Stock Code:4105

TTY BIOPHARM COMPANY LIMITED

Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

We have audited the accompanying financial statements of TTY Biopharm Company Limited ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for Opinion

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

Key Audit Matters

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

1. Occurrence of revenue from selling pharmaceuticals and chemical drugs

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

   Key audit matters:

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

Auditing procedures performed:

- Testing the effectiveness of the design and implementing the internal control system of sales and collection operation;
- Testing the samples of sales transaction before and after the balance sheet date to ensure the correctness of sales revenue;
- Inspecting the related documents to ensure the adequacy and resonableness of revenue recognition.

2. Inventory valuation

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

Key audit matters:

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

Auditing procedures performed:

- Overviewing the stock ageing list, analyzing the movement of stock ageing by period;
- Obtaining the certificate documents to verify the correctness of the stock's expiry date; and
- Sampling the replacement cost and market price of material, and recalculating the net realizable value by marketing expense rate, to ensure the reasonableness of net realizable value adopted by the Company.

Other Matter

We did not audit the financial statements of PharmaEngine, Inc. Those statements were audited by another auditor, whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of another auditor. The amount of long-term investment in the investee company represented 10.25% and 9.12% of the related total assets as of December 31, 2020 and 2019, respectively, and the related investment gains represented 9.51% and 0.44% of the profit before tax for the years ended December 31, 2020 and 2019, respectively.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2021

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a) and (r))	$ 194,591	3	481,515	6
1150	Notes receivable, net (note 6(c) and (r))	17,652	-	15,070	-
1161	Notes receivable due from related parties (note 6(c), (r) and 7)	-	-	929	-
1170	Accounts receivable, net (note 6(c) and (r))	778,724	9	821,329	10
1180	Accounts receivable due from related parties, net (note 6(c), (r) and 7)	86,155	1	50,558	1
1200	Other receivables, net (note 6(r) and 7)	91,464	1	51,926	1
130X	Inventories (note 6(d))	1,016,308	12	796,905	9
1410	Prepayments	24,139	-	19,860	-
1470	Other current assets (note 6(h))	4,465	-	730	-
		2,213,498	26	2,238,822	27
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b) and (r))	-	-	55,040	1
1550	Investments accounted for using equity method, net (note 6(e))	3,403,670	40	3,387,234	39
1600	Property, plant and equipment (note 6(f))	2,558,085	30	2,365,773	28
1760	Investment property, net (note (g))	114,163	1	77,070	1
1780	Intangible assets	34,591	-	26,607	-
1840	Deferred tax assets (note 6(l))	43,940	1	26,316	-
1915	Prepayments for business facilities	4,975	-	201,259	2
1920	Refundable deposits paid (note 6(r))	19,696	-	28,089	-
1981	Cash surrender value of life insurance (note 6(r))	-	-	13,657	-
1984	Other non-current financial assets (note 6(h), (r) and 8)	151,193	2	152,421	2
1990	Other non-current assets (note 6(h))	10,936	-	7,935	-
		6,341,249	74	6,341,401	73
	Total assets	$ **8,554,747**	**100**	**8,580,223**	**100**

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(i) and (r))	$ 1,650,000	19	1,450,000	17
2130	Contract liabilities-current(note 6(o) and 7)	15,495	-	12,177	-
2150	Notes payable (note 6(r))	1,922	-	720	-
2170	Accounts payable (note 6(r))	150,648	2	173,265	2
2230	Current tax liabilities	94,049	1	179,287	2
2200	Other payables (note 6(p) and (r))	414,126	5	472,716	6
2300	Other current liabilities	20,256	-	24,323	-
2320	Long-term liabilities, current portion (note 6(j) and (r))	-	-	350,000	4
		2,346,496	27	2,662,488	31
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(j) and (r))	400,000	5	-	-
2570	Deferred tax liabilities (note 6(l))	271,826	3	282,077	3
2640	Net defined benefit liability, non-current (note 6(k))	45,500	1	56,109	1
2645	Guarantee deposits received (note 6(r) and 7)	3,559	-	3,559	-
2650	Credit balance of investments accounted for using equity method (note 6(e))	35,332	-	4,206	-
2670	Other non-current liabilities	2,268	-	1,148	-
		758,485	9	347,099	4
	Total liabilities	3,104,981	36	3,009,587	35
	Equity (note 6(m)):				
3100	Capital stock	2,486,500	29	2,486,500	29
3200	Capital surplus (note 6(e))	337,997	4	338,514	4
3310	Legal reserve	1,093,808	13	1,003,556	12
3320	Special reserve	110,154	2	110,154	1
3350	Unappropriated retained earnings	1,555,016	18	1,591,777	19
3400	Other equity interest	(133,709)	(2)	40,135	-
	Total equity	5,449,766	64	5,570,636	65
	Total liabilities and equity	$ **8,554,747**	**100**	**8,580,223**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(o) and 7)**	$ 3,721,161	100	4,044,660	100
5000	**Operating costs (note 6(d), (k) and 12)**	1,508,605	41	1,453,178	36
	Gross profit	2,212,556	59	2,591,482	64
5910	Less:Unrealized profit (loss) from sales	23,316	1	24,488	1
5920	Add:Realized profit (loss) from sales	21,870	1	10,400	-
	Gross profit, net	2,211,110	59	2,577,394	63
6000	**Operating expenses (note 6(k) and 12):**				
6100	Selling expenses	799,945	21	850,894	21
6200	Administrative expenses (note 6(p))	287,363	7	285,133	7
6300	Research and development expenses	216,594	6	231,026	6
6450	Reversal of expected credit losses (note 6(c))	-	-	(5,500)	-
		1,303,902	34	1,361,553	34
	Net operating income	907,208	25	1,215,841	29
	Non-operating income and losses (note 6(q) and 7):				
7100	Interest income	1,126	-	2,495	-
7010	Other income	16,818	1	14,808	-
7020	Other gains and losses, net	17,842	1	(32,125)	(1)
7050	Finance costs, net	(17,358)	(1)	(14,717)	-
7070	Share of profit (loss) of subsidiaries and associates accounted for using equity method, net (note 6(e))	203,819	5	(3,633)	-
		222,247	6	(33,172)	(1)
	Profit before tax	1,129,455	31	1,182,669	28
7950	Less: Income tax expenses (Note 6(l))	205,277	6	282,588	7
	Profit for the period	924,178	25	900,081	21
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans (note 6(k))	7,920	-	2,438	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	15,132	-	6,320	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	23,052	-	8,758	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation	(82,635)	(2)	(29,894)	(1)
8380	Share of other comprehensive (loss) income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(6,829)	-	10,880	-
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	16,480	1	6,008	-
	Components of other comprehensive income that may be reclassified to profit or loss	(72,984)	(1)	(13,006)	(1)
8300	**Other comprehensive loss for the period, net of tax**	(49,932)	(1)	(4,248)	(1)
	Total comprehensive loss for the period	**$ 874,246**	**24**	**895,833**	**20**
	Earnings per share, net of tax (note 6(n))				
	Basic earnings per share	**$**	**3.72**		**3.62**
	Diluted earnings per share	**$**	**3.71**		**3.61**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Share capital		Retained earnings			Total other equity interest			
							Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		Total other equity interest	Total equity
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
Profit for the period	-	-	-	-	900,081	-	-	-	900,081
Other comprehensive income	-	-	-	-	2,438	(24,030)	17,344	(6,686)	(4,248)
Total comprehensive income	-	-	-	-	902,519	(24,030)	17,344	(6,686)	895,833
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	146,138	-	(146,138)	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	(1,118,925)
Other changes in capital surplus:									
Changes in equity of investments accounted for using equity method	-	(10,305)	-	-	-	-	-	-	(10,305)
Balance on December 31, 2019	2,486,500	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	40,135	5,570,636
Profit for the period	-	-	-	-	924,178	-	-	-	924,178
Other comprehensive income	-	-	-	-	7,920	(65,887)	8,035	(57,852)	(49,932)
Total comprehensive income	-	-	-	-	932,098	(65,887)	8,035	(57,852)	874,246
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	90,252	-	(90,252)	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(994,599)	-	-	-	(994,599)
Other changes in capital surplus:									
Changes in equity of investments accounted for using equity method	-	(517)	-	-	-	-	-	-	(517)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	115,992	-	(115,992)	(115,992)	-
Balance on December 31, 2020	**$ 2,486,500**	**337,997**	**1,093,808**	**110,154**	**1,555,016**	**(146,611)**	**12,902**	**(133,709)**	**5,449,766**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

		2020	2019
Cash flows from (used in) from operating activities:			
Profit before tax	$	1,129,455	1,182,669
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		132,489	129,693
Amortization expense		5,226	6,505
Reversal of allawance for expected credit losses		-	(5,500)
Interest expense		17,358	14,717
Interest income		(1,126)	(2,495)
Share of (profit) loss of investments accounted for using equity method		(203,819)	3,633
Loss on disposal of property, plant and equipment		321	535
Impairment loss and remeasurement profit on non-financial assets		-	58,349
Unrealized profit from sales		23,316	24,488
Realized profit from sales		(21,870)	(10,400)
Gain from lease modification		(7)	-
Amortization of deferred profit		(2,917)	-
Total adjustments to reconcile profit (loss)		(51,029)	219,525
Changes in operating assets and liabilities:			
Notes receivable		(1,653)	4,175
Accounts receivable		7,008	(87,158)
Other receivable		30,462	29,475
Inventories		(219,403)	(93,772)
Other current assets		(8,014)	5,759
Total changes in operating assets		(191,600)	(141,521)
Current contract liabilities		3,318	6,840
Notes payable		1,202	(1,677)
Accounts payable		(22,617)	33,325
Other payable		(61,023)	66,698
Other current liabilities		(4,675)	(8,752)
Net defined benefit liability		(2,689)	88
Total changes in operating liabilities		(86,484)	96,522
Total changes in operating assets and liabilities		(278,084)	(44,999)
Total adjustments		(329,113)	174,526
Cash inflow generated from operations		800,342	1,357,195
Interest received		1,126	2,495
Dividends received		59,964	65,002
Interest paid		(17,495)	(14,902)
Income taxes paid		(301,910)	(239,252)
Net cash flows from operating activities		542,027	1,170,538
Cash flows from (used in) from investing activities:			
Proceeds from disposal of financial assets at fair value through other comprehensive income		70,172	-
Acquisition of investments accounted for using equity method		-	(336,353)
Acquisition of property, plant and equipment		(155,962)	(44,934)
Proceeds from disposal of property, plant and equipment		13	18
Decrease (increase) in refundable deposits		8,393	(5,767)
Acquisition of intangible assets		(13,210)	(640)
Acquisition of investment properties		-	(140)
Decrease in other financial assets		1,228	8,553
Increase in prepayments for business facilities		(789)	(28,425)
Decrease in other non-current assets		10,656	35,131
Net cash flows used in investing activities		(79,499)	(372,557)
Cash flows from (used in) financing activities:			
Increase in short-term loans		5,400,000	7,700,000
Decrease in short-term loans		(5,200,000)	(7,400,000)
Proceeds from long-term debt		700,000	-
Repayments of long-term debt		(650,000)	-
Increase in guarantee deposits received		-	440
Payment of lease liabilities		(4,888)	(3,596)
Cash dividends paid		(994,599)	(1,118,925)
Net cash flows used in financing activities		(749,487)	(822,081)
Effect of exchange rate changes on cash and cash equivalents		35	-
Net decrease in cash and cash equivalents		(286,924)	(24,100)
Cash and cash equivalents at beginning of period		481,515	505,615
Cash and cash equivalents at end of period	$	**194,591**	**481,515**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

For the years ended December 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 activity of the Company is producing a variety of pharmaceuticals and chemical drugs. Please refer to Note 14.

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

The financial statements were authorized for issue by the Board of Directors on March 19, 2021.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform －Phase 2"

(Continued)

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
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.	January 1, 2023

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

Except for the above standard, the Company does not expect the following new and amended standards, which have yet been endorsed by the FSC, would have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currencies transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the transaction dates. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are re-translated at the exchange rate prevailing at reporting date; non-monetary items denominated in foreign currencies held at fair value are re-translated at the exchange rate prevailing at the determined date of fair value. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the transaction date.

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

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

3) Impairment of financial assets

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

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than it's payment term;

(Continued)

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

Impairment provision for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investment in associates

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

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

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

(Continued)

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

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

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

(i) Subsidiaries

The subsidiaries in which the Company holds a controlling interest are accounted for under the equity method in the non-consolidated financial statements. Under the equity method, the net income, other comprehensive income, and equity in the non-consolidated financial statements are the same as those attributable to the owners of the parent in the consolidated financial statements.

Changes in ownership of the subsidiaries are recognized as equity transactions.

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

(j) Investment property

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(iv) Reclassification as investment property

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(l) Lease

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

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

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

However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payments;

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

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

— payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

— there is any lease modifications

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

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

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

(Continued)

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

(iii) As a leasor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

(m) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Patents and franchise 10 years

2) Computer software cost 2-7 years

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

(n) Impairment of non-financial assets

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

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

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

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

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

Impairment loss of goodwill previously recognized shall not be reversed in the following years. Except for goodwill, when the circumstances for recognizing impairment loss for a non-financial asset in prior years no longer exist, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not recognized.

(o) Cash surrender value of life insurance

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

(p) Provisions

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

(Continued)

(q) Revenue recognition

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

1) Sale of goods

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

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

2) Authorization revenue

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

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

3) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

(Continued)

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

2) Costs to fulfil a contract

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

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

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

c) the costs are expected to be recovered.

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Other long-term employee benefits

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

(iv) Short-term employee benefits

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

(s) Income taxes

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

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

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

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

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

(Continued)

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

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

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

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

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

1) the same taxable entity; or

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

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

(t) Earnings per share

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

(u) Operating segments

Please refer to the consolidated financial statements of TTY Biopharm Company Limited for the years ended December 31, 2020 and 2019.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 2,041	2,308
Cash in banks	192,550	466,292
Time deposits	-	12,915
	$ 194,591	**481,515**

(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.

(iii) Please refer to Note 6(r) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

	December 31, 2020	December 31, 2019
Equity instrument measured at fair value through other comprehensive income:		
Domestic common stock－Lumosa Therapeutics Co., Ltd.	**$ -**	**55,040**

(i) The Company holds such equity instrument as long-term strategic investment that is not held for trading purposes; thus, it is categorized as equity instrument measured at fair value through other comprehensive income.

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(ii) As part of its strategy, the Company sold its shares amounting to $70,172 thousand, resulting in a gain of $60,124 thousand, which was reclassified from other comprehensive income to retained earnings for the year ended December 31, 2020.

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

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

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

		December 31, 2020	December 31, 2019
Notes receivables	$	17,652	15,070
Notes receivables–related parties		-	929
Accounts receivables		799,508	842,113
Accounts receivables–related parties		86,155	50,558
Less: Allowance for expected credit losses		(20,784)	(20,784)
	$	882,531	887,886

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

	December 31, 2020			
		Face value of notes and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	$	883,629	0%~1%	3,216
Past due less than 90 days		2,229	4%~6%	111
Past due more than 181 days		17,457	100%	17,457
	$	903,315		20,784

	December 31, 2019			
		Face value of notes and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	$	877,930	0%~1%	1,038
Past due less than 90 days		11,506	4%~6%	518
Past due 91-180 days		15	55%~60%	9
Past due more than 181 days		19,219	100%	19,219
	$	908,670		20,784

(Continued)

TTY BIOPHARM COMPANY LIMITED
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The movement in the allowance for expected credit loss were as follows:

	For the Years Ended December 31 2020	2019
Balance at January 1	$ 20,784	26,284
Reversal of expected credit losses	-	(5,500)
Balance at December 31	**$ 20,784**	**20,784**

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

(d) Inventories

	December 31, 2020	December 31, 2019
Merchandise	$ 244,732	246,459
Finished goods	311,059	147,440
Work in process	82,882	125,802
Raw materials	284,067	158,831
Materials	56,892	36,514
Subtotal	979,632	715,046
Goods in transit	108,821	123,244
Total	1,088,453	838,290
Less: Allowance for inventory market decline and obsolescence	(72,145)	(41,385)
Net amount	**$ 1,016,308**	**796,905**

(i) The details of operating costs were as follows:

	For the years ended December 31, 2020	2019
Inventories have been sold	$ 1,469,050	1,434,661
Costs of service	55	3,447
Write-down of inventories from cost to net realizable value	30,760	4,009
Disposal of inventories	8,740	11,061
	$ 1,508,605	**1,453,178**

(ii) As of December 31, 2020 and 2019, the aforesaid inventories were not pledged as collateral.

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(e) Investments accounted for using equity method

The Company’s financial information for equity-accounted investees at the reporting date was as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	$ 2,146,175	2,281,983
Associates	1,222,163	1,101,045
	$ 3,368,338	3,383,028

(i) Subsidiaries

Please refer to the consolidated financial report for the years ended December 31, 2020 and 2019.

(ii) Associates

1) As of December 31, 2020 and 2019, the associate which the Company invested had a quoted market price as follows:

	December 31, 2020	December 31, 2019
Carrying amount	$ 877,057	782,858
Fair value	$ 1,497,688	1,771,876

2) For the years ended December 31, 2020 and 2019, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, repurchased and cancelled the treasury stocks, which resulted in a change in the shareholding ratio, and such change was debit of $517 thousand and $10,305 thousand, respectively, to its capital reserve. In September 2019, the Company acquired 2.06% of the shares of PharmaEngine, Inc. for $237,461 thousand in cash. For the years ended December 31, 2020 and 2019, the Company’s shareholding ratio rose from 17.76% to 17.77% and rose from 15.52% to 17.76%, respectively.

3) In 2019, the Company acquired 10.58% of Chuang Yi Biotech Co., Ltd.’s shares for $98,892 thousand in cash. For the year ended December 31, 2019, the Company obtained control over Chuang Yi Biotech Co., Ltd. ,which eventually became one of the Company’s subsidiaries, resulting in the Company to recognize the loss of $58,349 thousand. For the year ended December 31, 2019, the Company’s shareholding ratio rose from 27.54% to 38.12%.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iii) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership December 31, 2020	Equity ownership December 31, 2019
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	17.77 %	17.76 %

The following was the summary of financial information on the Company'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.

	December 31, 2020	December 31, 2019
Current assets	$ 4,169,858	3,578,332
Non-current assets	37,053	65,060
Current liabilities	(184,462)	(138,443)
Non-current liabilities	(11,316)	(21,954)
Net assets	**$ 4,011,133**	**3,482,995**
Net assets attributable to non-controlling interests	**$ 712,779**	**618,580**
Net assets attributable to investee owners	**$ 3,298,354**	**2,864,415**

	For the years ended December 31, 2020	For the years ended December 31, 2019
Revenue	**$ 1,056,012**	**314,040**
Profit for the period	$ 604,281	42,550
Other comprehensive income (loss)	1,587	(220)
Comprehensive income	**$ 605,868**	**42,330**
Comprehensive income attributable to non-controlling interests	**$ 107,655**	**5,107**
Comprehensive income attributable to investee owners	**$ 498,213**	**37,223**

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	For the years ended December 31, 2020	2019
Net assets attributable to the Company, January 1	$ 618,580	573,462
Changes in capital surplus of affiliated companies for the period	(517)	(10,305)
Comprehensive income attributable to the Company for the period	107,655	5,107
Cash dividends received from associates	(12,939)	(22,867)
Acquisition of investments for the period	-	73,183
Net assets attributable to the Company, December 31	712,779	618,580
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, December 31	$ **877,057**	**782,858**

(iv) Summary financial information on individually insignificant associates

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

	December 31, 2020	December 31, 2019
Carrying amount of interest in individually insignificant associates	$ **345,106**	**318,187**

	For the years ended December 31, 2020	2019
Attributable to the Company:		
Profit for the period	$ 55,492	46,019
Other comprehensive (loss) income	(23,124)	13,928
Comprehensive income	$ **32,368**	**59,947**

(v) Collateral

As of December 31, 2020 and 2019 the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Construction in progress	Total
Cost:							
Balance on January 1, 2020	$ 810,323	1,303,013	663,520	5,755	484,653	149,785	3,417,049
Additions	117,345	12,003	15,001	-	20,682	124	165,155
Disposals	-	(4,721)	(1,346)	(154)	(6,649)	-	(12,870)
Reclassifications	(30,617)	(13,522)	20,956	-	2,699	173,418	152,934
Balance on December 31, 2020	$ **897,051**	**1,296,773**	**698,131**	**5,601**	**501,385**	**323,327**	**3,722,268**

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	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Construction in progress	Total
Balance on January 1, 2019	$ 810,323	1,290,633	660,975	5,755	456,259	148,911	3,372,856
Additions	-	12,141	6,216	-	19,279	15,035	52,671
Disposals	-	(3,316)	(6,566)	-	(3,031)	-	(12,913)
Reclassifications	-	3,555	2,895	-	12,146	(14,161)	4,435
Balance on December 31, 2019	**$ 810,323**	**1,303,013**	**663,520**	**5,755**	**484,653**	**149,785**	**3,417,049**
Depreciation:							
Balance on January 1, 2020	$ -	375,314	340,061	3,500	332,401	-	1,051,276
Depreciation for the year	-	62,853	37,732	899	30,238	-	131,722
Disposals	-	(4,721)	(1,318)	(135)	(6,362)	-	(12,536)
Reclassifications	-	(6,279)	-	-	-	-	(6,279)
Balance on December 31, 2020	**$ -**	**427,167**	**376,475**	**4,264**	**356,277**	**-**	**1,164,183**
Balance on January 1, 2019	$ -	315,241	310,602	2,606	305,853	-	934,302
Depreciation for the year	-	63,389	35,764	894	29,287	-	129,334
Disposals	-	(3,316)	(6,305)	-	(2,739)	-	(12,360)
Balance on December 31, 2019	**$ -**	**375,314**	**340,061**	**3,500**	**332,401**	**-**	**1,051,276**
Carrying amounts:							
Balance on December 31, 2020	**$ 897,051**	**869,606**	**321,656**	**1,337**	**145,108**	**323,327**	**2,558,085**
Balance on January 1, 2019	**$ 810,323**	**975,392**	**350,373**	**3,149**	**150,406**	**148,911**	**2,438,554**
Balance on December 31, 2019	**$ 810,323**	**927,699**	**323,459**	**2,255**	**152,252**	**149,785**	**2,365,773**

(i) Collateral

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

(ii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $323,327 thousand, and there were no capitalized loan cost for the years ended December 31, 2020 and 2019.

(g) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance on January 1, 2020	$ 69,152	15,666	84,818
Reclassification from property, plant and equipment	30,617	13,522	44,139
Balance on December 31, 2020	**$ 99,769**	**29,188**	**128,957**
Balance on January 1, 2019	$ 69,152	15,526	84,678
Additions	-	140	140
Balance on December 31, 2019	**$ 69,152**	**15,666**	**84,818**

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

	Land	Building and construction	Total
Depreciation and impairment loss:			
Balance on January 1, 2020	$ -	7,748	7,748
Depreciation	-	767	767
Reclassification from property, plant and equipment	-	6,279	6,279
Balance on December 31, 2020	**$ -**	**14,794**	**14,794**
Balance on January 1, 2019	$ -	7,389	7,389
Depreciation	-	359	359
Balance on December 31, 2019	**$ -**	**7,748**	**7,748**
Carrying amount:			
Balance on December 31, 2020	**$ 99,769**	**14,394**	**114,163**
Balance on January 1, 2019	**$ 69,152**	**8,137**	**77,289**
Balance on December 31, 2019	**$ 69,152**	**7,918**	**77,070**
Fair value:			
Balance on December 31, 2020			**$ 273,606**
Balance on December 31, 2019			**$ 165,606**

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

(ii) As of December 31, 2020 and 2019, the Company's investment properties were not pledged as collateral.

(h) Other financial assets and other assets

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

	December 31, 2020	December 31, 2019
Other non-current financial assets	$ 151,193	152,421
Long-term prepayments	10,936	7,935
Others	4,465	730
	$ 166,594	**161,086**

(i) Other non-current financial assets was 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 Company's information on collateral.

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(i) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ 1,650,000	1,450,000
Unused credit lines	$ 1,178,789	1,077,017
Range of interests rates	0.77%~0.88%	0.86%~0.98%

Please refer to Note 6(r) for the Company's information of to interest and credit risk exposure.

(j) Long-term loans

The long-term loans were summarized as follows:

	December 31, 2020			
	Currency	Interest rate	Maturity	Amount
Unsecured bank loans	NTD	0.987%	2022	$ 400,000
Less: Current portion				-
Total				$ 400,000
Unused credit lines				$ 300,000

	December 31, 2019			
	Currency	Interest rate	Maturity	Amount
Unsecured bank loans	NTD	1.146%~1.180%	2020	$ 350,000
Less: Current portion				(350,000)
Total				$ -
Unused credit lines				$ 450,000

(k) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 105,341	123,179
Fair value of plan assets	(59,841)	(67,070)
Net defined benefit liabilities	$ 45,500	56,109

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

The Company's employee benefit liabilities were as below:

	December 31, 2020	December 31, 2019
Vacation liability	$ 7,138	7,138

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

1) Composition of plan assets

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

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $59,841 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations of the Company were as follows:

	For the years ended December 31,	
	2020	2019
Defined benefit obligation, January 1	$ 123,179	122,955
Current service costs and interest	1,604	2,253
Remeasurement gain arising from:		
—Financial assumptions	2,715	3,264
—Experience adjustment	(8,429)	(3,375)
Benefits paid	(13,728)	(1,918)
Defined benefit obligations, December 31	$ 105,341	123,179

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3) Movements in the fair value of defined benefit plan assets

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

	For the years ended December 31, 2020	2019
Fair value of plan assets, January 1	$ 67,070	64,496
Interest revenue	467	632
Remeasurement loss (gain)		
—Return on plan assets excluding interest income	2,206	2,326
Contributions made	3,826	1,534
Benefits paid	(13,728)	(1,918)
Fair value of plan assets, December 31	**$ 59,841**	**67,070**

4) Expenses recognized in profit or loss

The Company' s pension expenses recognized in profit or loss for the years ended December 31, 2020 and 2019, were as follows:

	For the years ended December 31, 2020	2019
Current service cost	$ 727	1,029
Net interest of net liabilities for defined benefit obligation	410	592
	$ 1,137	**1,621**
Operating costs	$ 373	536
Selling expenses	351	498
Administrative expenses	178	255
Research and development expenses	235	332
	$ 1,137	**1,621**

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

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	For the years ended December 31, 2020	2019
Accumulated amount, January 1	$ 8,301	10,739
Recognized during the year	(7,920)	(2,438)
Accumulated amount, December 31	**$ 381**	**8,301**

(Continued)

6) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.47 %	0.74 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $4,373 thousand.

The weighted average lifetime of the defined benefit plan is 3 years.

7) Sensitivity analysis

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

		Influences of defined defined benefit obligation	
		Increased	Decreased
December 31, 2020			
Discount rate (Fluctuation of 0.25%)	$	(2,132)	2,199
Future salary increasing rate (Fluctuation of 0.25%)		1,883	(1,838)
December 31, 2019			
Discount rate (Fluctuation of 0.5%)	$	(4,784)	5,105
Future salary increasing rate (Fluctuation of 0.5%)		4,407	(4,189)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $31,558 thousand and $24,146 thousand for the years ended December 31, 2020 and 2019, respectively.

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Notes to the Financial Statements

(l) Income taxes

(i) Income tax expense

The components of income tax for the years ended December 31, 2020 and 2019 were as follows:

		For the years ended December 31,	
		2020	2019
Current tax expense			
Current period	$	217,408	278,214
Adjustment for prior periods		(736)	(778)
		216,672	277,436
Deferred tax expense			
Origination and reversal of temporary differences		(11,395)	5,152
Income tax expense	$	205,277	282,588

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 was as follows:

		For the years ended December 31,	
		2020	2019
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	$	16,480	6,008

Reconciliation of income tax and profit before tax for the years ended December 31, 2020 and 2019 is as follows:

		For the years ended December 31,	
		2020	2019
Profit before income tax	$	1,129,455	1,182,669
Income tax using the Company's domestic tax rate	$	225,891	236,534
Share of profit of investments accounted for using equity method		(39,167)	2,214
Non-deductible expenses		13,222	25,727
Change in provision in prior periods		(736)	(778)
Undistributed earnings additional tax		-	9,609
Others		6,067	9,282
	$	205,277	282,588

(Continued)

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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2020 and 2019. Also, management considers in probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investments in subsidiaries	$ (390,051)	(390,051)
Unrecognized deferred tax liabilities	$ (78,010)	(78,010)

2) Recognized deferred tax assets and liabilities

Changes is the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	Gain on foreign investments	Reserve for land revaluation increment tax	Total
Deferred tax liabilities:			
Balance on January 1, 2020	$ 221,206	60,871	282,077
Recognized in profit or loss	6,229	-	6,229
Recognized in other comprehensive income	(16,480)	-	(16,480)
Balance on December 31, 2020	**$ 210,955**	**60,871**	**271,826**
Balance on January 1, 2019	$ 217,829	60,871	278,700
Recognized in profit or loss	9,385	-	9,385
Recognized in other comprehensive income	(6,008)	-	(6,008)
Balance on December 31, 2019	**$ 221,206**	**60,871**	**282,077**

	Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:				
Balance on January 1, 2020	$ 6,855	8,277	11,184	26,316
Recognized in profit or loss	(538)	6,152	12,010	17,624
Balance on December 31, 2020	**$ 6,317**	**14,429**	**23,194**	**43,940**
Balance on January 1, 2019	$ 6,868	7,475	7,740	22,083
Recognized in profit or loss	(13)	802	3,444	4,233
Balance on December 31, 2019	**$ 6,855**	**8,277**	**11,184**	**26,316**

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iii) Assessment of tax

The Company's income tax returns for the years through 2017 was assessed by the Taipei National Tax Administration, in which the year 2016 has not been approved.

(m) Capital and other equity

As of December 31, 2020 and 2019, the number of authorized ordinary shares were 350,000,000 shares with par value of $10 per share and the total value of authorized ordinary shares amounted to $3,500,000 thousand. The paid-in capital were both $2,486,500 thousand.

(i) Capital surplus

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

	December 31, 2020	December 31, 2019
Share capital	$ 484	484
Long term investment	337,513	338,030
	$ 337,997	**338,514**

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

(ii) Retained earnings

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

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

1) Legal reserve

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

(Continued)

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 thousand and unrealized revaluation increments of $27,725 thousand. The special reserve appropriated can be reversed to the extent that the net debit balance reverses.

In accordance with the aforesaid Ruling, a special reserve is set aside from the current year's net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions.As of December 31, 2020 and 2019, the special reserve appropriated from the undistributed earnings both amounted to $110,154 thousand .

3) Earnings distribution

On June 12, 2020 and June 25, 2019, the general meeting of shareholders resolved to appropriate 2019 and 2018 earnings, respectively. The appropriation and dividends per share were as follows:

	2019		2018	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 4.00	**994,599**	4.50	**1,118,925**

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2020	$ (80,724)	120,859	40,135
Exchange differences on foreign operations	35	-	35
Share of exchange differences of subsidiaries and associates accounted for using equity method	(65,922)	-	(65,922)
Unrealized gains and losses on financial assets measured at fair value through other comprehensive income	-	15,132	15,132
Disposal of investments in equity instruments at fair value through other comprehensive income losses	-	(115,992)	(115,992)
Unrealized losses from financial assets measured at fair value through other comprehensive income, subsidiaries and associates accounted for using equity method	-	(7,097)	(7,097)
Balance on December 31, 2020	**$ (146,611)**	**12,902**	**(133,709)**

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2019	$ (56,694)	103,515	46,821
Share of exchange differences of subsidiaries and associates accounted for using equity method	(24,030)	-	(24,030)
Unrealized gains and losses on financial assets measured at fair value through other comprehensive income	-	6,320	6,320
Unrealized gains from financial assets measured at fair value through other comprehensive income, subsidiaries and associates accounted for using equity method	-	11,024	11,024
Balance on December 31, 2019	**$ (80,724)**	**120,859**	**40,135**

(n) Earnings per share

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

	For the years ended December 31, 2020	2019
Basic earnings per share		
Profit attributable to ordinary shareholders	**$ 924,178**	**900,081**
Weighted average number of ordinary shares	248,650	248,650
	$ 3.72	**3.62**
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	**$ 924,178**	**900,081**
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	413	349
Weighted average number of ordinary shares (diluted)	**249,063**	**248,999**
	$ 3.71	**3.61**

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2020			
	Oncology Business Unit	Health Care Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Total
Primary geographical markets:				
Taiwan	$ 2,192,976	212,627	986,895	3,392,498
European countries	12,200	-	-	12,200
Other countries	313,906	-	2,557	316,463
	$ 2,519,082	**212,627**	**989,452**	**3,721,161**

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

	For the year ended December 31, 2020				
		Oncology Business Unit	Health Care Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Total
Major products/services lines:					
Medicine and functional food	$	2,445,507	212,627	987,833	3,645,967
Services		21,659	-	1,619	23,278
Roylaty		51,916	-	-	51,916
	$	**2,519,082**	**212,627**	**989,452**	**3,721,161**

	For the year ended December 31, 2019				
		Oncology Business Unit	Health Care Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Total
Primary geographical markets:					
Taiwan	$	2,249,496	229,488	785,891	3,264,875
European countries		418,933	-	-	418,933
Other countries		324,706	35,378	768	360,852
	$	**2,993,135**	**264,866**	**786,659**	**4,044,660**
Major products/services lines:					
Medicine and functional food	$	2,881,233	264,866	786,659	3,932,758
Services		25,932	-	-	25,932
Roylaty		85,970	-	-	85,970
	$	**2,993,135**	**264,866**	**786,659**	**4,044,660**

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liability balances	$ **15,495**	**12,177**	**5,337**

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

The beginning balance of contract liability recognized as revenue for the years ended December 31, 2020 and 2019 were $6,223 thousand and $3,287 thousand, respectively.

(p) Employee compensation and directors' remuneration

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

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For the years ended December 31, 2020 and 2019, the Company estimated its employee compensation both amounted to $23,195 thousand, and directors' remuneration both amounted to $14,950 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the compensation to employees and remuneration to directors of each period, multiplied by the percentage of compensation to employees and remuneration to directors as specified in the Company's articles. These compensations and remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distrbutions for 2020 and 2019.

(q) Non-operating income and expenses

(i) Interest income

The details of total interest income for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	**2019**
Interest income	$ 1,126	2,495

(ii) Other income

The details of other income for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	**2019**
Rent revenue	$ 16,818	14,808

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	**2019**
Losses on disposal of property, plant and equipment	$ (321)	(535)
Gains on disposal of investments (Note)	-	22,255
Foreign exchange losses	(7,371)	(11,533)
Impairment losses of non-financial assets	-	(80,604)
Other gains and losses	25,534	38,292
	$ 17,842	(32,125)

(Note) As of December 31, 2020, gains or losses on remeasurement of Chuang Yi Biotech Co., Ltd.'s 27.54% shares owned by the Company before business combination at fair value.

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iv) Finance costs

The details of finance costs for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	**2019**
Interest expense	$ 17,243	14,643
Other finance costs	115	74
	$ 17,358	**14,717**

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum amount exposed to credit risk. Such maximum credit exposure on December 31, 2020 and 2019, amounted to $903,315 thousand and $908,670 thousand, respectively.

2) Concentrations of credit risk

In order to lower the credit risk on accounts receivable, the Company continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for expected credit loss". Expected credit losses are always within the administrative personnel's expectations. As of December 31, 2020 and 2019, the accounts receivable from the Company's top ten customers represented 15% and 27%, respectively, of accounts receivable.

3) Credit risk of receivables

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

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. With regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(f).

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2020					
Non-derivative financial liabilities					
Bank loans	$ 2,050,000	2,058,463	1,656,173	402,290	-
Non-interest-bearing liabilities (including related parties)	566,696	566,696	566,696	-	-
Guarantee deposit received	3,559	3,559	3,559	-	-
	$ 2,620,255	2,628,718	2,226,428	402,290	-
December 31, 2019					
Non-derivative financial liabilities					
Bank loans	$ 1,800,000	1,803,106	1,803,106	-	-
Non-interest-bearing liabilities (including related parties)	646,701	646,701	646,701	-	-
Guarantee deposit received	3,559	3,559	3,559	-	-
	$ 2,450,260	2,453,366	2,453,366	-	-

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

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 3,370	28.48	95,978	12,568	29.98	376,787
CNY	400	4.377	1,751	4,330	4.31	18,638
JPY	95,362	0.28	26,701	124,946	0.27	34,346
EUR	40	35.02	1,401	405	33.59	13,612
IDR	760,275	0.002	1,521	-	-	-
Nonmonetary items						
USD	48,097	28.48	1,369,812	47,993	29.98	1,438,824
CNY	48,750	4.377	213,378	51,489	4.31	221,659
THB	299,410	0.96	287,434	265,077	1.01	267,728

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY, EUR and IDR as of December 31, 2020 and 2019 would have increased (decreased) the net profit after tax by $1,016 thousand and $3,547 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange loss, including both realized and unrealized, amounted to $7,371 thousand and $11,533 thousand, 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 Company mainly borrows capital at floating interest rates, so the cash flow risk arises from changes in interest rates. The Company'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 Company'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 Company's after-tax net income would have increased/decreased by $1,816 thousand and $595 thousand for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remained constant.

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

(Continued)

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	December 31, 2020				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 194,591	-	-	-	-
Notes and accounts receivable (including related parties)	882,531	-	-	-	-
Other receivables (including related parties)	91,464	-	-	-	-
Other financial asset	151,193	-	-	-	-
Refundable deposits paid	19,696	-	-	-	-
Total	$ 1,339,475	-	-	-	-
Financial liabilities measured at amortized cost					
Bank loans	$ 2,050,000	-	-	-	-
Notes and accounts payable (including related parties)	152,570	-	-	-	-
Other payables (including related parties)	414,126	-	-	-	-
Guarantee deposit received	3,559	-	-	-	-
Total	$ 2,620,255	-	-	-	-

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income					
Domestic stock in listed company at Taipei Exchange	$ 55,040	55,040	-	-	55,040
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 481,515	-	-	-	-
Notes and accounts receivable (including related parties)	887,886	-	-	-	-
Other receivables (including related parties)	51,926	-	-	-	-
Other financial asset	152,421	-	-	-	-
Cash surrender value of life insurance	13,657	-	-	-	-
Refundable deposits paid	28,089	-	-	-	-
	1,615,494	-	-	-	-
Total	$ 1,670,534	55,040	-	-	55,040
Financial liabilities measured at amortized cost					
Bank loans	$ 1,800,000	-	-	-	-
Notes and accounts payable (including related parties)	173,985	-	-	-	-
Other payables (including related parties)	472,716	-	-	-	-
Guarantee deposit received	3,559	-	-	-	-
Total	$ 2,450,260	-	-	-	-

(Continued)

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Notes to the Financial Statements

2) Fair value hierarchy

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

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

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

The financial instrument carried at amortized cost 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.

(Continued)

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2020 and 2019, so there was no transfer between levels.

(s) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

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

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

The Company Audit Committee oversees how management monitors compliance with the Company' s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

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

(Continued)

1) Accounts receivables and other receivables

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

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

2) Investment

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

3) Guarantees

The Company did not provide any endorsement or guarantee as of December 31, 2020 and 2019.

(iv) Liquidity risk

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

(v) Market risk

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

(t) Capital management

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

(Continued)

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

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

The Company monitors funds by regularly reviewing the ratio of assets to liabilities. The Company's capital is the "total equity" listed in the balance sheet, which is also equal to the total assets less the total liabilities.

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

		December 31, 2020	December 31, 2019
Total liabilities	$	3,104,981	3,009,587
Less: cash and cash equivalents		(194,591)	(481,515)
Net debt		2,910,390	2,528,072
Total capital		5,449,766	5,570,636
Adjusted capital	**$**	**8,360,156**	**8,098,708**
Debt to equity ratio		**34.81%**	**31.22%**

(7) Related-party transactions:

(a) Ultimate parent company

The Company is the ultimate parent company.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
TSH Biopharm Co., Ltd.	A Subsidiary
Xudong Haipu International Co., Ltd.	A Subsidiary
Worldco International Co., Ltd.	A Subsidiary
American Taiwan Biopharma Phils Inc.	A Subsidiary
EnhanX Inc.	A Subsidiary
TTY Biopharm Mexico S.A. de C.V.	A Subsidiary
Chuang Yi Biotech Co., Ltd.	A Subsidiary (Note)
American Taiwan Biopharm (Thailand)	An associate
PharmaEngine, Inc.	An associate

(Continued)

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

(c) Significant transactions with related parties

(i) Operating revenue

	For the years ended December 31, 2020	2019
Subsidiaries	$ 178,909	138,250
Associates	66,199	86,248
	$ 245,108	**224,498**

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

2) Prices charged for sales transactions with domestic subsidiaries were based on market quotation. The average credit term for notes and accounts receivable pertaining to such sales transactions was 1-3 months.

(ii) Service revenue

Recognized item	Categor	For the years ended December 31, 2020	2019
Service revenue	Subsidiaries	$ 786	5,475
	Associates	7	-
		$ 793	**5,475**

The transaction terms were discussed and agreed by both sides, and revenue was collected by the stage of completion of the contract.

(iii) Royalty revenue

Recognized item	Category	For the years ended December 31, 2020	2019
Royalty revenue	Subsidiary-Worldco International Co., Ltd.	**$ 50,382**	**51,617**

(iv) Rent revenue

Recognized item	Category	For the years ended December 31, 2020	2019
Rent revenue	Subsidiary-TSH Biopharm Co., Ltd.	$ 4,207	4,167
	Subsidiary-Chuang Yi Biotech Co., Ltd.	3,135	3,137
	Subsidiaries	180	180
		$ 7,522	**7,484**

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

(v) Other gains

Recognized item	Category	For the years ended December 31, 2020	2019
Other gains	Subsidiary-TSH Biopharm Co., Ltd.	$ 5,337	6,111
	Subsidiaries	4,197	1,170
	Associate-American Taiwan Biopharm (Thailand)	12,545	12,562
	Associates	205	932
		$ 22,284	**20,775**

1) The other gains from subsidiaries included warehouse fees, technology service fees, commissioned research expense and bookkeeping fees. Warehouse fees are determined by industry rates, and the payment is received within 60 days after the invoice date. The Company uses cost-plus pricing for technology service fees and commissioned research expense, and the payment is received within 60 days after the invoice date. For the bookkeeping fees, the credit term is 3 months.

2) Based on management services agreements, the associates should pay the Company for development in the pharmaceutical industry or registration of pharmaceutical products. The credit term for the gains from development in the pharmaceutical industry or registration of pharmaceutical products is three months.

(d) Assets and liabilities with related parties

Recognized item	Category	December 31, 2020	December 31, 2019
Notes receivable	Subsidiary	**$ -**	**929**
Accounts receivable	Subsidiary	$ 63,284	22,890
	Associates	22,871	27,668
		$ 86,155	**50,558**

(Continued)

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Recognized item	Category	December 31, 2020	December 31, 2019
Other receivables	Subsidiary-Chuang Yi Biotech Co., Ltd. (Note)	$ 70,321	654
	Subsidiary-American Taiwan Biopharma Phils Inc.	7,283	6,882
	Subsidiaries	1,826	6,135
	Associate-American Taiwan Biopharm (Thailand)	3,515	16,481
		$ 82,945	30,152
Guarantee deposit received	Subsidiary-TSH Biopharm Co., Ltd.	$ 693	693
	Subsidiary-Chuang Yi Biotech Co., Ltd.	522	522
	Subsidiaries	30	30
		$ 1,245	1,245

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

Note: A resolution on participating Chuang Yi Biotech Co., Ltd.'s private funds was passed during the board of directors on June 29, 2020, and the share payment would be offset against authorization fee for drug distribution rights amounted to $70,000 thousand. Relevant legal procedures had been approved and registered by the competent authority.

(e) Key management personnel compensation

	For the years ended December 31, 2020	2019
Salaries and other short-term employee benefits	$ 61,161	70,931
Post-employment benefits	698	685
	$ 61,859	71,616

(8) Pledged assets:

As of December 31, 2020 and 2019, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2020	December 31, 2019
Other financial asset-non-current	Guarantee for provision attachment	$ 149,380	149,380

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Notes to the Financial Statements

(9) Commitments and contingencies:

(a) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $162,960 thousand and $199,815 thousand, and the unpaid amount was $20,143 thousand and $33,425 thousand as of December 31, 2020 and 2019, respectively.

(b) As of December 31, 2020 and 2019, the financial institutions provide guarantee for the sale of medicine amounted to $71,211 thousand and $92,983 thousand, respectively.

(c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the ex-chairman of the Company, Rong-Jin Lin (Mr. 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, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan High Court. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin' s offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperdone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called " Risperidone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29,2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin' s offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called " Risperdone" . On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.

(d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and furthers sought an order that Inopha returns all the benefits it had gained from the agreements. The case is still in progress.

(e) 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. As of December 31, 2020, the amount of contract revenue $21,649 thousand euros has been deposited in the trust account.

(f) With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative actions for declaration of such Contract, as a civil 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, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020.

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Notes to the Financial Statements

(g) 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, was as follows:

By item	For the years ended December 31,					
	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 221,866	451,051	672,917	214,072	453,642	667,714
Health and labor insurance	20,077	33,934	54,011	17,430	31,108	48,538
Pension	11,359	21,336	32,695	9,051	16,716	25,767
Director's remuneration	-	30,101	30,101	-	29,819	29,819
Others	5,914	41,595	47,509	6,597	46,325	52,922
Depreciation	105,251	27,238	132,489	103,758	25,935	129,693
Amortization	405	4,821	5,226	354	6,151	6,505

For the years ended December 31, 2020 and 2019, the information of the number of employees and employee benefit expense was as follows:

	2020	2019
Number of employees	585	576
Number of directors who were not employees	7	7
The average employee benefit	$ 1,396	1,397
The average salaries and wages	$ 1,164	1,173
Percentage of average employee salary expense	(0.77)%	
Remuneration of supervisor	$ -	-

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

The Company’s salary and remuneration policy (including directors, managers and employees) are as follows:

The Articles of Incorporation of the Company stipulates that when directors perform their duties in the Company, remuneration shall be paid no matter whether the Company is in a loss or not. The remuneration of directors shall be determined by the participation and contribution of the directors and may be paid at such level as generally adopted by the enterprises of the same industry. The remuneration of independent directors of the Company is evaluated by the remuneration committee according to the Company’s ”Director’s Remuneration Allocation Method” and approved by the board of directors. Remuneration of general directors is paid in accordance with the Company’s Articles of Incorporation, and no more than 2% for directors’ remuneration when there is profit for the year. The directors’ remuneration is determined based on the ”Board of Directors and Functional Committee Performance Evaluation Methods” of the Company’s to evaluate the overall performance of directors and the board of directors. Items evaluated by the directors include, mastery of the Company goals and tasks, understanding of directors’ responsibilities, participation in company operations, management and communication of internal relationship, professional and continuous education of directors, and internal control. The directors should also give remuneration in resonate with the Company's overall operating performance. Directors of the Company release remuneration based on the Company's operating performance, personal operating participation and evaluation, and the relevance of future risks, it then submit to the board of directors for approval after reviewing the Company’s remuneration policy.

In accordance with the Articles of Incorporation stipulate that if there is a profit in the current year, 0.5% to 10% shall be allocated as employee compensation. The Company’s employee remuneration includes salaries and bonuses. Salary is based on the Company’s “Salary Structure” with reference to peer industry standards and titles, academic (economic) qualifications, professional capabilities, and responsibilities; bonuses are based on employee’s annual performance to evaluated, such as annual work goal achievement rate, core functional indicators (trust and results-oriented, integrity and teamwork, proactive and ambition, and customer-oriented) and management function indicators, etc. The Company has separately formulated a performance standard reward plan, hoping to encourage it employees create greater operating benefits for the company.

(b) The Company donated $39,706 thousand and $45,993 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2020 and 2019, respectively.

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TTY BIOPHARM COMPANY LIMITED
Notes to the 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 Company for the year ended December 31, 2020:

(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	-	-	2.366%	2	-	Operating capital	-	-	-	1,089,953	1,089,953
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	34,176 USD 1,200	-	-	0.5%	2	-	Operating capital	-	-	-	213,378 CNY 48,750	213,378 CNY48,750
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	71,200 USD 2,500	71,200 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	85,352 CNY 19,500	85,352 CNY 19,500

The exchange rate of USD to NTD as of the reporting date is 1:28.48.

The exchange rate of CNY to NTD as of the reporting date is 1:4.377.

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

Note 1): Nature of financing activities is as follows:
1.Trading partner, the number is “1”.
2.Short-term financing, the number is “2”.
Note 2): The total amount for lending to a company shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.
Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.
Note 4): The highest balance of financing to other parties as of December 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 December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income– current	1,765	62,216	1.50 %	62,216	
〃	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	156,250	0.38 %	156,250	
〃	Union Bank of Taiwan Preferred Shares A	-	〃	400	20,720	0.20 %	20,720	
〃	CellMax Ltd. Preferred Stock	-	〃	1,593	49,271	2.03 %	49,271	

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Lumosa Therapeutics Co., Ltd. Common stock	Financial asset measured at fair value through other comprehensive income—non-current	-	-	1,600	55,040	-	-	1,600	70,172	70,172	-	-	-
TSH Biophram Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common stock	Financial asset measured at fair value through other comprehensive income—current	-	-	4,199	144,446	-	-	2,434	111,433	110,940	493	1,765	62,216

(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:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Chuang Yi Biotech Co., Ltd.	Subsidiary	125,036	3.36%	-		122,043	-

(ix) Trading in derivative instruments: None

TTY BIOPHARM COMPANY LIMITED
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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,312,140	(8,168)	(8,168)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	213,378	(10,335)	(10,335)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(2,847)	2,462	2,142	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	625,349	64,969 (Note)	36,517	Subsidiary
The Company	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	30,640	(27,377)	(5,703)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	180,951	180,951	10,282	38.12 %	(32,485)	69,519	26,501	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	17.77 %	877,057	604,281	107,373	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	287,434	93,537	37,415	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	57,672	45,192	18,077	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	53,563	(27,377)	(7,986)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	22,884	(9,002)	(9,002)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	13,822	17,500	50.00 %	17,876	(5,580)	(2,790)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	13,822	17,500	50.00 %	17,876	(5,580)	(2,790)	Subsidiary
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	2,534	(500)	(500)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	4.89 %	5,321	69,519	3,399	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 %	2,910	(1,424)	(1,424)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hongkong) Biotech Co., Ltd.	Hong Kong	Selling functional food	4,734	4,734	1,200	100.00 %	2,341	(370)	(370)	Subsidiary

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

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollar)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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	52,086 CNY 11,900	(2)	88,109 CNY 20,130	-	-	88,109 CNY 20,130	561 CNY 131	100 %	561 CNY 131	48,879 CNY 11,167	-
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	14,240 USD 500	(2)	14,240 USD 500	-	-	14,240 USD 500	(1,334) CNY (312)	100 %	(1,334) CNY (312)	2,805 CNY 642	-

The exchange rate of USD to NTD as of the reporting date is 1:28.48, and the average exchange rate of USD to NTD as of the reporting period is 1:29.588.The exchange rate of CNY to NTD as of the reporting date is 1:4.377, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.275.

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

1.Remittance from third-region companies to invest in Mainland China.

2.Through the establishment of third-region companies, then investing in Mainland China.

3.Through transfer of investment to third-region existing companies, then investing in Mainland China.

4.Other method.

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

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Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 102,349	NTD 1,345,053 (USD 47,228)	NTD 3,269,860

(iii) Significant transactions: None

(d) Major shareholders:

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

(14) Segment information:

Please refer to the consolidated financial report for the years ended December 31, 2020 and 2019.