	-	-
Other payables (including related party)	469,037	-	-	-	-
Guarantee deposit received	2,445	-	-	-	-
Total	<u>\$ 2,144,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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	June 30, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 402	402	-	-	402
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 178,783	178,783	-	-	178,783
Domestic stock- listed company at Taipei Exchange	236,599	236,599	-	-	236,599
Domestic stock- listed company at emerging stock market	73,553	73,553	-	-	73,553
subtotal	<u>488,935</u>	<u>488,935</u>	<u>-</u>	<u>-</u>	<u>488,935</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,243,079	-	-	-	-
Notes receivable and accounts receivable (including related party)	932,902	-	-	-	-
Other receivables (including related party)	141,616	-	-	-	-
Cash surrender value of life insurance	7,275	-	-	-	-
Refundable deposits paid	25,618	-	-	-	-
	<u>2,350,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,839,827</u>	<u>489,337</u>	<u>-</u>	<u>-</u>	<u>489,337</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,315,230	-	-	-	-
Notes payable and accounts payable (including related party)	166,889	-	-	-	-
Other payables (including related party)	468,105	-	-	-	-
Dividend payable	1,154,018	-	-	-	-
Guarantee deposit received	6,046	-	-	-	-
Total	<u>\$ 3,110,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3) Valuation techniques for financial instruments which are not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

The financial instrument mentioned above is either close to its expiry date, or their future receivable or payable is close to its carrying value; thus, its fair value is estimated from the face value of the balance sheet date.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observation market data at reporting date.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the six months ended in June 30, 2019 and 2018, so there was no transfer between levels.

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(aa) of the consolidated financial statements for the year ended December 31, 2018.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(z) Capital management

The objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to Note 6(ab) of the consolidated financial statements for the year ended December 31, 2018 for further details.

**(7) Related-party transactions:**

(a) List of subsidiaries

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
American Taiwan Biopharm (Thailand)	An associate
Chuang Yi Biotech Co., Ltd.	An associate
PharmaEngine, Inc.	An associate

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2019	2018	2019	2018
Associates	\$ <u>13,876</u>	<u>21,814</u>	<u>36,931</u>	<u>38,275</u>

Prices charged for sales transactions with offshore associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2019	2018	2019	2018
Associates	\$ <u>3,176</u>	<u>7,110</u>	<u>3,176</u>	<u>7,110</u>

The payment terms for purchases from related parties were Open Accounts 30 days . The pricing and payment terms with related parties were not materially different from those with third parties.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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## (iii) Rent revenue

The Group's rent revenue for related party were as follows:

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Rental revenue	Associate—Chuang Yi Biotech Co., Ltd.	\$ <u>783</u>	<u>783</u>	<u>1,566</u>	<u>1,566</u>

Rent was based on recent market transactions on arm's-length terms.

## (iv) Other income

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Other income	Associate-American Taiwan Biopharm (Thailand)	\$ <u>3,133</u>	<u>2,950</u>	<u>6,220</u>	<u>5,899</u>

The credit term for other income from development in the pharmaceutical industry or registration of pharmaceutical products is three months.

## (c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
Notes receivable	Associates	\$ <u>-</u>	<u>34</u>	<u>-</u>
Accounts receivable	Associates	\$ <u>10,586</u>	<u>16,156</u>	<u>22,275</u>
Other receivables	Associate-American Taiwan Biopharm (Thailand)	\$ 16,135	12,241	9,351
	Associates	<u>364</u>	<u>393</u>	<u>518</u>
		<u>\$ 16,499</u>	<u>12,634</u>	<u>9,869</u>
Notes payable	Associate-Chuang Yi Biotech Co., Ltd.	\$ <u>2</u>	<u>-</u>	<u>7,468</u>
Accounts payable	Associate-Chuang Yi Biotech Co., Ltd.	\$ <u>-</u>	<u>14,382</u>	<u>-</u>

The information about the expected credit losses for notes receivable and accounts receivable, please refer to Note 6(d).

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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(d) Key management personnel compensation

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 19,296	15,329	46,922	47,603
Post-employment benefits	<u>270</u>	<u>302</u>	<u>610</u>	<u>604</u>
	<u>\$ 19,566</u>	<u>15,631</u>	<u>47,532</u>	<u>48,207</u>

**(8) Pledged assets:**

As of June 30, 2019, December 31, 2018 and June 30, 2018, pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
Other financial asset—current	Bank loan	\$ -	-	1,370,700
Other financial asset—non-current	Guarantee for provision attachment	149,380	139,380	120,010
		<u>\$ 149,380</u>	<u>139,380</u>	<u>1,490,710</u>

**(9) Commitments and contingencies:**

- (a) The Group signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Group obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to \$22,482 and \$21,080 for the six months ended June 30, 2019 and 2018, respectively.
- (b) As of June 30, 2019, December 31, 2018 and June 30, 2018, due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$629,216, \$619,601 and \$637,283, and the unpaid amount was \$190,571, \$188,431 and \$243,344, respectively.
- (c) As of June 30, 2019, December 31, 2018 and June 30, 2018, the financial institutions provide guarantee for the sale of medicine amounted to \$45,652, \$49,679 and \$49,679, respectively.
- (d) In June 2015, the Taipei District Prosecutors Office filed a charge against the ex-chairman of the Company, Rong-Jin Lin, for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, the ex-chairman was found guilty for violating the Securities and Exchange Act. Currently, the case has been appealed and moved to the second instance at the Taiwan High Court. The relevant incidental civil action was later transferred to the civil court for further trial as a different case in September 6, 2017. Further on April 23, 2018, the Taipei District Prosecutors Office requested the Taiwan High Court to hear the case of ex-chairman Rong-Jin Lin's offense of the Securities and Exchange Act because of the dispute of contract relevant with Risperidone entered into by and between the Group and Center Laboratories, Inc. together with the aforementioned case in a consolidated procedure. As of June 29, 2018, the Group supplemented and raised the amount of its damage claim against the ex-chairman in the incidental civil action of the second appeal.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (e) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.
- (f) On May 30, 2016, Janssen Pharmaceutical NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha. The case was suspended.
- (g) With regard to the dispute of Risperidone Contract it entered into with the Company, Center Laboratories, Inc. initiated an action for a declaratory judgment confirming the contractual relation against the Company in Taipei District Court on July 1, 2016. Taipei District Court rendered the judgment on March 1, 2018, confirming the contractual relation valid. The Company is not satisfied with the judgment which did not consider the facts and evidence comprehensively and the Company has appealed the case to the second instance to fight for its rights and the case has been moved to the Taiwan High Court.

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

**(12) Other:**

- (a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

By item	For the three months ended June 30,					
	2019			2018		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 50,003	151,313	201,316	53,780	147,374	201,154
Health and labor insurance	4,334	9,574	13,908	4,205	8,800	13,005
Pension	2,243	5,026	7,269	2,129	4,935	7,064
Others	4,300	21,940	26,240	3,233	23,449	26,682
Depreciation expense	26,435	7,894	34,329	25,090	6,803	31,893
Amortization expense	93	4,721	4,814	49	6,559	6,608

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

By item	For the six months ended June 30,					
	2019			2018		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 105,044	303,747	408,791	108,123	294,611	402,734
Health and labor insurance	8,810	18,683	27,493	8,420	17,690	26,110
Pension	4,481	10,022	14,503	4,287	9,815	14,102
Others	8,050	40,286	48,336	6,104	40,739	46,843
Depreciation expense	51,484	17,049	68,533	49,966	13,847	63,813
Amortization expense	187	9,524	9,711	136	8,293	8,429

(b) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

(c) Others

The Group donated \$19,252 and \$20,242 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the six months ended June 30, 2019 and 2018, respectively.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	52,802 USD 1,700	37,272 USD 1,200	37,272 USD 1,200	0.5%	2	-	Operating capital	-	-	234,270 CNY 52,386	234,270 CNY 52,386	
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	77,650 USD 2,500	77,650 USD 2,500	-	0.9%	2	-	Operating capital	-	-	93,706 CNY 20,954	93,706 CNY 20,954	
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	528,020 USD 17,000	-	-	0.9%	2	-	Operating capital	-	-	569,088 USD 18,528	569,088 USD 18,528	

The exchange rate of USD to NTD as of the reporting date was 1:31.060, and the average exchange rate of USD to NTD for the reporting period was 1:30.951.

The exchange rate of CNY to NTD as of the reporting date was 1:4.521, and the average exchange rate of CNY to NTD for the reporting period was 1:4.566.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Note 1): Nature of financing activities is as follows:

1. Trading partner, the number is "1".
2. Short-term financing, the number is "2".

Note 2): The total amount for lending to a company shall not exceed 40% of the lending company's net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company's net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of June 30, 2019.

Note 5): The amounts were approved by the Board of Directors.

Note 6): The amounts in foreign currencies were translated based on the spot exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	1,600	48,960	1.37 %	48,960
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income—current	4,199	128,489	3.58 %	128,489
"	Cathay Financial Holding Co., Ltd. common stock	-	"	120	5,160	-	5,160

(In Thousands of New Taiwan Dollars)

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
TSH Biopharm Co., Ltd.	Handa Pharmaceuticals Inc. common stock	-	Financial assets measured at fair value through other comprehensive income-non-current	2,625	82,084	2.51 %	82,084
"	Fubon Financial Holding Co., Ltd. common stock	-	"	300	13,755	- %	13,755
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	2,500	157,000	0.38 %	157,000
"	Union Bank of Taiwan Preferred Shares A	-	"	400	21,800	0.20 %	21,800
"	CellMax Ltd. preferred stock	-	"	1,593	49,271	2.03 %	49,271
"	Chuang Yi Biotech Co., Ltd. common stock	An associate	"	48	1,167	0.21 %	1,167
"	Fubon S&P US preferred stock ETFS	-	Financial assets measured at fair value through profit and loss- non-current	300	5,967	- %	5,967

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None



**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Worldco. International Co., Ltd.	1	Royalty revenue	20,202	By contract	0.92%
0	"	"	1	Accounts receivable	21,212	"	0.23%
0	"	TSH Biopharm Co., Ltd.	1	Sale revenue	59,200	"	2.68%
0	"	"	1	Other receivables	1,756	"	0.02%
0	"	"	1	Rental revenue	2,080	"	0.09%
0	"	"	1	Other revenue	2,959	"	0.13%
0	"	"	1	Accounts receivable	10,853	"	0.12%
0	"	American Taiwan Biopharma Philis Inc.	1	Other receivables	9,860	"	0.11%
0	"	EnhancX Inc.	1	Other receivables	1,592	"	0.02%
0	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	1	Other receivables	37,272	"	0.41%
0	"	"	1	Other payables	9,160	"	0.10%
1	"	"	1	Other receivables	57,663	"	0.63%

Note 1): The numbering is as follows:

1. "0" represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2): The types of transaction between the parent company and subsidiaries are as follows:

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

Note 3): The transactions have been eliminated in the consolidated financial statements.

Note 4): The above table only discloses the related-party transactions, with each amounting to at least NT\$1,000 thousand; transactions which were more than NT\$1,000 were not disclosed.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2019			Share of profits/losses of investee	Note
				June 30, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value		
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,431,961	6,453	Subsidiary
"	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	235,725	(1,440)	Subsidiary
"	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(2,295)	1,191	Subsidiary
"	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	615,398	33,690	Subsidiary
"	EnhanX Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	38,905	(13,649)	Subsidiary
Xudong Haipu International Co., Ltd.	EnhanX Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	54,483	(13,649)	Subsidiary
"	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	36,619	(4,041)	Subsidiary
"	TTY Biopharm Mexico S.A.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	11,321	(3,914)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	11,321	(3,914)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	299,098	299,098	22,867	15.70 %	548,493	55,836	Investments accounted for using equity method
"	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	257,409	25,382	Investments accounted for using equity method
"	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	38,607	11,524	Investments accounted for using equity method
"	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	82,059	6,326	27.54 %	54,272	(17,883)	Investments accounted for using equity method

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Investment flows		Accumulated outflow of investment from Taiwan as of January 1, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
				Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd. (Beijing)	Marketing consulting regarding chemical medicine	USD 316,812 10,200	(2)	-	-	323,433	CNY (32)	100 %	CNY (32)	(70,347)	-
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	CNY 53,800 11,900	(2)	-	-	91,008 20,130	CNY 502 110	100 %	CNY 502 110	CNY 49,885 11,034	-

The exchange rate of USD to NTD as of the reporting date was 1:31.060, and the average exchange rate of USD to NTD for the reporting period was 1:30.951.

The exchange rate of CNY to NTD as of the reporting date was 1:4.521, and the average exchange rate of CNY to NTD for the reporting period was 1:4.566.

Note 1): There are four ways to invest in Mainland China, and only the categories are identified.

1. Remittance from third-region companies to invest in Mainland China.
2. Through the establishment of third-region companies, then investing in Mainland China.
3. Through transfer of investment to third-region existing companies, then investing in Mainland China.
4. Other method.

Note 2): The amounts are presented in New Taiwan Dollars. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 423,982	NTD 1,440,157 (USD 46,728 )	NTD 3,500,324

(iii) Significant transactions: None

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

(a) General information

The Group's operating segments required to be disclosed are categorized as Oncology Business Unit, Health Care Unit, Anti-Infection Business Unit, Domestic Cardiovascular and Gastrointestinal Drugs Business Unit, China Medicine Business Unit, etc. The Group has other operating segments that are below the quantitative criteria located in the Philippines.

The segments' profit is measured at profit before tax. The Group assesses performance of the segments based on the segments' profit. The operating segments' accounting policies are similar to those described in Note 4 "significant accounting policies".

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group's operating segment information and reconciliation were as follows:

<u>For the three months ended June 30, 2019</u>	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>China Medicine Business Unit</u>	<u>Other Segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:								
Revenue from external customers	\$ 708,520	54,378	202,198	120,085	-	5,736	-	1,090,917
Intersegment revenues	<u>54,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,045)</u>	<u>-</u>
Total revenue	<u>\$ 762,565</u>	<u>54,378</u>	<u>202,198</u>	<u>120,085</u>	<u>-</u>	<u>5,736</u>	<u>(54,045)</u>	<u>1,090,917</u>
Reportable segment profit or loss	<u>\$ 275,039</u>	<u>12,069</u>	<u>65,944</u>	<u>10,628</u>	<u>2,062</u>	<u>(3,447)</u>	<u>(28,309)</u>	<u>333,986</u>
<u>For the three months ended June 30, 2018</u>								
Revenue:								
Revenue from external customers	\$ 610,551	64,946	173,520	141,441	-	6,904	-	997,362
Intersegment revenues	<u>55,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,265)</u>	<u>-</u>
Total revenue	<u>\$ 665,816</u>	<u>64,946</u>	<u>173,520</u>	<u>141,441</u>	<u>-</u>	<u>6,904</u>	<u>(55,265)</u>	<u>997,362</u>
Reportable segment profit or loss	<u>\$ 543,023</u>	<u>17,339</u>	<u>61,507</u>	<u>7,614</u>	<u>7,878</u>	<u>(8,546)</u>	<u>(61,306)</u>	<u>567,509</u>
<u>For the six months ended June 30, 2019</u>								
Revenue:								
Revenue from external customers	\$ 1,428,365	114,932	395,303	256,994	-	9,931	-	2,205,525
Intersegment revenues	<u>81,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,171)</u>	<u>-</u>
Total revenue	<u>\$ 1,509,536</u>	<u>114,932</u>	<u>395,303</u>	<u>256,994</u>	<u>-</u>	<u>9,931</u>	<u>(81,171)</u>	<u>2,205,525</u>
Reportable segment profit or loss	<u>\$ 548,047</u>	<u>29,469</u>	<u>137,168</u>	<u>42,124</u>	<u>(573)</u>	<u>(7,272)</u>	<u>(38,951)</u>	<u>710,012</u>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>For the six months ended June 30, 2018</u>	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti-Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>China Medicine Business Unit</u>	<u>Other Segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:								
Revenue from external customers	\$ 1,262,232	116,394	358,856	290,515	-	9,820	-	2,037,817
Intersegment revenues	<u>100,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,925)</u>	<u>-</u>
Total revenue	<u>\$ 1,363,157</u>	<u>116,394</u>	<u>358,856</u>	<u>290,515</u>	<u>-</u>	<u>9,820</u>	<u>(100,925)</u>	<u>2,037,817</u>
Reportable segment profit or loss	<u>\$ 784,386</u>	<u>27,209</u>	<u>134,447</u>	<u>48,994</u>	<u>3,121</u>	<u>(18,651)</u>	<u>(67,565)</u>	<u>911,941</u>
Reportable segment assets								
Balance on June 30, 2019	<u>\$ 8,101,460</u>	<u>40,515</u>	<u>344,066</u>	<u>1,261,101</u>	<u>264,940</u>	<u>1,658,554</u>	<u>(2,487,484)</u>	<u>9,183,152</u>
Balance on December 31, 2018	<u>\$ 7,823,178</u>	<u>230,600</u>	<u>310,827</u>	<u>1,220,321</u>	<u>240,783</u>	<u>1,657,841</u>	<u>(2,430,415)</u>	<u>9,053,135</u>
Balance on June 30, 2018	<u>\$ 8,162,097</u>	<u>216,087</u>	<u>274,459</u>	<u>1,354,407</u>	<u>263,959</u>	<u>1,592,103</u>	<u>(2,421,543)</u>	<u>9,441,569</u>