Stock Code:4105

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of TTY Biopharm Company Limited as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TTY Biopharm Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TTY Biopharm Company Limited
Chairman: Lin-Chuan
Date: March 16, 2020

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

We have audited the consolidated financial statements of TTY Biopharm Company Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Business combinations

   Please refer to Notes 4(c), and (t) of the consolidated financial statements for the accounting principles on business combinations.

Key audit matters:

During the year, the Group obtained the control over Chuang Yi Biotech Co., Ltd. and recognized the relevant loss of $82,686 thousand. Whether the Group obtains the control over its acquired company depends on the Group's judgments. Therefore, the acquisition of Chuang Yi Biotech Co., Ltd. is one of the important issues in performing our audit procedures.

Auditing procedures performed:

- Obtaining the information the Group used in evaluating whether it has control over Chuang Yi Biotech Co., Ltd. and discussing the matter with the management over the basis of judgment;

- Reviewing the accounting procedures, including the fair value of Chuang Yi Biotech Co., Ltd. at the date of acquisition;

- Reviewing the calculation in recognizing the relevant gain or loss.

2. Occurrence of revenue from selling pharmaceuticals and chemical drugs

   Please refer to Notes 4(q) of the consolidated financial statements for the accounting principles on revenue recognition. Revenues are recognized by net values of contract prices, less sales returns and allowances, after controls of the products are transferred to the customers.

   Key audit matters:

   The Group's sales is mainly from the selling of pharmaceuticals and chemical drugs. Because the customers are diversity and numerous, it takes longer time to verify sales transactions. Therefore, the occurrence in sales transactions is one of the important issue in performing our audit procedures.

   Auditing procedures performed:

   - Testing the effectiveness of the design and implementing the internal control system of sales and collection operation;

   - Testing the samples of sales transaction before and after the balance sheet date to ensure the correctness of sales revenue;

   - Inspecting the related documents to ensure the adequacy and resonableness of revenue recognition.

3. Inventory valuation

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

   Key audit matters:

   The Group's primary operating items are manufacturing and processing various kinds of pharmaceuticals. The pharmaceutical industry in Taiwan is susceptible to the constant amendments of its law, resulting in an increase in the cost of pharmaceutical products, which will affect the carrying value of inventories to exceed its net value. Because of these uncertainties, the Group's revenue and income may be effected by the price fluctuations. If the assessment of the net realizable value of the inventory is not appropriate, it will lead to a material misstatement of the financial statements.

Auditing procedures performed:

- Overviewing the stock ageing list, analyzing the movement of stock ageing by period;

- Obtaining the certificate documents to verify the correctness of the stock's expiry date; and

- Sampling the replacement cost and market price of material, and recalculating the net realizable value by marketing expense rate, to ensure the reasonableness of net realizable value adopted by the Group.

Other Matter

We did not audit the financial statements of PharmaEngine Inc. Those statements were audited by another auditor, whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of another auditor. The amount of long-term investment in the investee company represented 8.20% and 6.33% of the related consolidated total assets as of December 31, 2019 and 2018, respectively, and the related investment gains represented 0.43% and 1.23% of the consolidated profit before tax for the years ended December 31, 2019 and 2018, respectively.

We also audited the financial statements of the Company as of and for the years ended December 31, 2019 and 2018 and have issued unqualified audit reports, thereon.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2020

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a) and (y))	$ 2,422,158	26	2,372,294	27
1120	Current financial assets at fair value through other comprehensive income (note 6(c) and (y))	149,727	2	132,560	1
1150	Notes receivable, net (note 6(d), (y), and 7)	34,719	-	40,063	-
1170	Accounts receivable, net (note 6(d) and (y))	935,104	10	837,003	9
1180	Accounts receivable due from related parties, net (note 6(d), (y), and 7)	27,778	-	16,156	-
1200	Other receivables, net (note 6(e), (y), and 7)	119,753	1	76,821	1
130X	Inventories (note 6(f))	858,685	9	750,888	8
1410	Prepayments	48,308	1	23,749	-
1476	Other current financial assets (note 6(a), (m), and (y))	332,889	3	398,271	4
1470	Other current assets (note 6(m))	45,297	-	6,796	-
		4,974,418	52	4,654,601	50
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b) and (y))	5,874	-	5,496	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c) and (y))	379,179	4	322,276	4
1550	Investments accounted for using equity method, net (note 6(g))	1,100,878	13	901,648	11
1600	Property, plant and equipment (note 6(j))	2,394,277	25	2,474,331	28
1760	Investment property, net (note 6(k))	100,431	1	88,150	1
1780	Intangible assets (note 6(l))	139,013	1	153,188	2
1840	Deferred tax assets (note 6(r))	45,670	-	38,072	-
1915	Prepayments for business facilities	201,259	2	188,633	2
1920	Refundable deposits paid (note 6(y))	31,132	-	26,252	-
1981	Cash surrender value of life insurance (note 6(y))	13,657	-	13,357	-
1984	Other non-current financial assets (note 6(m), (y), and 8)	158,363	2	143,678	2
1990	Other non-current assets (note 6(m))	8,565	-	43,453	-
		4,578,298	48	4,398,534	50
	Total assets	$ 9,552,716	100	9,053,135	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(n) and (y))	$ 1,561,070	15	1,150,000	13
2130	Contract liabilities-current(note 6(u))	16,678	-	6,405	-
2150	Notes payable (note 6(y))	1,454	-	3,761	-
2170	Accounts payable (note 6(y))	179,823	2	154,621	2
2180	Accounts payable due to related parties (note 6(y) and 7)	-	-	14,382	-
2219	Other payables, others (note 6(y))	574,769	6	469,037	5
2230	Current tax liabilities	188,857	2	132,286	1
2300	Other current liabilities	146,848	2	41,391	-
2320	Long-term liabilities, current portion (note 6(o) and (y))	355,931	4	-	-
		3,025,430	31	1,971,883	21
	Non-current liabilities:				
2540	Long-term borrowings (note 6(o) and (y))	16,313	-	350,000	4
2570	Deferred tax liabilities (note 6(r))	282,077	3	278,723	3
2640	Net defined benefit liability, non-current (note 6(q))	56,256	1	58,459	1
2645	Guarantee deposits received (note 6(y))	2,428	-	2,445	-
2670	Other non-current liabilities	1,148	-	-	-
		358,222	4	689,627	8
	Total liabilities	3,383,652	35	2,661,510	29
	Equity attributable to owners of parent (note 6(s)):				
3100	Capital stock	2,486,500	26	2,486,500	28
3200	Capital surplus	338,514	4	348,819	4
3310	Legal reserve	1,003,556	11	857,418	9
3320	Special reserve	110,154	1	110,154	1
3350	Unappropriated retained earnings	1,591,777	17	1,954,321	22
3400	Other equity interest	40,135	-	46,821	1
	Equity attributable to the parent company:	5,570,636	59	5,804,033	65
36XX	Non-controlling interests (note 6(s))	598,428	6	587,592	6
	Total equity	6,169,064	65	6,391,625	71
	Total liabilities and equity	$ 9,552,716	100	9,053,135	100

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(u) and 7)**	$ 4,466,308	100	4,036,196	100
5000	**Operating costs (note 6(f) and 7)**	1,559,067	35	1,372,317	35
	Gross profit	2,907,241	65	2,663,879	65
5910	Less:Unrealized profit (loss) from sales	11,903	-	7,046	-
5920	Add:Realized profit (loss) from sales	7,046	-	6,346	-
	Gross profit, net	2,902,384	65	2,663,179	65
6000	**Operating expenses (note 6(q) and 12):**				
6100	Selling expenses	1,002,748	22	903,799	22
6200	Administrative expenses	377,970	8	344,496	9
6300	Research and development expenses	298,552	7	361,063	9
6450	Reversal of expected credit losses	(5,495)	-	(5,856)	-
	Total operating expenses	1,673,775	37	1,603,502	40
	Net operating income	1,228,609	28	1,059,677	25
	Non-operating income and expenses (note 6(w) and 7):				
7010	Other income	52,549	1	42,634	1
7020	Other gains and losses, net	(16,850)	-	530,118	13
7050	Finance costs, net	(14,810)	-	(17,287)	-
7060	Share of (loss) profit of associates accounted for using equity method, net (note 6(g))	(46,844)	(1)	52,926	1
	Total non-operating income and losses	(25,955)	-	608,391	15
	Profit before tax	1,202,654	28	1,668,068	40
7950	Less: Income tax expenses (note 6(r))	294,949	7	205,769	5
	Profit for the period	907,705	21	1,462,299	35
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	2,438	-	(4,102)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	24,931	1	(1,368)	-
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	1	(5,470)	-
8360	**Components of other comprehensive income (loss) that may be reclassified to profit or loss**				
8361	Exchange differences on translation	(29,980)	(1)	49,336	1
8370	Share of other comprehensive loss of associates accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	(140)	-	(18,572)	-
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	6,008	-	(6,252)	-
	Components of other comprehensive (loss) income that may be reclassified to profit or loss	(24,112)	(1)	24,512	1
8300	**Other comprehensive income**	3,257	-	19,042	1
	Total comprehensive income for the period	$ 910,962	21	1,481,341	36
	Profit attributable to:				
	Owners of parent	$ 900,081	21	1,461,381	35
	Non-controlling interests	7,624	-	918	-
		$ 907,705	21	1,462,299	35
	Comprehensive income attributable to:				
	Owners of parent	$ 895,833	21	1,481,687	36
	Non-controlling interests	15,129	-	(346)	-
		$ 910,962	21	1,481,341	36
	Earnings per share, net of tax (note 6(t))				
	Basic earnings per share	$	3.62		5.88
	Diluted earnings per share	$	3.61		5.87

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent											
	Share capital		Retained earnings			Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on 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	Non-controlling interests	Total equity
Balance on January 1, 2018	$ 2,486,500	396,113	722,945	110,154	1,758,633	(99,734)	-	122,165	22,431	5,496,776	614,861	6,111,637
Effects of retrospective application	-	-	-	-	(43)	-	122,167	(122,165)	2	(41)	-	(41)
Equity at beginning of period after adjustments	2,486,500	396,113	722,945	110,154	1,758,590	(99,734)	122,167	-	22,433	5,496,735	614,861	6,111,596
Profit for the period	-	-	-	-	1,461,381	-	-	-	-	1,461,381	918	1,462,299
Other comprehensive income	-	-	-	-	(4,102)	43,040	(18,632)	-	24,408	20,306	(1,264)	19,042
Total comprehensive income	-	-	-	-	1,457,279	43,040	(18,632)	-	24,408	1,481,687	(346)	1,481,341
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	134,473	-	(134,473)	-	-	-	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)	(35,093)	(1,154,018)
Other changes in capital surplus:												
Changes in equity of investments accounted for using equity method	-	(10,703)	-	-	-	-	-	-	-	(10,703)	-	(10,703)
Disposal of investments accounted for using equity method	-	(36,591)	-	-	-	-	-	-	-	(36,591)	-	(36,591)
Changes in ownership interests in subsidiaries	-	-	-	-	(8,170)	-	-	-	-	(8,170)	8,170	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20	-	(20)	-	(20)	-	-	-
Balance on December 31, 2018	2,486,500	348,819	857,418	110,154	1,954,321	(56,694)	103,515	-	46,821	5,804,033	587,592	6,391,625
Profit for the period	-	-	-	-	900,081	-	-	-	-	900,081	7,624	907,705
Other comprehensive income	-	-	-	-	2,438	(24,030)	17,344	-	(6,686)	(4,248)	7,505	3,257
Total comprehensive income	-	-	-	-	902,519	(24,030)	17,344	-	(6,686)	895,833	15,129	910,962
Appropriation and distribution of retained earnings:												
Legal researve appropriated	-	-	146,138	-	(146,138)	-	-	-	-	-	-	-
Cash dividends of ordinary shares distributed	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)	(26,737)	(1,145,662)
Other changes in capital surplus												
Acquisition	-	-	-	-	-	-	-	-	-	-	22,444	22,444
Changes in equity of investments accounted for using equity method	-	(10,305)	-	-	-	-	-	-	-	(10,305)	-	(10,305)
Balance on December 31, 2019	$ 2,486,500	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	-	40,135	5,570,636	598,428	6,169,064

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,202,654	1,668,068
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	133,497	127,376
Amortization expense	18,841	18,180
Reversal of allowance for expected credit losses	(5,495)	(5,856)
Net (profit) loss on financial assets or liabilities at fair value through profit or loss	(378)	406
Interest expense	14,810	17,287
Interest income	(40,445)	(32,111)
Dividend income	(6,315)	(373)
Share of (loss) profit of investments accounted for using equity method	46,844	(52,926)
Loss on disposal of property, plant and equipment	581	1,113
Gain on disposal of investments accounted for using equity method	-	(495,569)
Impairment loss and remeasurement profit on non-financial assets	82,686	-
Unrealized profit (loss) from sales	11,903	7,046
Realized loss (profit) from sales	(7,046)	(6,346)
Allocation of deferred income	-	(988)
Total adjustments to reconcile profit (loss)	249,483	(422,761)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	5,357	33,276
Accounts receivable	(83,200)	77,556
Other receivable	42,420	(32,506)
Inventories	(96,331)	(57,214)
Prepayments and other current assets	(19,690)	(11,369)
Total changes in operating assets	(151,444)	9,743
Changes in operating liabilities:		
Contract liabilities	8,255	(15,147)
Notes payable	(3,475)	(56,106)
Accounts payable	9,271	73,964
Other payable	81,362	(26,978)
Other current liabilities	(11,839)	13,284
Net difined benefit liability	88	47
Total changes in operating liabilities	83,662	(10,936)
Total changes in operating assets and liabilities	(67,782)	(1,193)
Total adjustments	181,701	(423,954)
Cash inflow generated from operations	1,384,355	1,244,114
Interest received	40,445	32,076
Dividends received	36,617	53,272
Interest paid	(14,996)	(17,427)
Income taxes paid	(236,566)	(238,237)
Net cash flows from operating activities	1,209,855	1,073,798
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(50,316)	(170,063)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	50
Acquisition of financial assets at fair value through profit or loss	-	(5,507)
Acquisition of investments accounted for using equity method	(237,461)	-
Proceeds from disposal of investments accounted for using equity method	-	591,629
Acquisition of property, plant and equipment	(48,223)	(46,871)
Proceeds from disposal of property, plant and equipment	19	158
(Increase) decrease in refundable deposits	(4,121)	2,116
Acquisition of intangible assets	(780)	(12,210)
Acquisition of subsidiaries (net of cash received) (note 6(h))	(24,894)	-
Acquisition of investment properties	(140)	-
Decrease in other financial assets	79,822	1,370,220
Increase in prepayments for business facilities	(21,640)	(27,224)
Decrease (increase) in other non-current assets	34,584	(5,899)
Net cash flows (used in) from investing activities	(273,150)	1,696,399
Cash flows from (used in) of financing activities:		
Increase in short-term loans	7,700,000	6,272,730
Decrease in short-term loans	(7,400,000)	(6,772,730)
Proceeds from long-term debt	-	300,000
Repayments of long-term debt	-	(500,000)
Decrease in guarantee deposits received	(13)	(7,640)
Payment of lease liabilities	(3,596)	-
Cash dividends paid	(1,118,925)	(1,118,925)
Change in non-controlling interests	(26,737)	(35,093)
Net cash flows used in financing activities	(849,271)	(1,861,658)
Effect of exchange rate changes on cash and cash equivalents	(37,570)	22,381
Net increase in cash and cash equivalents	49,864	930,920
Cash and cash equivalents at beginning of period	2,372,294	1,441,374
Cash and cash equivalents at end of period	$ 2,422,158	2,372,294

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollar, 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 issue by the Board of Directors on March 16, 2020.

(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.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 assesses 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 Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7."Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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 evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial assets at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, and the upper-limit as explained in note 4(r).

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(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company' s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries are consolidated in the financial statements begins from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group. Changes in the parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

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

			Shareholding ratio		
Investor	**Subsidiary**	**Nature of business**	**December 31, 2019**	**December 31, 2018**	**Notes**
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %	
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %	
The Company	American Taiwan Biopharma Philippines Inc.	Selling medicine	87.00 %	87.00 %	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	
The Company	EnhanX Biopharm Inc.	Developing medicine	20.83 %	20.83 %	(Note 1)
The Company	Chuang Yi Biotech Co., Ltd.	Selling functional food	38.12 %	27.54 %	(Note 2)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	100.00 %	100.00 %	

(Continued)

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Investor	Subsidiary	Nature of business	Shareholding ratio December 31, 2019	Shareholding ratio December 31, 2018	Notes
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Biopharm 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 3)
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	(Note 4)
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	(Note 4)
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Developing medicine	100.00 %	- %	(Note 5)
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Selling functional food	4.89 %	- %	(Note 2)
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00 %	- %	(Note 2)
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hongkong) Biotech Co., Ltd.	Selling functional food	100.00 %	- %	(Note 2)
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	100.00 %	- %	(Note 2)

(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 December 2019, the Group participated in the capital increase of Chuang Yi Biotech Co., Ltd., which increased the shareholding ratio of the Group to 43.01%. Because the Group obtained the control over Chuang Yi Biotech Co., Ltd., it is listed as a subsidiary of the consolidated financial statements. Please refer to Notes 6(h) of the consolidated financial statements for the business combination.

(Note 3) 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 statements.

(Note 4) 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 statements.

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(Note 5) In July 2019, EnhanX Inc. established EnhanX Biopharm B.V. as a wholly owned subsidiary, and thus, EnhanX Biopharm B.V. is listed as a subsidiary of the consolidated financial statements.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currencies transactions

Transactions in foreign currencies are translated into the functional currency of the Group at the exchange rates at the transaction dates. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at reporting date.

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into New Taiwan Dollar at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollar at average exchange rate. Exchange differences are recognized in other comprehensive income.

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

(i) It is expected to be realized, or is intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose should be recognized as cash equivalents.

(g) Financial instruments

(i) Financial assets

On a regular way purchase or sale basis, financial assets are recognized and derecognized using trade date accounting or settlement date accounting.

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) – equity investment, or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition if the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as of discounting is immaterial. Except for the short-term accounts and notes receivable, the other assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulated amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

Equity investment at FVOCI which is not held for trading, and for which the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income at initial recognition. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and won't be reclassified to profit or loss.

3) Fair value through profit or loss (FVTPL)

Financial assets are not measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes impairment provision for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures impairment provision at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

(Continued)

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Impairment provision for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and subsequently estimating, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if the contract payment is overdue. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than it's payment term;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Impairment provision for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the impairment provision is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

3) Financial liabilities

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

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

When derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented the net amount in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

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

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

The Group recognizes any changes of its proportionate share in the investee within capital surplus, when the associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

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

(Continued)

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation methods, useful lives, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	2-60 years
Machinery equipment	1-29 years
Transportation equipment	5-8 years
Office and other equipment	1-30 years

(Continued)

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The significant components of buildings are the main building, mechanical and electrical equipment, engineering systems, etc. They are amortized over their useful lives of 30-50 years, 10-25 years, and 10 years, respectively.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification as investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(l) 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 assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, 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 the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; 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 throughout the period of use, without the supplier having the right to change those operating instructions; or

  — the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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 leasee

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 reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— 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:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise an extension or termination option; or

— 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.

(Continued)

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents 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.

(iii) As a leasor

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 each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then 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 sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

<u>Applicable before January 1, 2019</u>

(i) Lessor

A finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, and are not recognized in the Group's consolidated balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

The Group shall evaluate an arrangement at inception. If the fulfillment of the arrangement is dependent on the use of a specific asset or the shift of the use of an asset, such an arrangement is or contains a lease. The Group determines whether the lease is classified as a finance lease or an operating lease according to previous principles at inception or on reassessment of the arrangement.

If an arrangement includes the lease and other factors, the Group will divide the amount and other considerations required for the arrangement into a portion of the lease and other components on the basis of the relative fair values. If the Group considers it is unable to distinguish the payment in practice reliably, in the case of a finance lease, the fair value of the underlying asset is recognized as an asset and liability. Subsequently, the liability is reduced at the actual payment, and the current financial cost of the liability is calculated based on the incremental borrowing interest rate of the Group. On the contrary, in the case of operating leases, all payments are treated as lease expenses, and the Group will disclose situations that cannot be reliably distinguished in note.

(m) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Patents and franchise 10 years

2) Computer software 3-10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(o) Cash surrender value of life insurance

The savings portion of a life insurance policy shall be recognized as a contra item of insurance expense, and increase the carrying amount of the cash surrender value of the life insurance.

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(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Revenue

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

1) Sale of goods

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

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

2) Authorization revenue

Authorization revenue gains from medicine developing and selling. The Group recognizes authorization revenue by determining whether the intellectual property will be obtained within contract period or it had already existed.

Revenue is recognized with royalty calculated on a sales basis when the performance obligation was fulfilled and the sales actually happened.

3) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 " Inventories", IAS 16 " Property, Plant and Equipment" or IAS 38 "Intangible Assets"), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

c) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(t) Business combination

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

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

(u) Earnings per share

The Group discloses the Group' s basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(v) Operating segments

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

(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 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

- Valuation of inventories

  As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 3,157	2,864
Cash in banks	2,397,077	2,309,430
Time deposits	21,924	60,000
	$ 2,422,158	2,372,294

(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 refer to Note 6(m).

(iii) Please refer to Note 6(y) 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

	December 31, 2019	December 31, 2018
Designated as financial assets measured at fair value through profit or loss		
Domestic preferred stock ETFS	$ 5,874	5,496

(i) Please refer to Note 6(w) 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

		December 31, 2019	December 31, 2018
Equity instrument measured at fair value through other comprehensive income:			
Domestic common stock—Lumosa Therapeutics Co., Ltd.	$	199,486	176,580
Domestic common stock—Handa Pharmaceuticals, Inc.		78,278	83,081
Domestic listed common stock—Cathay Financial Holding Co., Ltd.		5,281	4,700
Domestic listed common stock—Fubon Financial Holding. Co., Ltd.		13,920	14,115
Domestic listed preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares B		160,750	155,000
Domestic listed preferred stock—Union Bank of Taiwan Preferred Shares A		21,920	21,360
International non-listed preferred stock—CellMax Ltd.		49,271	-
Total	$	528,906	454,836

(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) The subsidiary, TSH Biopharm Co., Ltd., sold the domestic common stock, Lumosa Therapeutics Co., Ltd. at fair value of $50 and recognized disposal gain of $35; thus, the Group reclassified its disposal gain from other equity to retained earnings of $20.

(iii) Please refer to Note 6(y) for credit and market risk information.

(iv) The above financial assets were not pledged as collateral.

(d) Notes receivable and accounts receivable (including related parties)

		December 31, 2019	December 31, 2018
Notes receivable —operating	$	34,719	38,468
Notes receivables —non-operating		-	1,595
Accounts receivable		957,142	864,486
Accounts receivable-related parties		27,778	16,156
Less: Allowance for expected credit losses		(22,038)	(27,483)
	$	997,601	893,222

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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 are as follows:

	December 31, 2019		
	Face value of notes receivable and accounts receivable	**Weighted average loss rate**	**Allowance for expected credit losses**
Not yet overdue	$ 986,990	0%~1%	2,262
Past due less than 90 days	13,403	4%~6%	537
Past due 91-180 days	16	55%~60%	9
Past due more than 181 days	19,230	100%	19,230
	$ 1,019,639		22,038

	December 31, 2018		
	Face value of notes receivable and accounts receivable	**Weighted average loss rate**	**Allowance for expected credit losses**
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	18,498	100%	18,498
	$ 920,705		27,483

The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2019	**2018**
Balance at January 1	$ 27,483	33,339
Subsidiaries changes	50	-
Expected credit losses recognized	5	-
Reversal of expected credit losses	(5,500)	(5,856)
Balance at December 31	$ 22,038	27,483

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

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(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivable	$ 102,446	64,187
Other receivable—related parties	17,307	12,634
	$ 119,753	76,821

(i) As of December 31, 2019 and 2018, there were no expected credit loss of other receivables.

(ii) Please refer to Note 6(y) for other credit risk information.

(iii) As of December 31, 2019 and 2018, other receivables were not pledged as collateral.

(f) Inventories

	December 31, 2019	December 31, 2018
Merchandise	$ 392,915	236,594
Finished goods	147,440	127,517
Work in process	125,802	92,944
Raw materials	162,170	208,287
Materials	36,532	32,666
Subtotal	864,859	698,008
Goods in transit	123,244	90,602
Total	988,103	788,610
Less: Allowance for inventory market decline and obsolescence	(129,418)	(37,722)
Net amount	$ 858,685	750,888

The cost of inventories recognized as operating cost for the years ended December 31, 2019 and 2018 amounted to $1,548,940 and $1,378,966, respectively. The main item was the costs from selling goods. The cost for the year ended December 31, 2019 included the amount of $6,680, which the Group wrote down from cost to net realizable value. The cost for the year ended December 31, 2018 included the amount of $(12,801), resulting from of the reversal of allowance for inventory market decline and obsolescence.

As of December 31, 2019 and 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:

	December 31, 2019	December 31, 2018
Associates	$ 1,100,878	901,648

1) As of December 31, 2019 and December 31, 2018, the carrying value of associates had a quoted market price amounted to $782,858 and $631,554, respectively, while fair value amounted to $1,771,876 and $2,745,907, respectively.

2) For the years ended December 31, 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 $(10,305) and $(10,703), respectively, to its capital reserve. In September 2019, the Group acquired 2.06% of the shares of PharmaEngine, Inc. for $237,461 in cash. For the year ended December 31, 2018, the Group disposed its investment shares of PharmaEngine, Inc. for a gain of $495,569, which was included in the "other gains or losses" in the consolidated income statement. For the years ended December 31, 2019 and 2018, the Group's shareholding ratio rose from 15.52% to 17.76% and declined from 18.22% to 15.52%, respectively.

(ii) Associates that had materiality were as follows:

			Equity ownership	
Associate	Nature of relationship	Country of registration	December 31, 2019	December 31, 2018
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	17.76 %	15.52 %

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:

(Continued)

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- Summary financial information on PharmaEngine, Inc.

	December 31, 2019	December 31, 2018
Current assets	$ 3,578,332	3,820,100
Non-current assets	65,060	26,685
Current liabilities	(138,443)	(152,671)
Non-current liabilities	(21,954)	-
Net assets	$ 3,482,995	3,694,114
Net assets attributable to non-controlling interests	$ 782,858	573,462
Net assets attributable to investee owners	$ 2,700,137	3,120,652

	For the years ended December 31, 2019	2018
Revenue	$ 314,040	293,430
Profit for the period	$ 42,550	129,362
Other comprehensive loss	(220)	(46)
Comprehensive income	$ 42,330	129,316
Comprehensive income attributable to non-controlling interests	$ 5,107	20,497
Comprehensive income attributable to investee owners	$ 37,223	108,819

	For the years ended December 31, 2019	2018
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	(10,305)	(10,703)
Comprehensive income attributable to the Group for the period	5,107	20,497
Cash dividends received from associates	(22,867)	(45,734)
Acquisition of investments for the period	237,461	-
Disposal of investments for the period	-	(103,199)
Net assets attributable to the Group, December 31	782,858	573,462
Carrying amount of interest in associates, December 31	$ 782,858	573,462

(Continued)

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(iii) Summary financial information on individually insignificant associates

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

	December 31, 2019	December 31, 2018
Carrying amount of interest in individually insignificant associates	$ 318,020	328,186

	For the years ended December 31, 2019	2018
Attributable to the Group:		
Profit for the period	$ 46,019	32,422
Other comprehensive income (loss)	13,928	(8,737)
Comprehensive income	$ 59,947	23,685

(iv) The Group obtained control over Chuang Yi Biotech Co., Ltd. on December 31, 2019, resulting in the Group to recognize the amount of $98,008 as loss of associates using equity method prior to obtaining its above control.

(v) Collateral

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

(h) Business combination

In 2019, the Group acquired shares of Chuang Yi Biotech Co., Ltd. through public market for $45,784, and participated in its capital increase for $93,360, obtaining 15.47% of its shares in stages, resulting in the Group to acquire 43.01% shares of Chuang Yi Biotech Co., Ltd. and obtained control over it.

(i) Recognized amounts of assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	$ 114,250
Accounts receivables and other receivables	106,438
Inventories	11,418
Refundable product rights – current	31,558
Property, plant, and equipment	2,118
Right-of-use assets	3,061
Intangible assets	3,886
Other assets	43,542

(Continued)

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Long-term and short-term borrowings		(133,314)
Accounts payables and other payables		(27,221)
Refundable liabilities – current		(110,653)
Other liabilities		(5,701)
Total identifiable net assets acquired	$	39,382

The Group has considered the adjustments of events after the balance sheet day of Chuang Yi Biotech Co., Ltd. in determining fair values of the recognized amounts of assets acquired and liabilities assumed at the acquisition date. Please refer to information in Note 11.

If there is information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, then the acquisition accounting will be revised.

(ii) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

Consideration transferred	$	93,360
Add: non-controlling in the acquiree, if any (proportionate share of the fair value of the identifiable net assets)		22,444
Add: fair value of pre-existing interest in Chuang Yi Biotech Co., Ltd.		6,264
Less: fair value of identifiable net assets		(39,382)
Goodwill	$	82,686
Less: impairment loss		(82,686)
Book value at December 31, 2019	$	-

Goodwill comes from the products' expected selling value of Chuang Yi Biotech Co., Ltd. and the ability to broaden its channels, which are expected to generate synergy in the integration of Chuang Yi Biotech Co., Ltd. and the Group. However, February, 2020, Belviq, the product which Chuang Yi Biotech Co., Ltd. sells, was considered to have a higher risk of getting cancer, according to the result of a clinical trial conducted by Food and Drug Administration in the U.S. Therefore, Eisai, the vendor of the drug, recalled its public trading permission in the U.S. The Food and Drug Administration in Taiwan also required Chuang Yi Biotech Co., Ltd. to cease the sales of the product and reevaluate the safety of the drug, resulting in the Group to recognize an impairment on the goodwill, which includes the investment profit of $1,603 the Group recognized after remeasuring the 34.25% shares it had over Chuang Yi Biotech Co., Ltd. to fair value at the date of acquisition. Total impairment loss was $82,686 and was recognized as "other gains or losses" in the consolidated income statement. Please refer to Note 6(w).

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(i) Subsidiaries with significant non-controlling interest

Subsidiaries with significant non-controlling interest were as follows:

Subsidiary	Country of registration	Ownership and voting rights ratio December 31, 2019	Ownership and voting rights ratio December 31, 2018
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %
EnhanX Biopharm Inc.	Taiwan	50.00 %	50.00 %
Chuang Yi Biotech Co., Ltd.	Taiwan	43.01 %	27.54 %

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.

	December 31, 2019	December 31, 2018
Current assets	$ 885,884	895,718
Non-current assets	376,788	324,603
Current liabilities	(138,792)	(99,417)
Non-current liabilities	-	(23)
Net assets	$ 1,123,880	1,120,881
Non-controlling interest	$ 489,032	487,724

	For the years ended December 31, 2019	For the years ended December 31, 2018
Revenue	$ 507,666	515,646
Profit for the period	$ 47,007	57,784
Other comprehensive income (loss)	17,428	(2,888)
Comprehensive income	$ 64,435	54,896
Profit attributable to non-controlling interest	$ 20,460	25,252
Comprehensive income attributable to non-controlling interest	$ 28,045	23,995

	For the years ended December 31, 2019	For the years ended December 31, 2018
Cash flows from operating activities	$ 88,648	62,616
Cash flows used in investing activities	(14,998)	(160,254)
Cash flows used in financing activities	(65,808)	(80,636)
Net increase (decrease) in cash	$ 7,842	(178,274)
Dividends paid to non-controlling interests	$ 26,737	35,093

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Summary financial information on EnhanX Biopharm Inc.

	December 31, 2019	December 31, 2018
Current assets	$ 57,248	82,282
Non-current assets	119,799	119,999
Current liabilities	(2,560)	(1,856)
Non-current liabilities	(119)	-
Net assets	$ 174,368	200,425
Non-controlling interests	$ 87,184	100,212

	For the years ended December 31, 2019	2018
Revenue	$ -	-
Loss for the period	$ (25,891)	(34,462)
Other comprehensive loss	(166)	-
Comprehensive loss	$ (26,057)	(34,462)
Loss attributable to non-controlling interest	$ (12,946)	(24,348)
Comprehensive loss attributable to non-controlling interest	$ (13,029)	(24,348)

	For the years ended December 31, 2019	2018
Cash flows used in operating activities	$ (21,409)	(34,476)
Cash flows used in investing activities	(3,538)	-
Cash flows (used in) from financing activities	(175)	70,000
Net (decrease) increase in cash	$ (25,122)	35,524

(iii) Summary financial information on Chuang Yi Biotech Co., Ltd.

	December 31, 2019
Current assets	$ 301,549
Non-current assets	14,722
Current liabilities	(260,576)
Non-current liabilities	(16,313)
Net assets	$ 39,382
Non-controlling interests	$ 22,444

(Continued)

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

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Cost:								
Balance on January 1, 2019	$ 816,169	1,312,651	671,995	5,755	461,807	7,076	148,911	3,424,364
Obtained from business combination	-	-	442	-	2,647	3,512	-	6,601
Additions	-	14,449	6,490	183	19,803	-	15,035	55,960
Disposals	-	(3,316)	(7,821)	-	(4,403)	-	-	(15,540)
Reclassifications	-	(6,944)	2,895	-	12,146	-	(14,161)	(6,064)
Effect of changes in foreign exchange rate	-	17	-	-	(3)	1	-	15
Balance on December 31, 2019	$ 816,169	1,316,857	674,001	5,938	491,997	10,589	149,785	3,465,336
Balance on January 1, 2018	$ 816,169	1,290,694	665,230	5,755	436,422	7,078	156,434	3,377,782
Additions	-	6,354	9,790	-	21,321	-	9,406	46,871
Disposals	-	(1,194)	(4,945)	-	(1,548)	-	-	(7,687)
Reclassifications	-	17,107	1,920	-	5,654	-	(16,929)	7,752
Effect of changes in foreign exchange rate	-	(310)	-	-	(42)	(2)	-	(354)
Balance on December 31, 2018	$ 816,169	1,312,651	671,995	5,755	461,807	7,076	148,911	3,424,364
Depreciation:								
Balance on January 1, 2019	$ -	317,892	315,588	2,606	309,848	4,099	-	950,033
Obtained from business combination	-	-	168	-	1,596	2,719	-	4,483
Depreciation for the period	-	63,786	37,021	1,183	29,786	702	-	132,478
Disposals	-	(3,316)	(7,560)	-	(4,064)	-	-	(14,940)
Reclassifications	-	(807)	-	(188)	-	-	-	(995)
Effect of changes in foreign exchange rate	-	1	-	-	(2)	1	-	-
Balance on December 31, 2019	$ -	377,556	345,217	3,601	337,164	7,521	-	1,071,059
Balance on January 1, 2018	$ -	259,709	281,687	1,712	283,278	3,390	-	829,776
Depreciation for the period	-	59,393	37,989	894	27,742	711	-	126,729
Disposals	-	(1,194)	(4,088)	-	(1,134)	-	-	(6,416)
Effect of changes in foreign exchange rate	-	(16)	-	-	(38)	(2)	-	(56)
Balance on December 31, 2018	$ -	317,892	315,588	2,606	309,848	4,099	-	950,033
Carrying amounts:								
Balance on December 31, 2019	$ 816,169	939,301	328,784	2,337	154,833	3,068	149,785	2,394,277
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 December 31, 2018	$ 816,169	994,759	356,407	3,149	151,959	2,977	148,911	2,474,331

(i) Collateral

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(ii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $149,785, and there were no capitalized loan cost for the years ended December 31, 2019 and 2018.

(iii) The increase in right-of-use assets for the period amounting to $7,737, and the carrying value at the end of the period amounting to $4,096, were recognized as "Building and construction".

(k) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance on January 1, 2019	$ 69,152	27,008	96,160
Additions	-	140	140
Reclassification	-	14,890	14,890
Effect of changes in foreign exchange rate	-	(1,003)	(1,003)
Balance on December 31, 2019	$ 69,152	41,035	110,187
Balance on January 1, 2018	$ 69,152	27,246	96,398
Effect of changes in foreign exchange rate	-	(238)	(238)
Balance on December 31, 2018	$ 69,152	27,008	96,160
Depreciation and impairment loss:			
Balance on January 1, 2019	$ -	8,010	8,010
Depreciation	-	1,019	1,019
Reclassification	-	807	807
Effect of changes in foreign exchange rate	-	(80)	(80)
Balance on December 31, 2019	$ -	9,756	9,756
Balance on January 1, 2018	$ -	7,375	7,375
Depreciation	-	647	647
Effect of changes in foreign exchange rate	-	(12)	(12)
Balance on December 31, 2018	$ -	8,010	8,010
Carrying amount:			
Balance on December 31, 2019	$ 69,152	31,279	100,431
Balance on January 1, 2018	$ 69,152	19,871	89,023
Balance on December 31, 2018	$ 69,152	18,998	88,150
Fair value:			
Balance on December 31, 2019			$ 188,968
Balance on December 31, 2018			$ 189,446

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

(i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length term.

(ii) As of December 31, 2019 and 2018, the Group' s investment property were not pledged as collateral.

(l) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Computer software	Patent and franchise	Total
Cost:				
Balance on January 1, 2019	$	31,080	190,238	221,318
Obtained from business combination		3,505	108,315	111,820
Additions		780	-	780
Disposals		(196)	-	(196)
Reclassifications		(556)	-	(556)
Balance on December 31, 2019	$	34,613	298,553	333,166
Balance on January 1, 2018	$	32,574	162,386	194,960
Additions		1,314	10,896	12,210
Disposals		(2,807)	-	(2,807)
Reclassifications		-	16,956	16,956
Effect of changes in foreign exchange rate		(1)	-	(1)
Balance on December 31, 2018	$	31,080	190,238	221,318
Amortization and impairment loss:				
Balance on January 1, 2019	$	25,157	42,973	68,130
Obtained from business combination		2,685	105,249	107,934
Amortization for the period		3,776	15,065	18,841
Disposals		(196)	-	(196)
Reclassifications		(556)	-	(556)
Balance on December 31, 2019	$	30,866	163,287	194,153
Balance on January 1, 2018	$	23,456	29,301	52,757
Amortization for the period		4,508	13,672	18,180
Disposals		(2,807)	-	(2,807)
Balance on December 31, 2018	$	25,157	42,973	68,130
Carrying amounts:				
Balance on December 31, 2019	$	3,747	135,266	139,013
Balance on January 1, 2018	$	9,118	133,085	142,203
Balance on December 31, 2018	$	5,923	147,265	153,188

(Continued)

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

Amortization expenses for intangible assets for the years ended December 31, 2019 and 2018 were recorded as operating expenses and operating costs, respectively, were as follows:

	For the years ended December 31	
	2019	**2018**
Operating costs	$ 354	322
Operating expenses	18,487	17,858
	$ 18,841	18,180

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

(m) Other financial assets and other assets

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

	December 31, 2019	December 31, 2018
Other current financial assets	$ 332,889	398,271
Other non-current financial assets	158,363	143,678
Long-term prepayments	7,935	43,366
Others	45,927	6,883
	$ 545,114	592,198

(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) Please refer to Note 8 for the Group's information of pledging.

(n) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2019	December 31, 2018
Secured bank loans	$ 111,070	-
Unsecured bank loans	1,450,000	-
	$ 1,561,070	-
Unused credit line	$ 1,117,021	1,170,321
Range of interests rates	0.86%~1.80%	0.92%~0.96%

(i) Please refer to Note 6(y) for the Group's information of interest and credit risk exposure.

(ii) Please refer to Note 8 for the Group's information of assets pledged for secured bank loans.

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

(o) Long-term loans

The long-term loans were summarized as follows:

	December 31, 2019			
	Currency	**Interest rate**	**Maturity**	**Amount**
Secured bank loans	NTD	1.700%	2023	$ 16,313
Unsecured bank loans	NTD	1.146%~1.180%	2020	355,931
Less: Current portion				(355,931)
Total				$ 16,313
Unused credit line				$ 450,000

	December 31, 2018			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.115%~1.180%	2020	$ 350,000
Unused credit line				$ 400,000

Please refer to Note 8 for the Group's information of assets pledged for secured bank loans.

(p) Operating leases

(i) Leases as lessee

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

	December 31, 2018
Less than one year	$ 2,987
Between one and five years	3,825
	$ 6,812

(ii) Leases as lessor

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

	December 31, 2018
Less than one year	$ 9,200
Between one and five years	11,811
	$ 21,011

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

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	$ 123,179	122,955
Fair value of plan assets	(67,070)	(64,496)
Net defined benefit liabilities (assets)	$ 56,109	58,459

The Group's emlpoyee benefit liabilities were as below:

	December 31, 2019	December 31, 2018
Vacation liability	$ 7,962	11,355

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $67,070 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in the present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31	
	2019	2018
Defined benefit obligation, January 1	$ 122,955	117,605
Current service costs and interest	2,253	2,572
Remeasurement loss (gain):		
—Return on plan assets excluding interest income	(111)	6,102
Benefits paid	(1,918)	(3,324)
Defined benefit obligation, December 31	$ **123,179**	**122,955**

3) Movements in the fair value of plan assets

The movements in the fair value of the plan assets for the Group were as follows:

	For the years ended December 31	
	2019	2018
Fair value of plan assets, January 1	$ 64,496	63,295
Remeasurement loss (gain)		
—Return on plan assets excluding interest income	2,958	2,694
Contributions made	1,534	1,831
Benefits paid	(1,918)	(3,324)
Fair value of plan assets, December 31	$ **67,070**	**64,496**

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31	
	2019	2018
Current service cost	$ 1,029	1,264
Net interest of net liabilities for defined benefit obligation	1,224	1,308
Curtailment or settlement gains	(632)	(693)
	$ **1,621**	**1,879**

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the years ended December 31	
	2019	2018
Operating costs	$ 536	626
Selling expenses	498	572
Administrative expenses	255	291
Research and development expenses	332	390
	$ 1,621	1,879

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

	For the years ended December 31	
	2019	2018
Accumulated amount, January 1	$ 10,739	6,637
Recognized during the period	(2,438)	4,102
Accumulated amount, December 31	$ 8,301	10,739

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	0.74 %	1.03 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $1,481.

The weighted-average lifetime of the defined benefit plan is 4 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined defined benefit obligations	
		Increased 0.50%	**Decreased 0.50%**
December 31, 2019			
Discount rate (Fluctuation of 0.5%)	$	(4,784)	5,105
Future salary increasing rate (Fluctuation of 0.5%)		4,407	(4,189)
December 31, 2018			
Discount rate (Fluctuation of 0.5%)	$	(5,335)	5,711
Future salary increasing rate (Fluctuation of 0.5%)		4,988	(4,726)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $27,670 and $26,433 for the years ended December 31, 2019 and 2018, respectively.

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

(r) Income Taxes

(i) Income tax expense

The components of income tax in the years ended December 31, 2019 and 2018 were as follows:

		For the years ended December 31, 2019	2018
Current tax expense			
Current period	$	293,949	236,181
Adjustment for prior periods		(764)	2,461
		293,185	238,642
Deferred tax expense			
Origination and reversal of temporary difference		1,764	(73,551)
Adjustment in tax rate		-	40,678
		1,764	(32,873)
Income tax expense	$	294,949	205,769

The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

		For the years ended December 31 2019	2018
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on foreign operations	$	(6,008)	6,263
Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income		-	(11)
	$	(6,008)	6,252

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Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

	For the years ended December 31 2019	2018
Profit before income tax	$ 1,202,654	1,119,022
Income tax using the company's domestic tax rate	$ 251,512	338,095
Adjustment in tax rate	-	40,678
Change in unrecognized temporary differences	-	(78,010)
Non-deductible expenses	27,421	15,048
Gain derived from securities transactions	(1,209)	(99,114)
Tax-exempt income	(3,142)	(10,898)
Change in provision in prior periods	(764)	2,461
Undistributed earnings additional tax	9,609	8,163
Others	11,522	(10,654)
	$ 294,949	205,769

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	$ (390,051)	(390,051)
Unrecognized deferred tax liabilities	$ (78,010)	(78,010)

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Gain on foreign investments	Reserve for land revaluation increment tax	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2019	$ 217,829	60,871	23	278,723
Recognized in profit or loss	9,385	-	(23)	9,362
Recognized in other comprehensive income	(6,008)	-	-	(6,008)
Balance on December 31, 2019	$ 221,206	60,871	-	282,077

(Continued)

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

		Gain on foreign investments	Reserve for land revaluation increment tax	Others	Total
Balance on January 1, 2018	$	237,265	60,871	-	298,136
Recognized in profit or loss		(25,688)	-	23	(25,665)
Recognized in other comprehensive income		6,252	-	-	6,252
Balance on December 31, 2018	$	217,829	60,871	23	278,723

		Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:					
Balance on January 1, 2019	$	6,868	7,544	23,660	38,072
Recognized in profit or loss		(13)	1,337	6,274	7,598
Balance on December 31, 2019	$	6,855	8,881	29,934	45,670
Balance on January 1, 2018	$	5,830	8,589	16,493	30,912
Recognized in profit or loss		1,038	(1,045)	7,216	7,209
Movements of consolidated entities and foreign currency translation differences		-	-	(49)	(49)
Balance on December 31, 2018	$	6,868	7,544	23,660	38,072

(iii) Assessment of tax

The Company's tax returns for the year through 2015 and 2017 were assessed by the Taipei National Tax Administration.

(s) Capital and other equity

As of December 31, 2019 and 2018, the number of authorized ordinary shares were 350,000,000 shares, with par value of $10 per share and the total value of authorized ordinary shares amounted to $3,500,000. The paid-in-capital were both $2,486,500.

(i) Capital surplus

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

		December 31, 2019	December 31, 2018
Share capital	$	484	484
Long term investment		338,030	348,335
	$	338,514	348,819

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

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

The Company has selected 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.

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.As of December 31, 2019 and 2018, the special reserve appropriated from the undistributed earnings both amounted to $110,154.

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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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	1,118,925	4.50	1,118,925

(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		(23,918)	-	-	(23,918)
Share of exchange differences of associates accounted for using equity method		(112)	-	-	(112)
Unrealized gains on financial assets measured at fair value through other comprehensive income		-	16,167	-	16,167
The share of unrealized profit on financial assets measured at fair value through other comprehensive income		-	1,177	-	1,177
Balance on December 31, 2019	$	(80,724)	120,859	-	40,135
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		43,080	-	-	43,080
Share of exchange differences of associates accounted for using equity method		(46)	-	-	(46)
Disposal of affiliated companies using the equity method reclassified to profit or loss		6	-	-	6
Unrealized gains on financial assets measured at fair value through other comprehensive income		-	(111)	-	(111)
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		-	(18,521)	-	(18,521)
Balance on December 31, 2018	$	(56,694)	103,515	-	46,821

(Continued)

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(iv) Non-controlling interests

	For the years ended December 31, 2019	2018
Balance on January 1	$ 587,592	614,861
Attributable to non-controlling interests:		
Profit for the period	7,624	918
Exchange differences on translation in foreign operations	(83)	(7)
Unrealized (losses) gains on financial assets	7,588	(1,257)
Cash dividend distributed	(26,737)	(35,093)
Arising from business combination	22,444	-
Changes in ownership interest in subsidiaries	-	8,170
Balance on December 31	$ 598,428	587,592

(t) Earnings per share

The calcalution of basic earnings per share and diluted earnings per share were as follows:

	For the years ended December 31, 2019	2018
Basic earnings per share		
Profit attributable to ordinary shareholders	$ 900,081	1,461,381
Weighted average number of ordinary shares	248,650	248,650
	$ 3.62	5.88
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	$ 900,081	1,461,381
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	349	373
Weighted average number of ordinary shares (diluted)	248,999	249,023
	$ 3.61	5.87

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(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 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	$ 2,201,923	229,488	785,891	501,722	8,081	3,727,105
European countries	418,933	-	-	-	-	418,933
Other countries	268,037	35,378	768	4,478	11,609	320,270
	$ 2,888,893	264,866	786,659	506,200	19,690	4,466,308
Major products/services lines:						
Medicine and health food	$ 2,834,084	264,866	786,659	475,075	11,609	4,372,293
Services	20,457	-	-	31,125	8,081	59,663
Roylaty	34,352	-	-	-	-	34,352
	$ 2,888,893	264,866	786,659	506,200	19,690	4,466,308

	For the years ended December 31, 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	$ 1,973,270	207,219	707,112	513,791	-	3,401,392
European countries	450,794	-	-	-	-	450,794
Other countries	133,876	27,674	577	1,855	20,028	184,010
	$ 2,557,940	234,893	707,689	515,646	20,028	4,036,196
Major products/services lines:						
Medicine and health food	$ 2,478,152	234,893	707,689	477,374	20,028	3,918,136
Services	66,940	-	-	38,272	-	105,212
Royalty	12,848	-	-	-	-	12,848
	$ 2,557,940	234,893	707,689	515,646	20,028	4,036,196

(Continued)

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liability balances	$ 16,678	6,405	21,552

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 years ended December 31, 2019 and 2018 were $4,593 and $20,292, respectively.

(v) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 0.5% to 10% of the profit before tax as employee compensation and no more than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2019 and 2018, the Company estimated its employee compensation amounted to $23,195 and $23,893, and directors' remuneration amounted to $14,950 and $14,950, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the compensation to employees and the remuneration to directors of each period, multiplied by the percentage of compensation to employees and the remuneration to directors as specified in the Company's articles. These compensations and remunerations were expensed under operating costs or operating expenses during 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.

Related information would be available at the Market Observation Post System website.

(w) Non-operating income and expenses

(i) Other income

The details of other income for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31	
	2019	2018
Interest income	$ 40,445	32,111
Rent revenue	12,104	10,523
	$ 52,549	42,634

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31 2019	2018
Losses on disposal of property, plant and equipment	$ (581)	(1,113)
Gains on disposal of investments	-	495,569
Foreign exchange (losses) gains	(11,169)	12,635
Gains (losses) on financial assets measured at fair value through profit or loss	378	(406)
Impairment losses and remeasurment gains of non-finanaical assets (Note)	(82,686)	-
Other gains and losses	77,208	23,433
	$ (16,850)	530,118

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

(Note) Gains or losses on remeasurement of Chuang Yi Biotech Co., Ltd.'s 34.25% shares owned by the Group before business combination at fair value, please refer to Note 6(h).

(iii) Finance costs

The details of finance costs for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31 2019	2018
Interest expense	$ 14,810	17,287

(x) Reclassification adjustments of components of other comprehensive income

The details of adjustments on components of other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31, 2019	2018
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:		
Losses for the period	$ (140)	(18,578)
Disposal of shares of profit of associates accounted for using equity method	-	6
Net losses recognized in other comprehensive income	$ (140)	(18,572)

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Group' s maximum amount exposed to credit risk. Such maximum credit exposure on December 31, 2019 and 2018, amounted to $1,019,639 and $920,705, respectively.

2) Concentration of credit risk

In order to lower the credit risk on accounts receivable, the Group continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for doubtful accounts". Bad debt losses are always within the administrative personnel's expectations. As of December 31, 2019 and 2018, the accounts receivable from the Group's top ten customers represented 24% and 23%, respectively, of accounts receivable.

(ii) Credit risk of receivables

Please refer to Note 6(d) for information of credit risk exposure of accounts receivables and notes receivables.

Please refer to Note 6(e) and (m) for further information of financial assets measured at amortized cost. including other receivables and time deposit.

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. With regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(g).

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2019					
Non-derivative financial liabilities					
Bank loans	$ 1,933,314	1,937,249	1,920,550	12,524	4,175
Non-interest-bearing liabilities (including related parties)	756,046	756,046	756,046	-	-
Guarantee deposits received	2,428	2,428	2,428	-	-
	$ 2,691,788	2,695,723	2,679,024	12,524	4,175

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	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2018					
Non-derivative financial liabilities					
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	2,445	2,445	2,445	-	-
	$ 2,144,246	2,151,305	1,799,536	351,769	-

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

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure of financial assets and liabilities to foreign currency risk were as follows:

	December 31, 2019			December 31, 2018		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 18,311	29.98	548,964	17,808	30.72	546,973
CNY	6,530	4.31	28,112	4,151	4.47	18,563
JPY	124,946	0.27	34,346	67,702	0.28	17,444
EUR	1,598	33.59	53,677	1,067	35.20	37,558
Nonmonetary items						
USD	47,993	29.98	1,438,824	47,280	30.72	1,452,218
CNY	51,489	4.31	221,659	52,386	4.47	234,272
THB	265,077	1.01	267,728	240,499	0.95	229,244
KRW	1,222,341	0.03	31,989	1,498,607	0.03	41,587
MXN	11,290	1.60	18,064	16,011	1.60	25,618

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans, and accounts payables that are denominated in foreign currency. Net investments in a foreign operation are strategic investments, so the Group does not treat them as a hedge.

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY and EUR as of December 31, 2019 and 2018 would have increased (decreased) the net profit after tax by $5,321 and $4,964, respectively. The analysis is performed on the same basis for both periods.

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3) Gains or losses on monetary item

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange gains (loss), including both realized and unrealized, amounted to $(11,169) and $12,635, respectively.

(v) 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 $3,867 and $3,000 for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remained constant.

(vi) Fair value of financial instruments

1) Categories of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss	$ 5,874	5,874	-	-	5,874
Financial assets measured at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	$ 201,871	201,871	-	-	201,871
Domestic stock in listed company at Taipei Exchange	199,486	199,486	-	-	199,486
Domestic stock in listed company at emerging stock market	78,278	78,278	-	-	78,278
International stock	49,271	49,271	-	-	49,271
subtotal	528,906	528,906	-	-	528,906

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	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,422,158	-	-	-	-
Notes receivable and accounts receivable (including related party)	997,601	-	-	-	-
Other receivables (including related party)	119,753	-	-	-	-
Other financial assets	491,252	-	-	-	-
Cash surrender value of life insurance	13,657	-	-	-	-
Refundable deposits paid	31,132	-	-	-	-
	4,075,553	-	-	-	-
Total	$ 4,610,333	534,780	-	-	534,780
Financial liabilities measured at amortized cost					
Bank loans	$ 1,933,314	-	-	-	-
Notes payable and accounts payable (including related party)	181,277	-	-	-	-
Other payables (including related party)	574,769	-	-	-	-
Guarantee deposit received	2,428	-	-	-	-
Total	$ 2,691,788	-	-	-	-

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	$ 5,496	5,496	-	-	5,496
Financial assets measured at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	$ 195,175	195,175	-	-	195,175
Domestic stock in listed company at Taipei Exchange	176,580	176,580	-	-	176,580
Domestic stock in listed company at emerging stock market	83,081	83,081	-	-	83,081
subtotal	454,836	454,836	-	-	454,836

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	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
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 assets	541,949	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	26,252	-	-	-	-
	3,923,895	-	-	-	-
Total	$ 4,384,227	460,332	-	-	460,332
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	$ 2,144,246	-	-	-	-

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.

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 book 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 years ended in December 31, 2019 and 2018, so there was no transfer between levels.

(z) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

The Group's credit policy is to transact with creditworthy customers and to obtain collateral to mitigate risks arising from financial loss due to default. The Group transacts with customers with credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group assesses the ratings based on other publicly available financial information and the records of transactions with its customers. The Group continuously monitor the exposure to credit risk and counterparty credit ratings, and to evaluate the customers' credit ratings and credit limits via annual review and approval by the finance department to manage the credit exposure.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The exposure to credit risk related for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks and other external parties with good credit rating and with financial institutions, corporate organizations, and government agencies which are graded above investment grade, management does not expect any counterparty to fail to meet its obligation hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group did not provide any endorsement or guarantee as of December 31, 2019 and 2018.

(iv) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Continued)

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(aa) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total amount of capital represents all the equity components (that is, share capital, capital surplus, retained earnings, and other equity) plus net debt.

The Group's debt-to-equity ratios at the balance sheet date were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 3,383,652	2,661,510
Less: cash and cash equivalents	(2,422,158)	(2,372,294)
Net debt	961,494	289,216
Total capital	6,169,064	6,391,625
Adjusted capital	$ 7,130,558	6,680,841
Debt-to-equity ratio	13.48 %	4.33 %

(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.

Name of related party	Relationship with the Group
American Taiwan Biopharm (Thailand)	An associate
Chuang Yi Biotech Co., Ltd.	An associate (Note)
PharmaEngine, Inc.	An associate
Shangta Pharmaceutical Co., Ltd.	Other related party
Wang XX	Other related party

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Note: As of December 31, 2019, the Group obtained control over Chuang Yi Biotech Co., Ltd. and listed it as a subsidiary of the Group. Before that date, Chuang Yi Biotech Co., Ltd. was an associate of the Group.

(b) Significant transactions with related parties

(i) Operating revenue

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

	For the years ended December 31, 2019	2018
Associates	$ 90,726	64,547

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:

	For the years ended December 31, 2019	2018
Associates	$ 20,520	20,807

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.

(iii) Rent revenue

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

Recognized item	Category	For the years ended December 31, 2019	2018
Rent revenue	Associate－Chuang Yi Biotech Co., Ltd.	$ 3,137	3,137

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

(iv) Other income

Recognized item	Category	For the years ended December 31, 2019	2018
Other income	Associates	$ 932	101
Other income	Associate-American Taiwan Biopharm (Thailand)	$ 12,562	11,765

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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

Recognized item	Category	December 31, 2019	December 31, 2018
Notes receivable	Associates	$ -	34
Accounts receivable	Associates	$ 27,668	16,156
	Other related parties	110	-
		$ 27,778	16,156
Other receivables	Associate-American Taiwan Biopharm (Thailand)	$ 16,481	12,241
	Associates	-	393
	Other related parties	826	-
		$ 17,307	12,634
Notes and accounts payable	Associate-Chuang Yi Biotech Co., Ltd.	$ -	14,382

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31, 2019	2018
Salaries and other short-term employee benefits	$ 102,358	105,439
Post-employment benefits	1,187	1,196
	$ 103,545	106,635

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2019	December 31, 2018
Other current and non-current asset	Bank loan	$ 29,126	-
Other financial asset—non-current	Guarantee for provision attachment	149,380	139,380
		$ 178,506	139,380

(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 $42,459 and $43,293 for the years ended December 31, 2019 and 2018, respectively.

(b) As of December 31, 2019 and 2018, due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $548,721, and $619,601, and the unpaid amount was $161,866 and $188,431, respectively.

(c) As of December 31, 2019 and 2018, the financial institutions provide guarantee for the sale of medicine amounted to $92,983 and $49,679, respectively.

(d) In June 2015, the Taipei District Prosecutors Office filed a charge against the ex-chairman of the Group, 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.

(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 Group's request, to confirm whether the royalties belong to the Group or Inopha. The case was suspended.

(g) With regard to the dispute of Risperidone Contract entered by and between the Company and Center Laboratories, Inc. (CLI), a lawsuit against the Company was brought up in the Taipei District Court on July 1, 2016. The Taipei District Court previously ruled in favor of CLI on March 1, 2018. However, the Company disagreed with the decision made by the Taipei District Court, and thus, made an appeal to the Taiwan High Court, wherein its appeal had been dismissed on March 11, 2020. Therefore, the Company will make an appeal to the Supreme Court reasonably after the receipt of the verdict made by the Taiwan High Court.

(10) Losses Due to Major Disasters: None

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(11) Subsequent Events:

In February, 2020, Belviq, the product which Chuang Yi Biotech Co., Ltd. (subsidiary of the Group) sells, was considered to have a higher risk of getting cancer, according to the result of a clinical trial conducted by Food and Drug Administration in the U.S. Therefore, Eisai, the vendor of the drug, recalled its public trading permission in the U.S. The Food and Drug Administration in Taiwan also required Chuang Yi Biotech Co., Ltd. to cease the sales of the product and reevaluate the safety of the drug. The Group's Board of Directors have approved to financially support Chuang Yi Biotech Co., Ltd., to cover its short-term needs of fund.

The subsequent event was reflected in the consolidated financial statements in accordance with the structure of preparation for consolidated financial statements. The summarize of subsequent adjustments on Chuang Yi Biotech Co., Ltd.'s financial statements was as follows:

December 31, 2019				
Items affected on consolidated financial statements	**Carrying amounts before adjustments**	**Amounts to be adjusted**	**Carrying amounts after adjustments of subsequent events**	**Notes**
Accounts receivable and other receivable	$ 66,771	39,667	106,438	Note 1 and 2
Inventories	180,408	(168,990)	11,418	Note 2
Refundable product rights	62,713	(31,155)	31,558	Note 3
Intangible assets	67,276	(63,390)	3,886	Note 3
Effect on assets		(223,868)		
Accounts payable and other payable	23,221	4,000	27,221	Note 1
Refundable liabilities	21,658	88,995	110,653	Note 1
Effect on liabilities		92,995		

Notes:

Note 1: Chuang Yi Biotech Co., Ltd. expected the distributors and customers will return the product, and thus decreased carrying amount of accounts receivable by the amount of $44,828, and the recognized refund to customers (refundable liabilities) and expenses of product disposals (other payables) which amounted to $88,995 and $4,000, respectively.

Note 2: Chuang Yi Biotech Co., Ltd. decreased the carrying amount of Belviq (inventories) by $168,990, because it will not be able to be sold in regular operations. According to agreement between Chuang Yi Biotech Co., Ltd. and Eisai, and other lawful advices, recognition of evaluable and highly probable amounts of inventories to be returned to Eisai is $84,495, listed in other receivables.

Note 3: Because the product stopped selling, the dealership of Belviq won' t have future economic benefits, and thus Chuang Yi Biotech Co., Ltd. recognized impairment loss of $63,390.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(12) Other:

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

By item	For the years ended December 31,					
	2019			2018		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefits						
Salary	$ 214,072	607,965	822,037	206,134	568,502	774,636
Health and labor insurance	17,430	38,021	55,451	16,362	35,626	51,988
Pension	9,051	20,240	29,291	8,666	19,646	28,312
Others	18,281	75,416	93,697	14,239	69,331	83,570
Depreciation expense	103,758	29,739	133,497	100,343	27,033	127,376
Amortization expense	354	18,487	18,841	322	17,858	18,180

(b) Others

The Group donated $52,708 and $52,354 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2019 and 2018, respectively.

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

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		
0	The Company	Chuang Yi Biotech Co., Ltd.	Receivables from related parties	Yes	50,000	-	-	6.756%	2	-	Operating capital	-		-	1,114,127	1,114,127
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	50,966 USD 1,700	35,976 USD 1,200	35,976 USD 1,200	0.5%	2	-	Operating capital	-	-	-	221,660 CNY 51,489	221,600 CNY 51,489
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	74,950 USD 2,500	74,950 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	88,666 CNY 20,596	88,666 CNY 20,596
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	509,660 USD 17,000	-	-	0.9%	2	-	Operating capital	-		-	559,966 USD 18,678	559,966 USD 18,678

The exchange rate of USD to NTD as of the reporting date was 1:29.980.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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The exchange rate of CNY to NTD as of the reporting date was 1:4.305.

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 available for lending purposes shall not exceed 20% and 40% of the the worth of the Company and its subsidiaries, respectively, in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount for lending to a company shall not exceed 20% and 40% of the the worth of the Company and its subsidiaries, respectively, 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 December 31, 2019.

Note 5): The amounts that 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 December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair 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	55,040	1.36 %	55,040	1.36 %	

(Continued)

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				Highest	Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income– current	4,199	144,446	3.57 %	144,446	3.57 %	
〃	Cathay Financial Holding Co., Ltd. common stock	-	〃	124	5,281	- %	5,281	- %	
〃	Handa Pharmaceuticals Inc. common stock	-	Financial assets measured at fair value through other comprehensive income–non-current	2,625	78,278	2.27 %	78,278	2.27 %	
〃	Fubon Financial Holding Co., Ltd. common stock	-	〃	300	13,920	- %	13,920	- %	
〃	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	〃	2,500	160,750	0.38 %	160,750	0.38 %	
〃	Union Bank of Taiwan Preferred Shares A	-	〃	400	21,920	0.20 %	21,920	0.20 %	
〃	CellMax Ltd. preferred stock	-	〃	1,593	49,271	2.03 %	49,271	2.03 %	
〃	Fubon S&P US preferred stock ETFS	-	Financial assets measured at fair value through profit and loss- non-current	300	5,874	- %	5,874	- %	

(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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	128,895	2.89 %	30 days	Normal		17,658	1.73%	

(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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollar)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco. International Co., Ltd.	1	Royalty revenue	51,617	By contract	1.16%
0	〃	TSH Biopharm Co., Ltd.	1	Sales revenue	128,895	〃	2.89%
0	〃	〃	1	Service revenue	2,962	〃	0.07%
0	〃	〃	1	Other receivables	5,539	〃	0.06%
0	〃	〃	1	Rent revenue	4,167	〃	0.09%
0	〃	〃	1	Other revenue	7,455	〃	0.17%
0	〃	〃	1	Accounts receivable	17,658	〃	0.18%
0	〃	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	4,328	〃	0.05%
0	〃	〃	1	Other receivables	6,882	〃	0.07%
0	〃	〃	1	Sales revenue	5,051	〃	0.11%
0	〃	EnhanX Biopharm Inc.	1	Contract liabilities-current	1,051	〃	0.01%
0	〃	〃	1	Service revenue	2,513	〃	0.06%
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	1	Other receivables	35,976	〃	0.38%
1	〃	〃	1	Other Payables	8,722	〃	0.09%
1	〃	〃	1	Other receivables	75,609	〃	0.79%
2	Chuang Yi Biotech Co., Ltd	TSH Biopharm Co., Ltd.	1	Accounts receivable	15,091	〃	0.16%

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.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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 %	1,388,365	100.00 %	11,597	11,597	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	221,659	100.00 %	(4,438)	(4,438)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(4,205)	87.00 %	1,359	1,183	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	627,040	56.48 %	47,007 (Note)	26,552	Subsidiary
The Company	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	36,321	20.83 %	(25,891)	(5,393)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	180,951	82,059	10,282	38.12 %	12,803	38.12 %	(289,739)	(84,299)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	299,098	25,867	17.76 %	782,858	17.76 %	42,550	5,146	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	267,728	40.00 %	69,446	27,778	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	50,459	40.00 %	45,602	18,241	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	50,864	29.17 %	(25,891)	(7,552)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	31,989	100.00 %	(7,389)	(7,389)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	9,032	50.00 %	(7,696)	(3,848)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	9,032	50.00 %	(7,696)	(3,848)	Subsidiary
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	-	100	100.00 %	2,928	100.00 %	(444)	(444)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	-	1,320	4.89 %	1,926	4.97 %	(289,739)	(13,709)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00 %	4,307	100.00 %	(3,123)	(3,123)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hongkong) Biotech Co., Ltd.	Hong Kong	Selling functional food	4,734	-	-	100.00 %	2,827	100.00 %	(1,834)	(1,834)	Subsidiary

Note: Net income (losses) of investee was calculated at the level of the consolidated group.

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(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 Dollar)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Worldco Biotech Pharmaceutical Ltd. (Beijing)	Market consulting regarding chemical medicine	305,796 USD 10,200	(2)	323,433	-	-	323,433	(1,164) CNY (260)	100 %	100 %	(1,164) CNY (260)	(68,075) CNY (15,813)	-
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	51,230 CNY 11,900	(2)	86,660 CNY 20,130	-	-	86,660 CNY 20,130	501 CNY 112	100 %	100 %	501 CNY 112	47,510 CNY 11,036	-
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	14,990 USD 500	(2)	14,990 USD 500	-	- -	14,990 USD 500	(3,043)	100 %	100 %	(3,043)	4,112	-

The exchange rate of USD to NTD as of the reporting date was 1:29.980, and the average exchange rate of USD to NTD for the reporting period was 1:30.891.

The exchange rate of CNY to NTD as of the reporting date was 1:4.305, and the average exchange rate of CNY to NTD for the reporting period was 1:4.477.

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 Dollar. 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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Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 438,972	NTD 1,415,895 (USD 47,228)	NTD 3,342,382

(iii) Significant transactions: None

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(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:

For the year ended December 31, 2019	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	$ 2,888,893	264,866	786,659	506,200	-	19,690	-	4,466,308
Intersegment revenues	136,784	-	-	1,466	-	-	(138,250)	-
Interest revenue	2,495	-	-	2,843	847	34,267	(7)	40,445
Total revenue	$ 3,028,172	264,866	786,659	510,509	847	53,957	(138,257)	4,506,753
Interest expense	$ 14,717	-	-	82	-	19	(8)	14,810
Depreciation and amortization	135,904	-	294	9,612	739	10,067	(4,278)	152,338
Share of profit of associates and joint ventures accounted for using equity method	(79,153)	46,018	-	(13,709)	-	-	-	(46,844)
Reportable segment profit or loss	$ 847,282	77,098	253,531	65,036	320	(22,517)	(18,096)	1,202,654
Assets:								
Investments accounted for using equity method	$ 782,858	318,187	-	1,926	-	-	(2,093)	1,100,878
Reportable segment assets	$ 8,219,383	35,895	320,739	1,262,672	229,122	1,923,420	(2,438,515)	9,552,716
For the year ended December 31, 2018								
Revenue:								
Revenue from external customers	$ 2,557,940	234,893	707,689	515,646	-	20,028	-	4,036,196
Intersegment revenues	188,977	-	-	-	-	-	(188,977)	-
Interest revenue	2,406	-	-	3,190	808	25,707	-	32,111
Total revenue	$ 2,749,323	234,893	707,689	518,836	808	45,735	(188,977)	4,068,307
Interest expense	$ 17,202	-	-	-	-	85	-	17,287
Depreciation and amortization	128,853	125	300	5,627	752	9,899	-	145,556
Share of profit of associates and joint ventures accounted for using equity method	19,709	33,217	-	-	-	-	-	52,926
Reportable segment profit or loss	$ 1,369,856	60,628	235,259	65,907	7,654	(41,845)	(29,391)	1,668,068
Assets:								
Investments accounted for using equity method	$ 631,382	270,266	-	-	-	-	-	901,648
Reportable segment assets	$ 7,823,178	230,600	310,827	1,220,321	240,783	1,657,841	(2,430,415)	9,053,135

(Continued)

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(c) Product and service information

The Group's information about revenue from external customers was as follows:

Product and Service		2019	2018
Medical and functional food	$	4,372,293	3,918,136
Service revenue		94,015	118,060
Total	$	**4,466,308**	**4,036,196**

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets. Non-current assets includes property, plant and equipment, investment property, intangible assets, and refundable deposits paid. Non-current assets are classified by location of the asset.

Region		2019	2018
External sales：			
Taiwan	$	3,727,105	3,401,392
Other countries		739,203	634,804
Total	$	**4,466,308**	**4,036,196**
Non-current assets:			
Taiwan	$	2,641,363	2,716,738
Mainland of China		23,362	25,044
Other countries		128	139
Total	$	**2,664,853**	**2,741,921**

(e) Major customer

The Group's information about the major customer for the years ended December 31, 2019 and 2018 are as follows:

Costumer		2019	2018
A Company	$	**414,699**	**412,057**