

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

Address: 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan
Telephone: 886-2-26525999

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

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安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors
TTY Biopharm Company Limited:

Introduction

We have reviewed the accompanying consolidated balance sheets of TTY Biopharm Company Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to as the "Group") as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the part of insignificant subsidiaries in the accompanying consolidated financial statements were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors. As of March 31, 2020, the asset and liability amounted to \$285,756 thousand and \$249,994 thousand, constituting 3.00% and 7.73% of the consolidated total assets and liabilities, respectively. The comprehensive income (loss) amounted to \$(3,620) thousand, constituting (3.07)% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2020.

Furthermore, as stated in Note 6(g), the investments accounted for using equity method of the Group amounted to \$289,045 thousand and \$330,060 thousand as of March 31, 2020 and 2019, respectively, and the related investment income of \$10,430 thousand and \$2,433 thousand for the three months ended March 31, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of PharmaEngine, Inc., which represented the investment accounted for using the equity method of the Company. The financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for PharmaEngine, Inc., is based solely on the review report of another auditor. The investment in PharmaEngine, Inc. accounted for using the equity method amounted to \$791,679 thousand and \$566,602 thousand, constituting 8.31% and 6.20% of the consolidated total assets as of March 31, 2020 and 2019, respectively, and the share of profit of associates accounted for using the equity method amounted to \$8,671 thousand and \$4,208 thousand, constituting 2.68% and 1.12% of the total profit before tax, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)

May 5, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2020 and 2019

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31, 2019, and March 31, 2019

(Expressed in Thousands of New Taiwan Dollar)

	March 31, 2020		December 31, 2019		March 31, 2019		March 31, 2020		December 31, 2019		March 31, 2019				
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
Assets															
Current assets:															
1100 Cash and cash equivalents (note 6(a) and (x))	\$	2,582,936	28	2,422,158	26	2,442,153	28	\$	1,471,070	15	1,561,070	15			
1120 Current financial assets at fair value through other comprehensive income (note 6(c) and (x))		98,257	1	149,727	2	135,084	1		12,049	-	16,678	-			
1150 Notes receivable, net (note 6(d), (x) and 7)		37,155	-	34,719	-	33,782	-		3,048	-	1,454	-			
1170 Accounts receivable, net (note 6(d) and (x))		976,257	10	935,104	10	937,588	10		126,203	1	179,823	2			
1180 Accounts receivable due from related parties, net (note 6(d), (x) and 7)		20,191	-	27,778	-	20,866	-		486,518	5	574,769	6			
1200 Other receivables, net (note 6(e), (x) and 7)		110,159	1	119,753	1	51,284	1		248,831	3	188,857	2			
130X Inventories (note 6(f))		828,023	9	858,685	9	703,667	8		165,780	2	146,848	2			
1410 Prepayments		51,353	1	48,308	1	25,789	-		360,796	4	355,931	4			
1476 Other current financial assets (note 6(a), (m), and (x))		336,110	4	332,889	3	315,435	3		2,874,295	30	3,025,430	31			
1470 Other current assets (note 6(m))		36,090	-	45,297	-	8,947	-		-	-	-	-			
Non-current assets:		5,076,531	54	4,974,418	52	4,674,595	51		-	-	-	-			
1510 Non-current financial assets at fair value through profit or loss (note 6(b) and (x))		1,557	-	5,874	-	5,865	-		19,567	-	16,313	-			
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c) and (x))		302,146	4	379,179	4	397,988	4		282,077	3	282,077	3			
1550 Investments accounted for using equity method, net (note 6(g))		1,080,724	11	1,100,878	13	896,662	10		55,822	1	56,256	1			
1600 Property, plant and equipment (note 6(j))		2,370,400	25	2,394,277	25	2,444,393	27		2,428	-	2,428	-			
1760 Investment property, net (note 6(k))		99,903	1	100,431	1	102,561	1		1,023	-	1,148	-			
1780 Intangible assets (note 6(l))		134,496	1	139,013	1	148,721	2		360,917	4	358,222	4			
1840 Deferred tax assets		45,750	-	45,670	-	37,199	-		3,235,212	34	3,383,652	35			
1915 Prepayments for business facilities		206,045	2	201,259	2	187,463	2		2,486,500	26	2,486,500	26			
1920 Refundable deposits paid (note 6(x))		29,033	-	31,132	-	29,814	-		338,576	4	338,514	4			
1981 Cash surrender value of life insurance (note 6(x))		13,657	-	13,657	-	13,357	-		1,003,556	11	1,003,556	11			
1984 Other non-current financial assets (note 6(m), (x) and 8)		153,337	2	158,363	2	153,601	2		110,154	1	110,154	1			
1990 Other non-current assets (note 6(m))		8,567	-	8,565	-	44,079	1		1,842,351	19	1,591,777	17			
Total assets		4,445,615	46	4,578,298	48	4,461,703	49		(56,806)	(1)	40,135	(1)			
		9,522,146	100	9,552,716	100	9,136,298	100		5,724,331	60	5,570,636	59			
		\$							562,603	6	598,428	6			
									6,286,934	66	6,169,064	65			
									\$	9,522,146	100	9,552,716	100		
													\$	9,136,298	100

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (note 6(t) and 7)	\$ 1,093,467	100	1,114,608	100
5000	Operating costs (note 6(f) and 7)	<u>386,468</u>	<u>35</u>	<u>375,208</u>	<u>34</u>
	Gross profit	706,999	65	739,400	66
5910	Less: Unrealized profit (loss) from sales	11,491	1	8,807	1
5920	Add: Realized profit (loss) from sales	<u>11,903</u>	<u>1</u>	<u>7,046</u>	<u>1</u>
	Gross profit, net	<u>707,411</u>	<u>65</u>	<u>737,639</u>	<u>66</u>
6000	Operating expenses (note 6(p) and 12):				
6100	Selling expenses	248,346	23	232,530	21
6200	Administrative expenses	99,930	9	88,550	8
6300	Research and development expenses	75,281	7	73,465	7
6450	Expected credit losses	<u>113</u>	<u>-</u>	<u>110</u>	<u>-</u>
		<u>423,670</u>	<u>39</u>	<u>394,655</u>	<u>36</u>
	Net operating income	<u>283,741</u>	<u>26</u>	<u>342,984</u>	<u>30</u>
	Non-operating income and expenses (note 6(v) and 7):				
7010	Other income	14,136	1	12,748	1
7020	Other gains and losses, net	11,314	1	17,212	2
7050	Finance costs, net	(4,676)	-	(3,559)	-
7060	Share of profit of associates accounted for using equity method, net (note 6(g))	<u>19,102</u>	<u>2</u>	<u>6,641</u>	<u>1</u>
7055		<u>39,876</u>	<u>4</u>	<u>33,042</u>	<u>4</u>
	Profit before tax	323,617	30	376,026	34
7950	Less: Income tax expenses (note 6(q))	<u>64,376</u>	<u>6</u>	<u>74,647</u>	<u>7</u>
	Profit for the period	<u>259,241</u>	<u>24</u>	<u>301,379</u>	<u>27</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized (loss) gains from investments in equity instruments measured at fair value through other comprehensive income	(112,705)	(10)	28,964	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(112,705)</u>	<u>(10)</u>	<u>28,964</u>	<u>3</u>
8360	Components of other comprehensive income (loss) that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(19,232)	(2)	14,983	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	(9,496)	(1)	3,237	-
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive (loss) income that may be reclassified to profit or loss	<u>(28,728)</u>	<u>(3)</u>	<u>18,220</u>	<u>1</u>
8300	Other comprehensive income	<u>(141,433)</u>	<u>(13)</u>	<u>47,184</u>	<u>4</u>
	Total comprehensive income for the period	<u>\$ 117,808</u>	<u>11</u>	<u>348,563</u>	<u>31</u>
	Profit attributable to:				
	Owners of parent	\$ 253,571	23	293,779	26
	Non-controlling interests	<u>5,670</u>	<u>1</u>	<u>7,600</u>	<u>1</u>
		<u>\$ 259,241</u>	<u>24</u>	<u>301,379</u>	<u>27</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ 153,633	14	328,799	29
	Non-controlling interests	<u>(35,825)</u>	<u>(3)</u>	<u>19,764</u>	<u>2</u>
		<u>\$ 117,808</u>	<u>11</u>	<u>348,563</u>	<u>31</u>
	Earnings per share, net of tax (note 6(s))				
	Basic earnings per share	<u>\$ 1.02</u>		<u>1.18</u>	
	Diluted earnings per share	<u>\$ 1.02</u>		<u>1.18</u>	

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital			Retained earnings		Total other equity interest					Non-controlling interests
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	Total other equity interest	Total equity attributable to owners of parent			
Balance on January 1, 2019	\$ 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	-	-	-	-	293,779	-	-	-	293,779	7,600	301,379
Other comprehensive income	-	-	-	-	-	14,982	20,038	35,020	35,020	12,164	47,184
Total comprehensive income	-	-	-	-	293,779	14,982	20,038	35,020	328,799	19,764	348,563
Other changes in capital surplus:											
Changes in equity of investments accounted for using equity method	-	(11,037)	-	-	-	-	-	-	(11,037)	-	(11,037)
Balance on March 31, 2019	\$ 2,486,500	337,782	857,418	110,154	2,248,100	(41,712)	123,553	81,841	6,121,795	607,356	6,729,151
Balance on January 1, 2020	\$ 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
Profit for the period	-	-	-	-	253,571	-	-	-	253,571	5,670	259,241
Other comprehensive income	-	-	-	-	-	(19,067)	(80,871)	(99,938)	(99,938)	(41,495)	(141,433)
Total comprehensive income	-	-	-	-	253,571	(19,067)	(80,871)	(99,938)	153,633	(35,825)	117,808
Other changes in capital surplus:											
Changes in equity of investments accounted for using equity method	-	62	-	-	-	-	-	-	62	-	62
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(2,997)	-	2,997	2,997	-	-	-
Balance on March 31, 2020	\$ 2,486,500	338,576	1,003,556	110,154	1,842,351	(99,791)	42,985	(56,806)	5,724,331	562,603	6,286,934

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	For the three months ended March 31	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 323,617	376,026
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	34,308	34,204
Amortization expense	4,797	4,897
Allowance for expected credit losses	113	110
Net loss (income) on financial assets or liabilities at fair value through profit or loss	1,571	(369)
Interest expense	4,676	3,559
Interest income	(6,713)	(9,753)
Dividend income	(60)	-
Share of profit of investments accounted for using equity method	(19,102)	(6,641)
Loss on disposal of property, plant and equipment	13	118
Gain on disposal of investments	(1,727)	-
Unrealized profit (loss) from sales	11,491	8,807
Realized loss (profit) from sales	(11,903)	(7,046)
Allocation of deferred income	-	(186)
Total adjustments to reconcile profit (loss)	17,464	27,700
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(2,436)	6,281
Accounts receivable	(33,649)	(105,409)
Other receivable	9,607	24,882
Inventories	30,676	47,225
Prepayments and other current assets	(3,041)	(2,034)
Other current assets	9,623	(1,602)
Total changes in operating assets	10,780	(30,657)
Changes in operating liabilities:		
Contract liabilities	(4,629)	3,573
Notes payable	1,594	14,984
Accounts payable	(53,651)	(61,345)
Other payable	(88,209)	(89,926)
Provisions	12,376	-
Other current liabilities	5,871	(850)
Net defined benefit liability	(434)	(4)
Total changes in operating liabilities	(127,082)	(133,568)
Total changes in operating assets and liabilities	(116,302)	(164,225)
Total adjustments	(98,838)	(136,525)
Cash inflow generated from operations	224,779	239,501
Interest received	6,713	10,440
Dividends received	8,047	7,436
Interest paid	(4,482)	(3,643)
Income taxes paid	(110)	(97)
Net cash flows from operating activities	234,947	253,637
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(49,271)
Proceeds from disposal of financial assets at fair value through other comprehensive income	15,799	-
Proceeds from disposal of financial assets at fair value through profit or loss	2,746	-
Acquisition of property, plant and equipment	(8,746)	(12,701)
Proceeds from disposal of property, plant and equipment	12	44
Decrease (increase) in refundable deposits	2,100	(3,562)
Acquisition of intangible assets	(280)	(431)
Decrease in other financial assets	1,805	72,913
Increase in prepayments for business facilities	(6,239)	(4,310)
Decrease (increase) in other non-current assets	119	(628)
Net cash flows from investing activities	7,316	2,054
Cash flows used in financing activities:		
Increase in short-term loans	1,320,000	950,000
Decrease in short-term loans	(1,410,000)	(1,150,000)
Proceeds from long-term debt	10,000	-
Repayments of long-term debt	(1,881)	-
Increase in guarantee deposits received	-	511
Payment of lease liabilities	(910)	-
Net cash flows used in financing activities	(82,791)	(199,489)
Effect of exchange rate changes on cash and cash equivalents	1,306	13,657
Net increase in cash and cash equivalents	160,778	69,859
Cash and cash equivalents at beginning of period	2,422,158	2,372,294
Cash and cash equivalents at end of period	\$ 2,582,936	2,442,153

See accompanying notes to financial statements.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2020 and 2019

(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 May 5, 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, 2020.

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

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

- (b) 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

(Continued)

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

Those which may be relevant to the Group are set out below:

<u>Dates</u>	<u>Interpretations</u>	<u>Content of amendment</u>
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant policies adopted in the consolidated financial statements are consistent with Note 4 in the consolidated financial statement for the year ended December 31, 2019.

(b) Basis of consolidation

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

<u>Investor</u>	<u>Subsidiary</u>	<u>Nature of business</u>	<u>Shareholding ratio</u>			<u>Notes</u>
			<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %	100.00 %	
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %	100.00 %	
The Company	American Taiwan Biopharma Philippines Inc.	Selling medicine	87.00 %	87.00 %	87.00 %	

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	56.48 %	
The Company	EnhanX Biopharm Inc.	Developing medicine	20.83 %	20.83 %	20.83 %	
The Company	Chung Yi Biotech Co., Ltd.	Selling Functional food	38.12 %	38.12 %	-	% (Note 1) and (Note 4)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	- %	100.00 %	100.00 %	(Note 2)
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Developing medicine	29.17 %	29.17 %	29.17 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Developing medicine	100.00 %	100.00 %	-	% (Note 3)
TSH Biopharm Co., Ltd.	Chung Yi Biotech Co., Ltd.	Selling Functional food	4.89 %	4.89 %	-	% (Note 1) and (Note 4)
Chung Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00 %	100.00 %	-	% (Note 1) and (Note 4)
Chung Yi Biotech Co., Ltd.	Chuang Yi (Hong Kong) Biotech Co., Ltd.	Selling Functional food	100.00 %	100.00 %	-	% (Note 1) and (Note 4)
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling Functional food	100.00 %	100.00 %	-	% (Note 1) and (Note 4)

(Note 1) 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 2) The registration of Worldco Biotech (Beijing) Pharmaceutical Ltd. had been cancelled in January 2020.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(Note 3) In July 2019, EnhanX Biopharm 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.

(Note 4) Non-significant subsidiaries whose financial statements have not been reviewed.

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

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with Note 5 of the consolidated financial statements for the year ended December 31, 2019.

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

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in Note 6 of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 3,285	3,157	2,881
Cash in banks	2,566,886	2,397,077	2,404,016
Time deposits	<u>12,765</u>	<u>21,924</u>	<u>35,256</u>
	<u>\$ 2,582,936</u>	<u>2,422,158</u>	<u>2,442,153</u>

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Designated as financial assets measured at fair value through profit or loss			
Domestic preferred stock ETFS	\$ <u>1,557</u>	<u>5,874</u>	<u>5,865</u>

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

(Continued)

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Equity instrument measured at fair value through other comprehensive income:			
Domestic common stock – Lumosa Therapeutics Co., Ltd.	\$ 135,697	199,486	180,349
Domestic common stock – Handa Pharmaceuticals, Inc.	43,235	78,278	105,657
Domestic listed common stock – Cathay Financial Holding Co., Ltd.	-	5,281	4,495
Domestic listed common stock – Fubon Financial Holding Co., Ltd.	-	13,920	13,800
Domestic listed preferred stock – Fubon Financial Holding Co., Ltd. Preferred Shares B	152,000	160,750	157,500
Domestic listed preferred stock – Union Bank of Taiwan Preferred Shares A	20,200	21,920	22,000
International unlisted preferred stock – CellMax Ltd.	49,271	49,271	49,271
Total	\$ <u>400,403</u>	<u>528,906</u>	<u>533,072</u>

- (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) In March 2020, for the purpose of the strategic investment, the Group sold a part of its financial assets measured at fair value through other comprehensive income at the amount of \$15,799, and resulted in cumulative loss \$5,307, which was reclassified from other equity to retained earnings.
- (iii) Please refer to Note 6(x) for credit and market risk information.
- (iv) The above financial assets were not pledged as collateral.

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 37,155	34,719	33,782
Accounts receivable	998,408	957,142	965,181
Accounts receivable-related parties	20,191	27,778	20,866
Less: Allowance for expected credit losses	<u>(22,151)</u>	<u>(22,038)</u>	<u>(27,593)</u>
	<u>\$ 1,033,603</u>	<u>997,601</u>	<u>992,236</u>

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 are as follows:

	March 31, 2020		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 1,016,033	0%~1%	2,662
Past due less than 90 days	21,074	4%~6%	843
Past due 91-180 days	2	50%~52%	1
Past due more than 181 days	<u>18,645</u>	100%	<u>18,645</u>
	<u>\$ 1,055,754</u>		<u>22,151</u>
	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	<u>19,230</u>	100%	<u>19,230</u>
	<u>\$ 1,019,639</u>		<u>22,038</u>

(Continued)

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

	March 31, 2019		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 988,764	0%~1%	6,638
Past due less than 90 days	9,628	8%~10%	818
Past due 91-180 days	2,602	50%~52%	1,302
Past due more than 181 days	18,835	100%	18,835
	\$ 1,019,829		27,593

The movement in the allowance for expected credit losses were as follows:

	For the three months ended March 31,	
	2020	2019
Balance on January 1	\$ 22,038	27,483
Expected credit losses recognized	113	110
Balance on March 31	\$ 22,151	27,593

As of March 31, 2020, December 31, 2019 and March 31, 2019, the accounts receivable and notes receivable for the Group were not pledged as collateral.

(e) Other receivables

	March 31, 2020	December 31, 2019	March 31, 2019
Other receivable	\$ 98,826	102,446	35,056
Other receivable—related parties	11,333	17,307	16,228
	\$ 110,159	119,753	51,284

- (i) As of March 31, 2020, December 31, 2019 and March 31, 2019, there were no expected credit loss of other receivables.
- (ii) Please refer to Note 6(x) for other credit risk information.
- (iii) As of March 31, 2020, December 31, 2019 and March 31, 2019, other receivables were not pledged as collateral.

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

(f) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Merchandise	\$ 325,972	392,915	247,328
Finished goods	198,893	147,440	119,123
Work in process	106,639	125,802	85,984
Raw materials	234,891	162,170	234,033
Materials	<u>34,253</u>	<u>36,532</u>	<u>33,667</u>
Subtotal	900,648	864,859	720,135
Goods in transit	<u>49,866</u>	<u>123,244</u>	<u>21,742</u>
Total	950,514	988,103	741,877
Less: Allowance for inventory market decline and obsolescence	<u>(122,491)</u>	<u>(129,418)</u>	<u>(38,210)</u>
Net amount	<u>\$ 828,023</u>	<u>858,685</u>	<u>703,667</u>

The cost of inventories recognized as operating cost for the three months ended March 31, 2020 and 2019 amounted to \$393,371 and \$374,720, respectively. The main item was the costs from selling goods. The cost for the three months ended March 31, 2019 included the amounts of \$488, which the Group wrote down from cost to net realizable value; while the cost for the three months ended March 31, 2020 included the amounts of \$6,927, as a result of the reversal of allowance for inventory market decline and obsolescence.

As of March 31, 2020, December 31, 2019 and March 31, 2019, 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Associates	<u>\$ 1,080,724</u>	<u>1,100,878</u>	<u>896,662</u>

- 1) As of March 31, 2020, December 31, 2019 and March 31, 2019, the carrying value of associates had a quoted market price amounted to \$791,679, \$782,858 and \$622,385 respectively, while fair value amounted to \$1,113,566, \$1,771,876 and \$2,623,366, respectively.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- 2) For the three months ended March 31, 2020 and 2019, 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 \$62 and \$(11,037), respectively, to its capital reserve. For the three months ended March 31, 2020 and 2019, the Group's shareholding ratio was 17.76% and rose from 15.52% to 15.70%, respectively.

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

Associate	Nature of relationship	Country of registration	Equity ownership		
			March 31, 2020	December 31, 2019	March 31, 2019
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	17.76 %	17.76 %	15.70 %

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

- Summary financial information on PharmaEngine, Inc.

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 3,622,182	3,578,332	3,718,783
Non-current assets	58,080	65,060	34,940
Current liabilities	(128,517)	(138,443)	(136,685)
Non-current liabilities	(19,084)	(21,954)	(8,105)
Net assets	<u>\$ 3,532,661</u>	<u>3,482,995</u>	<u>3,608,933</u>
Net assets attributable to non-controlling interests	<u>\$ 791,679</u>	<u>782,858</u>	<u>566,602</u>
Net assets attributable to investee owners	<u>\$ 2,740,982</u>	<u>2,700,137</u>	<u>3,042,331</u>

	For the three months ended March 31,	
	2020	2019
Revenue	<u>\$ 83,741</u>	<u>77,908</u>
Profit for the period	<u>\$ 48,827</u>	<u>27,194</u>
Other comprehensive (loss) income	<u>493</u>	<u>(199)</u>
Comprehensive income	<u>\$ 49,320</u>	<u>26,995</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 8,759</u>	<u>4,177</u>
Comprehensive income attributable to investee owners	<u>\$ 40,561</u>	<u>22,818</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the three months ended March 31,	
	2020	2019
Net assets attributable to the Group, January 1	\$ 782,858	573,462
Changes in capital surplus of affiliated companies for the period	62	(11,037)
Comprehensive income attributable to the Group for the period	<u>8,759</u>	<u>4,177</u>
Net assets attributable to the Group, March 31	<u>791,679</u>	<u>566,602</u>
Carrying amount of interest in associates, March 31	<u><u>\$ 791,679</u></u>	<u><u>566,602</u></u>

(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:

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amount of interest in individually insignificant associates	<u>\$ 289,045</u>	<u>318,020</u>	<u>330,060</u>
	For the three months ended March 31,		
	2020	2019	
Attributable to the Group:			
Profit for the period	\$ 10,431	2,433	
Other comprehensive (loss) income	<u>(31,831)</u>	<u>8,452</u>	
Comprehensive income	<u>\$ (21,400)</u>	<u>10,885</u>	

(iv) Collateral

As of March 31, 2020, December 31, 2019 and March 31, 2019, 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.

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

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

(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		<u>(39,382)</u>
Goodwill	\$	<u><u>82,686</u></u>
Less: impairment loss		<u>(82,686)</u>
Book value at December 31, 2019	\$	<u><u>-</u></u>

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.

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(i) Subsidiaries with significant non-controlling interest

Subsidiaries with significant non-controlling interest were as follows:

<u>Subsidiary</u>	<u>Country of registration</u>	<u>Ownership and voting rights ratio</u>		
		<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %
EnhanX Biopharm Inc.	Taiwan	50.00 %	50.00 %	50.00 %
Chung Yi Biotech Co., Ltd.	Taiwan	43.01 %	43.01 %	- %

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.

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current assets	\$ 843,324	885,884	870,022
Non-current assets	310,499	376,788	406,942
Current liabilities	(101,541)	(138,792)	(99,306)
Non-current liabilities	-	-	(3,650)
Net assets	<u>\$ 1,052,282</u>	<u>1,123,880</u>	<u>1,174,008</u>
Net assets attributable to non-controlling interest	<u>\$ 457,814</u>	<u>489,032</u>	<u>510,719</u>

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	<u>\$ 131,989</u>	<u>136,909</u>
Profit for the period	\$ 23,506	25,202
Other comprehensive income	(95,105)	27,925
Comprehensive (loss) income	<u>\$ (71,599)</u>	<u>53,127</u>
Profit attributable to non-controlling interest	<u>\$ 10,171</u>	<u>10,842</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>\$ (31,218)</u>	<u>22,994</u>

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash flows (used in) from operating activities	\$ (27,231)	11,326
Cash flows from investing activities	10,228	15,186
Cash flows used in financing activities	(1,060)	(1,085)
Net (decrease) increase in cash	<u>\$ (18,063)</u>	<u>25,427</u>

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(ii) Summary financial information on EnhanceX Biopharm Inc.

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 55,775	57,248	77,805
Non-current assets	114,405	119,799	117,533
Current liabilities	(1,479)	(2,560)	(1,562)
Non-current liabilities	(119)	(119)	-
Net assets	<u>\$ 168,582</u>	<u>174,368</u>	<u>193,776</u>
Net assets attributable to non-controlling interests	<u>\$ 84,208</u>	<u>87,184</u>	<u>96,888</u>

	For the three months ended March 31,	
	2020	2019
Revenue	<u>\$ -</u>	<u>-</u>
Loss for the period	\$ (5,755)	(6,649)
Other comprehensive loss	(30)	-
Comprehensive loss	<u>\$ (5,785)</u>	<u>(6,649)</u>
Loss attributable to non-controlling interest	<u>\$ (2,877)</u>	<u>(3,325)</u>
Comprehensive loss attributable to non-controlling interest	<u>\$ (2,892)</u>	<u>(3,325)</u>

	For the three months ended March 31,	
	2020	2019
Cash flows used in operating activities	\$ (4,343)	(4,446)
Net decrease in cash	<u>\$ (4,343)</u>	<u>(4,446)</u>

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

	March 31, 2020	December 31, 2019
Current assets	\$ 277,486	301,549
Non-current assets	8,270	14,722
Current liabilities	(219,631)	(260,576)
Non-current liabilities	(30,363)	(16,313)
Net assets	<u>\$ 35,762</u>	<u>39,382</u>
Net assets attributable to non-controlling interests	<u>\$ 20,381</u>	<u>22,444</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the three months ended March 31, 2020
Revenue	\$ <u>23,633</u>
Loss for the period	\$ (3,615)
Other comprehensive loss	(5)
Comprehensive loss	\$ <u>(3,620)</u>
Loss attributable to non-controlling interest	\$ <u>(2,060)</u>
Comprehensive loss attributable to non-controlling interest	\$ <u>(2,063)</u>
For the three months ended March 31, 2020	
Cash flows from operating activities	\$ 20,228
Cash flows used in financing activities	(31,881)
Net decrease in cash	\$ <u>(11,653)</u>

(j) Property, plant and equipment

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Carrying amounts:								
Balance on January 1, 2020	\$ 816,169	939,301	328,784	2,337	154,833	3,068	149,785	2,394,277
Balance on March 31, 2020	\$ 816,169	925,574	320,160	2,083	153,869	2,760	149,785	2,370,400
Balance on January 1, 2019	\$ 816,169	994,759	356,407	3,149	151,959	2,977	148,911	2,474,331
Balance on March 31, 2019	\$ 816,169	971,914	349,910	3,848	150,241	2,800	149,511	2,444,393

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of property, plant and equipment for the three months ended March 31, 2020 and 2019.

Information on depreciation for the periods is discussed in Note 12(a). Please refer to Note 6(j) of the 2019 annual consolidated financial statements for other related information.

- (ii) In January 2019, parts of the building and construction belonging to the Group were leased out; thus, the property was reclassified as investment property. The book value of the property was \$14,311 as of December 31, 2019. Please refer to Note 6(k) for further information.

- (iii) Collateral

As of March 31, 2020, December 31, 2019 and March 31, 2019, the property, plant and equipment were not pledged as collateral.

- (iv) 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 three months ended March 31, 2020 and 2019.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- (v) As of March 31, 2020, December 31, 2019 and March 31, 2019, the carrying value of right-of-use assets amounted to \$4,557, \$4,096 and \$6,722, respectively, which were recognized as "Building and construction".

(k) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2020	\$ <u>69,152</u>	<u>31,279</u>	<u>100,431</u>
Balance on March 31, 2020	\$ <u>69,152</u>	<u>30,751</u>	<u>99,903</u>
Balance on January 1, 2019	\$ <u>69,152</u>	<u>18,998</u>	<u>88,150</u>
Balance on March 31, 2019	\$ <u>69,152</u>	<u>33,409</u>	<u>102,561</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2020 and 2019. Information on depreciation for the periods is discussed in Note 12(a). Please refer to Note 6(k) of the 2019 annual consolidated financial statements for other related information.
- (ii) In January 2019, parts of the building and construction belonging to the Group were leased out; thus, the property was reclassified from property, plant and equipment to investment property. The book value of the property was \$14,311 as of March 31, 2019. Please refer to Note 6(j) for further information.

(l) Intangible assets

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Carrying amount:			
Balance on January 1, 2020	\$ <u>3,747</u>	<u>135,266</u>	<u>139,013</u>
Balance on March 31, 2020	\$ <u>3,446</u>	<u>131,050</u>	<u>134,496</u>
Balance on January 1, 2019	\$ <u>5,923</u>	<u>147,265</u>	<u>153,188</u>
Balance on March 31, 2019	\$ <u>5,223</u>	<u>143,498</u>	<u>148,721</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2020 and 2019. Information on depreciation for the periods is discussed in Note 12(a). Please refer to Note 6(l) of the 2019 annual consolidated financial statements for other related information.
- (ii) As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group's the aforementioned intangible assets were not pledged as collateral.

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(m) Other financial assets and other assets

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

	March 31, 2020	December 31, 2019	March 31, 2019
Other current financial assets	\$ 336,110	332,889	315,435
Other non-current financial assets	153,337	158,363	153,601
Long-term prepayments	7,935	7,935	43,366
Others	36,722	45,927	9,660
	<u>\$ 534,104</u>	<u>545,114</u>	<u>522,062</u>

- (i) Both current and non-current other financial assets were bank deposits that did not qualify as cash and cash equivalents.
- (ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use.
- (iii) Please refer to Note 8 for the Group's information of pledging.

(n) Short-term loans

The short-term loans were summarized as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Secured bank loans	\$ 71,070	111,070	-
Unsecured bank loans	1,400,000	1,450,000	950,000
	<u>\$ 1,471,070</u>	<u>1,561,070</u>	<u>950,000</u>
Unused credit line	<u>\$ 1,490,991</u>	<u>1,117,021</u>	<u>1,855,352</u>
Range of interests rates	<u>0.90%~1.69%</u>	<u>0.86%~1.80%</u>	<u>0.92%~0.97%</u>

For the three months ended March 31, 2020 and 2019, the Group increased its capital by \$1,320,000, with an interest of 0.90%~1.69% and \$950,000 with an interest of 0.92%~0.97%, respectively. The amount paid back were \$1,410,000 and \$1,150,000, respectively. Please refer to Note 6(v) for interest expense.

- (i) Please refer to Note 6(x) 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.

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(o) Long-term loans

The long-term loans were summarized as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Secured bank loans	\$ 19,567	16,313	-
Unsecured bank loans	360,796	355,931	350,000
Less: Current portion	<u>(360,796)</u>	<u>(355,931)</u>	<u>-</u>
Total	<u>\$ 19,567</u>	<u>16,313</u>	<u>350,000</u>
Unused credit line	<u>\$ 450,000</u>	<u>450,000</u>	<u>600,000</u>
Range of interest rate	<u>1.146%~2.195%</u>	<u>1.146%~1.180%</u>	<u>1.140%~1.180%</u>

There were no significant issues, repurchases and repayments of long-term borrowings for the three months ended March 31, 2020 and 2019. Information on interest expense for the periods are discussed in Note 6(v). Please refer to Note 6(x) for related disclosure of information and Note 8 for the information on assets pledged for secured bank loans.

(p) Employee benefits

(i) Defined benefit plans

The management believes that there was no material market volatility, material reimbursement and settlement, or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 2019 and 2018.

The Group's pension expenses recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2020	2019
Operating cost	\$ 93	134
Selling expenses	88	124
Administrative expenses	44	64
Research and development expenses	<u>59</u>	<u>83</u>
Total	<u>\$ 284</u>	<u>405</u>

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(ii) Defined contributions plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating cost	\$ 2,660	2,104
Selling expenses	2,956	2,099
Administrative expenses	1,556	1,175
Research and development expenses	<u>1,568</u>	<u>1,451</u>
Total	<u>\$ 8,740</u>	<u>6,829</u>

(q) Income Tax

(i) Income tax expense

The components of income tax in the three months ended March 31, 2020 and 2019 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ <u>64,376</u>	<u>74,647</u>
Income tax expense	<u>\$ 64,376</u>	<u>74,647</u>

(ii) Status of approval on income tax

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

(r) Capital and other equity

There were no significant changes in capital and reserves for the three months ended March 31, 2020 and 2019. Please refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2019, for other related information.

(i) Capital surplus

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

	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Share capital	\$ 484	484	484
Long term investment	<u>338,092</u>	<u>338,030</u>	<u>337,298</u>
	<u>\$ 338,576</u>	<u>338,514</u>	<u>337,782</u>

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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

If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25% of the actual share capital.

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 March 31, 2020 and 2019, the special reserve appropriated from the undistributed earnings both amounted to \$110,154.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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3) Earnings distribution

On March 16, 2020 the Company's board of directors resolved to appropriate the 2019 earnings. On June 25, 2019, the general meeting of shareholders resolved to appropriate 2018 earnings. The appropriation and dividends per share were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Amount per share (dollars)</u>	<u>Amount</u>	<u>Amount per share (dollars)</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.00	<u>994,600</u>	4.50	<u>1,118,925</u>

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

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance on January 1, 2020	\$ (80,724)	120,859	40,135
Exchange differences on foreign operations	(19,155)	-	(19,155)
Share of exchange differences of associates accounted for using equity method	88	-	88
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	(71,315)	(71,315)
The share of unrealized loss on financial assets measured at fair value through other comprehensive income	-	(9,556)	(9,556)
Disposal of equity instrument measured at fair value through other comprehensive income to retained earnings	-	2,997	2,997
Balance on March 31, 2020	<u>\$ (99,791)</u>	<u>42,985</u>	<u>(56,806)</u>
Balance on January 1, 2019	\$ (56,694)	103,515	46,821
Exchange differences on foreign operations	14,971	-	14,971
Share of exchange differences of associates accounted for using equity method	11	-	11
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	16,812	16,812
The share of unrealized loss on financial assets measured at fair value through other comprehensive income	-	3,226	3,226
Balance on March 31, 2019	<u>\$ (41,712)</u>	<u>123,553</u>	<u>81,841</u>

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(iv) Non-controlling interests

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance on January 1	\$ 598,428	587,592
Attributable to non-controlling interests:		
Profit for the period	5,670	7,600
Exchange differences on translation in foreign operations	(105)	11
Unrealized (losses) gains on financial assets	(41,390)	12,153
Balance on March 31	<u>\$ 562,603</u>	<u>607,356</u>

(s) Earnings per share

The calculation of basic earnings per share and diluted earnings per share of the year 2019 and 2018 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Profit attributable to ordinary shareholders	<u>\$ 253,571</u>	<u>293,779</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
	<u>\$ 1.02</u>	<u>1.18</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	<u>\$ 253,571</u>	<u>293,779</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
Effect of employees' compensation	<u>377</u>	<u>342</u>
Weighted average number of ordinary shares (diluted)	<u>249,027</u>	<u>248,992</u>
	<u>\$ 1.02</u>	<u>1.18</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the three months ended March 31, 2020</u>					
	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 569,579	43,726	230,082	131,531	25,027	999,945
European countries	8,162	-	-	-	-	8,162
Other countries	78,238	-	1,783	-	5,339	85,360
	<u>\$ 655,979</u>	<u>43,726</u>	<u>231,865</u>	<u>131,531</u>	<u>30,366</u>	<u>1,093,467</u>

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For the three months ended March 31, 2020						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Major products/services lines:						
Medicine and health food	\$ 645,910	43,726	230,297	131,336	28,842	1,080,111
Services	10,069	-	1,568	195	1,524	13,356
	<u>\$ 655,979</u>	<u>43,726</u>	<u>231,865</u>	<u>131,531</u>	<u>30,366</u>	<u>1,093,467</u>
For the three months ended March 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	\$ 533,754	50,024	193,105	134,748	2,071	913,702
European countries	112,024	-	-	-	-	112,024
Other countries	74,067	10,530	-	2,161	2,124	88,882
	<u>\$ 719,845</u>	<u>60,554</u>	<u>193,105</u>	<u>136,909</u>	<u>4,195</u>	<u>1,114,608</u>
Major products/services lines:						
Medicine and health food	\$ 719,845	60,554	193,105	116,337	2,124	1,091,965
Services	-	-	-	20,572	2,071	22,643
	<u>\$ 719,845</u>	<u>60,554</u>	<u>193,105</u>	<u>136,909</u>	<u>4,195</u>	<u>1,114,608</u>

(ii) Contract balances

	March 31, 2020	December 31, 2019	March 31, 2019
Contract liability balances	\$ <u>12,049</u>	<u>16,678</u>	<u>9,978</u>

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 three months ended March 31, 2020 and 2019 were \$8,705 and \$1,989, respectively.

(u) Remuneration of employees and directors

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

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For the three months ended March 31, 2020 and 2019, remuneration of employees were \$4,831 and \$5,572, respectively, and of directors' remuneration amounted to \$3,220 and \$3,715, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period. These remunerations were recognized under operating costs or operating expenses for the three months ended March 31, 2020 and 2019. If there's any difference between the amount resolved at the Board of Directors meeting and the estimated amount, the Company will treat the difference as changes in accounting estimates and charged to profit or loss.

For the years ended 2019 and 2018, the remunerations of employees amounted to \$23,195 and \$23,893 respectively, while the remunerations of directors amounted to \$14,950 and \$14,950, respectively. The actual distribution and related information will be posted in the "Market Observation Post system" at the website of the Market Observation Post System.

(v) Non-operating income and expenses

(i) Other income

The details of other income for the three months ended March 31, 2020 and 2019 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income	\$ 6,713	9,753
Rent income	<u>7,423</u>	<u>2,995</u>
	<u>\$ 14,136</u>	<u>12,748</u>

(ii) Other gains and losses

The details of other gains and losses for the three months ended March 31, 2020 and 2019 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Losses on disposal of property, plant and equipment	\$ (13)	(118)
Gains on disposal of investments	1,727	-
Dividend income	60	-
Foreign exchange gains (losses)	2,275	(1,667)
(Losses) gains on financial assets measured at fair value through profit	(1,571)	369
Other gains and losses	<u>8,836</u>	<u>18,628</u>
	<u>\$ 11,314</u>	<u>17,212</u>

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(iii) Finance costs

The details of finance costs for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Interest expenses	\$ 4,676	3,559

(w) Reclassification of other comprehensive income

The details of adjustments on components of other comprehensive income for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
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	\$ (9,496)	3,237
Net losses recognized in other comprehensive income	\$ (9,496)	3,237

(x) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

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

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

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(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
March 31, 2020					
Non-derivative financial liabilities					
Bank loans	\$ 1,851,433	1,854,774	1,834,839	17,326	2,609
Non-interest-bearing liabilities (including related parties)	615,769	615,769	615,769	-	-
Guarantee deposits received	<u>2,428</u>	<u>2,428</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,469,630</u>	<u>2,472,971</u>	<u>2,453,036</u>	<u>17,326</u>	<u>2,609</u>
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	<u>2,428</u>	<u>2,428</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,691,788</u>	<u>2,695,723</u>	<u>2,679,024</u>	<u>12,524</u>	<u>4,175</u>
March 31, 2019					
Non-derivative financial liabilities					
Bank loans	\$ 1,300,000	1,306,324	955,511	350,813	-
Non-interest-bearing liabilities (including related parties)	505,586	505,586	505,586	-	-
Guarantee deposits received	<u>2,957</u>	<u>2,957</u>	<u>2,957</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,808,543</u>	<u>1,814,867</u>	<u>1,464,054</u>	<u>350,813</u>	<u>-</u>

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

(iii) 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:

	<u>March 31, 2020</u>			<u>December 31, 2019</u>			<u>March 31, 2019</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	
Financial assets										
<u>Monetary items</u>										
USD	\$	14,793	30.23	447,118	18,311	29.98	548,964	18,651	30.82	574,824
CNY		6,559	4.26	27,909	6,530	4.31	28,112	4,158	4.58	19,044
JPY		129,252	0.28	35,925	124,946	0.27	34,346	71,847	0.17	12,497
EUR		1,572	33.24	52,253	1,598	33.59	53,677	1,173	34.61	40,598

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	March 31, 2020			December 31, 2019			March 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Nonmonetary items</u>									
USD	47,763	30.23	1,443,879	47,993	29.98	1,438,824	48,005	30.28	1,453,589
CNY	54,516	4.26	232,238	51,489	4.31	221,659	51,689	4.58	236,735
THB	263,593	0.93	244,351	265,077	1.01	267,728	247,128	0.97	239,715
KRW	1,147,360	0.03	28,684	1,222,341	0.03	31,989	1,305,667	0.03	39,170
MXN	12,177	1.31	15,912	11,290	1.60	18,064	15,263	1.60	24,420

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and accounts receivable that are denominated in foreign currency. 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 March 31, 2020 and 2019 would have increased (decreased) the net profit after tax by \$4,506 and \$5,176, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$2,275 and \$(1,667), respectively.

(iv) Interest rate analysis

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

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

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

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$743 and \$1,181 for the three months ended March 31, 2020 and 2019, respectively, assuming all other variable factors remained constant.

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(v) Other market value risk

For the three months ended March 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Security Price</u>	<u>For the three months ended March 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Other Comprehensive income after tax</u>	<u>Net income</u>	<u>Other Comprehensive income after tax</u>	<u>Net income</u>
Increase by 10%	\$ <u>40,040</u>	<u>156</u>	<u>53,307</u>	<u>587</u>
Decrease by 10%	\$ <u>(40,040)</u>	<u>(156)</u>	<u>(53,307)</u>	<u>(587)</u>

(vi) Fair value of financial instruments

1) Categories of financial instruments

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

	<u>March 31, 2020</u>				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets measured at fair value through profit or loss	\$ 1,557	1,557	-	-	1,557
Financial assets measured at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 172,200	172,200	-	-	172,200
Domestic stock in listed company at Taipei Exchange	135,697	135,697	-	-	135,697
Domestic stock in listed company at emerging stock market	43,235	43,235	-	-	43,235
International stock	<u>49,271</u>	<u>-</u>	<u>-</u>	<u>49,271</u>	<u>49,271</u>
subtotal	<u>400,403</u>	<u>351,132</u>	<u>-</u>	<u>49,271</u>	<u>400,403</u>

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

	March 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,582,936	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,033,603	-	-	-	-
Other receivables (including related party)	110,159	-	-	-	-
Other financial assets	489,447	-	-	-	-
Cash surrender value of life insurance	13,657	-	-	-	-
Refundable deposits paid	<u>29,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,258,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,660,795</u>	<u>352,689</u>	<u>-</u>	<u>49,271</u>	<u>401,960</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,851,433	-	-	-	-
Notes payable and accounts payable (including related party)	129,251	-	-	-	-
Other payables (including related party)	486,518	-	-	-	-
Guarantee deposit received	<u>2,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,469,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss					
	<u>\$ 5,874</u>	<u>5,874</u>	<u>-</u>	<u>-</u>	<u>5,874</u>
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	<u>49,271</u>	<u>-</u>	<u>-</u>	<u>49,271</u>	<u>49,271</u>
subtotal	<u>528,906</u>	<u>479,635</u>	<u>-</u>	<u>49,271</u>	<u>528,906</u>

(Continued)

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

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
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	<u>31,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,075,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,610,333</u>	<u>485,509</u>	<u>-</u>	<u>49,271</u>	<u>534,780</u>
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	<u>2,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,691,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	March 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	<u>\$ 5,865</u>	<u>5,865</u>	<u>-</u>	<u>-</u>	<u>5,865</u>
Financial assets measured at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 197,795	197,795	-	-	197,795
Domestic stock in listed company at Taipei Exchange	180,349	180,349	-	-	180,349
Domestic stock in listed company at emerging stock market	105,657	105,657	-	-	105,657
International stock	<u>49,271</u>	<u>-</u>	<u>-</u>	<u>49,271</u>	<u>49,271</u>
subtotal	<u>533,072</u>	<u>483,801</u>	<u>-</u>	<u>49,271</u>	<u>533,072</u>

(Continued)

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

	March 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,442,153	-	-	-	-
Notes receivable and accounts receivable (including related party)	992,236	-	-	-	-
Other receivables (including related party)	51,284	-	-	-	-
Other financial asset	469,036	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	<u>29,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,997,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,536,817</u>	<u>489,666</u>	<u>-</u>	<u>49,271</u>	<u>538,937</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,300,000	-	-	-	-
Notes payable and accounts payable (including related party)	126,407	-	-	-	-
Other payables (including related party)	379,179	-	-	-	-
Guarantee deposit received	<u>2,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,808,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

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

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

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

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 three months ended in March 31, 2020 and 2019, so there was no transfer between levels.

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(z) of the consolidated financial statements for the year ended December 31, 2019.

(z) Capital management

The objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2019 for further details.

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

(7) Related-party transactions:

(a) List of subsidiaries

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

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

Note: As of March 31, 2020, 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:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ 20,057	23,055
Other related parties	120	-
	<u>\$ 20,177</u>	<u>23,055</u>

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

(ii) Rent income

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

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended March 31,</u>	
		<u>2020</u>	<u>2019</u>
Rent income	Associate— Chuang Yi Biotech Co., Ltd.	\$ -	<u>783</u>

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

(Continued)

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

(iii) Other gains

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended March 31,</u>	
		<u>2020</u>	<u>2019</u>
Other gains	Associates	\$ 20	-
Other gains	Associate-American Taiwan Biopharm (Thailand)	3,192	3,087
		<u>\$ 3,212</u>	<u>3,087</u>

The credit term for other gains from development in the pharmaceutical industry is three months.

(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	Associates	\$ -	-	54
Accounts receivable	Associates	20,117	27,668	20,866
	Other related parties	74	110	-
		<u>\$ 20,191</u>	<u>27,778</u>	<u>20,866</u>
Other receivables	Associate-American Taiwan Biopharm (Thailand)	\$ 11,333	16,481	15,576
	Associates	-	-	652
	Other related parties	-	826	-
		<u>\$ 11,333</u>	<u>17,307</u>	<u>16,228</u>
Notes and accounts payable	Associate-Chuang Yi Biotech Co., Ltd.	\$ -	-	7

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

(d) Key management personnel compensation

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 28,786	27,626
Post-employment benefits	1,512	340
	<u>\$ 30,298</u>	<u>27,966</u>

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

(8) Pledged assets:

The carrying value of pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other current and non-current asset	Bank loan	\$ 20,124	29,126	-
Other financial asset—non-current	Guarantee for provision attachment	149,380	149,380	149,380
		<u>\$ 169,504</u>	<u>178,506</u>	<u>149,380</u>

(9) Commitments and contingencies:

- (a) The Group signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Group obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to \$12,654 and \$12,225 for the three months ended March 31, 2020 and 2019, respectively.
- (b) As of March 31, 2020, December 31, 2019 and March 31, 2019, due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$546,109, \$548,721 and \$622,725, and the unpaid amount was \$220,010, \$161,866 and \$191,136, respectively.
- (c) As of March 31, 2020, December 31, 2019 and March 31, 2019, the financial institutions provide guarantee for the sale of medicine amounted to \$64,347, \$92,983 and \$44,648, respectively.
- (d) In June 2015, the Taipei District Prosecutors Office filed a charge against the ex-chairman of the Company, Rong-Jin Lin, for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, the ex-chairman was found guilty for violating the Securities and Exchange Act. Currently, the case has been appealed and moved to the second instance at the Taiwan High Court. The relevant incidental civil action was later transferred to the civil court for further trial as a different case in September 6, 2017. Further on April 23, 2018, the Taipei District Prosecutors Office requested the Taiwan High Court to hear the case of ex-chairman Rong-Jin Lin's offense of the Securities and Exchange Act because of the dispute of contract relevant with Risperidone entered into by and between the Group and Center Laboratories, Inc. together with the aforementioned case in a consolidated procedure. As of June 29, 2018, the Group supplemented and raised the amount of its damage claim against the ex-chairman in the incidental civil action of the second appeal.
- (e) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.
- (f) On May 30, 2016, Janssen Pharmaceutical NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha. The case was suspended.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- (g) With regard to the dispute on the Risperidone Contract it entered into with the Company, Center Laboratories, Inc. (CLI) filed a lawsuit against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018. However, the Company disagreed with the decision made by the court, and thus, made an appeal to the Taiwan High Court, wherein its appeal had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020.
- (h) On February 28, 2020, the Company filed a civil lawsuit to the Germany Labor Court of Dresden against Denis Optiz, who is the beneficiary owner of Inopha AG, which is still in progress in the Germany Labor Court of Dresden.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	For the three months ended March 31,					
	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 56,027	173,681	229,708	55,041	152,434	207,475
Health and labor insurance	4,655	10,561	15,216	4,476	9,109	13,585
Pension	2,753	6,271	9,024	2,238	4,996	7,234
Others	1,649	12,439	14,088	3,750	18,346	22,096
Depreciation expense	26,637	7,671	34,308	25,049	9,155	34,204
Amortization expense	108	4,689	4,797	94	4,803	4,897

- (b) Seasonality of operations:

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

- (c) Others

The Group donated \$719 and \$10,207 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the three months ended March 31, 2020 and 2019, respectively.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan 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	50,000	-	6.756%	2	-	Operating capital	-	-	-	1,144,866	1,144,866
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	36,270 USD 1,200	-	-	0.5%	2	-	Operating capital	-	-	CNY 51,489	219,085 CNY 51,489	219,085 CNY 51,489
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	75,563 USD 2,500	75,563 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	87,636 CNY 20,596	87,636 CNY 20,596

The exchange rate of USD to NTD as of the reporting date was 1:30.225.

The exchange rate of CNY to NTD as of the reporting date was 1:4.255.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Note 2): The total amount for lending to a company shall not exceed 20% and 40% of 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 available for lending purposes shall not exceed 20% and 40% of 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 March 31, 2020.

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

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

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	1,600	37,440	1.36 %	37,440
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income— current	4,199	98,257	3.57 %	98,257
"	Handa Pharmaceuticals Inc. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	2,625	43,235	2.27 %	43,235

(In Thousands of New Taiwan Dollar)

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
TSH Biopharm Co., Ltd.	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income--non-current	2,500	152,000	0.38 %	152,000
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,200	0.20 %	20,200
"	CellMax Ltd. preferred stock	-	"	1,593	49,271	2.03 %	49,271
"	Fubon S&P US preferred stock ETFS	-	Financial assets measured at fair value through profit and loss- non-current	100	1,557	- %	1,557

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollar)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Worldco. International Co., Ltd.	1	Royalty revenue	3,000	By contract	0.27%
0	"	"	1	Other receivables	3,387	"	0.04%
0	"	TSH Biopharm Co., Ltd.	1	Sales revenue	45,904	"	4.20%
0	"	"	1	Other receivables	1,663	"	0.02%
0	"	"	1	Rent income	1,040	"	0.10%
0	"	"	1	Other income	1,182	"	0.11%
0	"	"	1	Accounts receivable	12,881	"	0.14%
0	"	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	3,865	"	0.04%
0	"	"	1	Other receivables	7,231	"	0.08%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	1,789	"	0.02%
0	"	"	1	Sales revenue	1,768	"	0.16%
1	TSH Biopharm Co., Ltd.	"	3	Other receivables	9,646	"	0.10%

Note 1): The numbering is as follows:

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

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

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

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

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2020		Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership			
The Company	Xudong Haiju International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,398,884	3,036	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	225,166	7,839	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(812)	2,390	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	587,629	23,506	Subsidiary
The Company	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	35,116	(5,755)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	180,951	180,951	10,282	38.12 %	12,914	(3,615)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	17.76 %	791,679	48,827	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	244,351	20,638	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	44,995	5,437	Investments accounted for using equity method
Xudong Haiju International Co., Ltd.	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	49,175	(5,755)	Subsidiary
Xudong Haiju International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	28,684	(1,880)	Subsidiary
Xudong Haiju International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	7,956	1,412	706 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 %	7,956	1,412	706 Subsidiary
EnhancX Biopharm Inc.	EnhancX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	2,802	(95)	(95) Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	4.89 %	1,749	(3,615)	(177) 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 %	4,209	13	13 Subsidiary
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hong Kong) Biotech Co., Ltd.	Hong Kong	Selling functional food	4,734	4,734	1,200	100.00 %	2,863	-	Subsidiary

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

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	Investment flows		Accumulated outflow of investment from Taiwan as of	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	50,635 CNY	(2)	85,653 CNY	-	-	85,653 CNY	594 CNY	100 %	594 CNY	47,545 CNY	-
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	15,113 USD	(2)	15,113 USD	-	-	15,113 USD	52 CNY	100.00%	52 CNY	4,110 CNY	-

(In Thousands of New Taiwan Dollar)

The exchange rate of USD to NTD as of the reporting date was 1:30.225, and the average exchange rate of USD to NTD for the reporting period was 1:30.181.

The exchange rate of CNY to NTD as of the reporting date was 1:4.255, and the average exchange rate of CNY to NTD for the reporting period was 1:4.304.

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 liquidation of Worldco Biotech (Beijing) Pharmaceutical Ltd. had been approved by the Administration for Market Regulation in Beijing on January 19, 2019.

Note 3): 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.

(Continued)

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Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 100,766	NTD 1,427,466 (USD 47,228)	NTD 3,434,599

(iii) Significant transactions: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Dawan Technology Company Limited		22,590,732	9.08 %

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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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:

<u>For the three months ended March 31, 2020</u>	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>China Medicine Business Unit</u>	<u>Other Segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:								
Revenue from external customers	\$ 655,979	43,726	231,865	131,531	-	30,366	-	1,093,467
Intersegment revenues	51,262	-	-	458	-	-	(51,720)	-
Total revenue	<u>\$ 707,241</u>	<u>43,726</u>	<u>231,865</u>	<u>131,989</u>	<u>-</u>	<u>30,366</u>	<u>(51,720)</u>	<u>1,093,467</u>
Reportable segment profit or loss	<u>\$ 217,526</u>	<u>9,530</u>	<u>84,294</u>	<u>29,893</u>	<u>5,769</u>	<u>(2,874)</u>	<u>(20,521)</u>	<u>323,617</u>
For the three months ended March 31, 2019								
Revenue:								
Revenue from external customers	\$ 719,845	60,554	193,105	136,909	-	4,195	-	1,114,608
Intersegment revenues	27,126	-	-	-	-	-	(27,126)	-
Total revenue	<u>\$ 746,971</u>	<u>60,554</u>	<u>193,105</u>	<u>136,909</u>	<u>-</u>	<u>4,195</u>	<u>(27,126)</u>	<u>1,114,608</u>
Reportable segment profit or loss	<u>\$ 273,008</u>	<u>17,400</u>	<u>71,224</u>	<u>31,496</u>	<u>(2,635)</u>	<u>(3,825)</u>	<u>(10,642)</u>	<u>376,026</u>
Reportable segment assets								
Balance on March 31, 2020	<u>\$ 8,209,199</u>	<u>43,345</u>	<u>385,546</u>	<u>1,153,823</u>	<u>229,784</u>	<u>1,896,989</u>	<u>(2,396,540)</u>	<u>9,522,146</u>
Balance on December 31, 2019	<u>\$ 8,219,383</u>	<u>35,895</u>	<u>320,739</u>	<u>1,262,672</u>	<u>229,122</u>	<u>1,923,420</u>	<u>(2,438,515)</u>	<u>9,552,716</u>
Balance on March 31, 2019	<u>\$ 8,053,779</u>	<u>36,633</u>	<u>340,282</u>	<u>1,276,964</u>	<u>243,535</u>	<u>1,655,781</u>	<u>(2,470,676)</u>	<u>9,136,298</u>