

# Annual Report 2023



*THIS IS A TRANSLATION OF THE 2021 ANNUAL REPORT (THE "ANNUAL REPORT") OF TTY BIOPHARM COMPANY LIMITED (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.*

**1. Spokesperson**

Name : Chang, Kuo-Chiang  
Title : Chief Financial Officer  
Tel : +886-2-2652-5999#2339  
E-mail : KC\_Chang@tty.com.tw

**2. Deputy Spokesperson 1**

Name : Chen, Shi-Chou  
Title : Senior Manager of Finance Department  
Tel : +886-2-2652-5999#2219  
E-mail : Robert\_Chen@tty.com.tw

**3. Deputy Spokesperson 2**

Name : Yin, Wei-Ying  
Title : Director of Public Affairs Department  
Tel : +886-2-2652-5999#2364  
E-mail : ANNA\_YIN@tty.com.tw

**4. Head Office**

Add : 3F., No.3-1, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)  
Tel : +886-2-2652-5999

**5. Chungli Factory**

Add : No.838, Sec. 1, Zhonghua Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)  
Tel : +886-3-452-2160

**6. Lioudu Factory**

Add : No.5, Gongjian W. Rd., Qidu Dist., Keelung City 206, Taiwan (R.O.C.)  
Tel : +886-2-2451-2466

**7. Neihu Factory**

Add : 5F., No. 118, Xingshan Rd., Neihu Dist., Taipei City 11469, Taiwan (R.O.C.)  
Tel : +886-2-2796-7383

**8. Share Transfer Agency**

Company : Capital Securities Corporation  
Add : B2,No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)  
Tel : +886-2-2702-3999  
Website : <http://agency.capital.com.tw>

**9. Contact information of the Certified Public Accountants for the Latest Financial Report**

Name : Han, Yi-Lien and Chang, Shu-Ying

CPA Firm : KPMG Taiwan

Add : No.7-68, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel : +886-2-8101-6666

Website : <http://www.kpmg.com/tw>

**10. Overseas trade places and the inquiry methods for listed negotiable securities : None.**

**11. Company Website : <http://www.tty.com.tw>**

# Table of Contents

- I. Letter to Shareholders**..... 1
- II. Company Introduction** ..... 7
- III. Corporate Governance Report** ..... 11
  - 1. Organization..... 11
  - 2. Information of Directors, General Manager, Vice General Manager, Vice President and the Respective Departments and Branch Officers ..... 14
  - 3. Implementation of Corporate Governance ..... 41
  - 4. Information on Certified CPAs’ Fees ..... 152
  - 5. Alternation of CPA ..... 153
  - 6. The Company’s Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its CPA or at an Affiliated Enterprise..... 154
  - 7. Transfer & Pledge of Stock Equity by Directors, Managerial Officers and Holders Of 10% or More of Company Shares ..... 155
  - 8. Information on the Top-10 Shareholders Who Are Affiliates or Related as Spouse or Second Cousins ..... 156
  - 9. The Number of Shares Held by The Company, The Company’s Directors, Managers and Its Directly or Indirectly Controlled Business Toward the Same Investment Businesses, as well as the Combined Calculated Shareholding Percentage ..... 157
- IV. Company Shares And Fund Raising**..... 158
  - 1. Company Capital and Shares ..... 158
  - 2. Section on Corporate Bonds, Preferred Shares, Global Depository Receipts, Subscription of Warrants for Employees and Subscription of New Shares for Employee Restricted Stocks ..... 166
  - 3. Issuance of New Shares for Merging and Transferring the Stocks of Other Companies ..... 166
  - 4. Implementation of Fund Usage Plan ..... 166
- V. Operational Highlights**..... 167
  - 1. Business Activities..... 167
  - 2. Production and Sales Status ..... 174
  - 3. Employees..... 181
  - 4. Information on Environmental Protection Costs ..... 181
  - 5. Labor Relations..... 182
  - 6. Information Security Management ..... 191

7. Material Contracts.....	195
<b>VI. Financial Status.....</b>	<b>196</b>
1. Most Recent 5-Year Condensed Financial Information .....	196
2. Most Recent 5-Year Financial Analysis .....	200
3. Most Recent Review Report by Audit Committee.....	204
4. Year 2021 Consolidated Financial Statements with Subsidiaries Audited by CPA .....	205
5. Year 2021 Financial Statements Audited by CPA.....	205
6. The Company Should Disclose the Financial Impact to the Company If the Company and Its Affiliated Companies Have Incurred Any Financial or Cash Flow Difficulties in year 2021 and the Publication Date of the Annual Report .....	205
<b>VII. Financial Analysis .....</b>	<b>344</b>
1. Financial Analysis.....	344
2. Financial Results Analysis.....	345
3. Cash Flow Analysis .....	346
4. Influence on Financial Condition Caused By Prominent Capital Expenditures in the Most Recent Year .....	347
5. Investment Policy in Fiscal Year 2021, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment Plan.....	347
6. Risk Management and Evaluation .....	348
7. Other Important Matters .....	353
<b>VIII. Special Notes.....</b>	<b>354</b>
1. Subsidiaries.....	354
2. The Status of Issuing Private Placement Securities in the Most Recent Year and as of the Publication Date of the Annual Report .....	361
3. Acquisition or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year and as of the Publication Date of the Annual Report .....	361
4. Other Necessary Supplementary Notes .....	361
5. The Occurrence of Any Events as Stated in Section 3 Paragraph 2 Article 36 of the Securities Exchange Act that Had Significant Impacts on Shareholders' Equity or Securities Prices in the Most Recent Year and as of the Publication Date of the Annual Report .....	362

# I. Letter to Shareholders

Dear Ladies and Gentlemen,

TTY Biopharm's journey as a company is inextricably linked to the national economy, human health, and environmental sustainability. In addition to the import and manufacture of high-quality pharmaceuticals, which represents our core business area, we are firmly committed to fulfill our corporate social responsibility. In year 2021, we reformulated our sustainable development strategy to lay out our blueprint for concrete action which is based on our core human-centric philosophy paired with healthy lifestyle as the guiding principle. In accordance with identified issues of concern to stakeholders, our efforts focus on the three major dimensions of "Promotion of Green Transformation", "Realization of a Healthy Society", and "Steady Development of the Company." We also implement concrete action plans encompassing climate action, green operations, innovative R&D, health care, ethical management, risk management, and talent development.

In addition to the establishment of two functional committees (Audit and Remuneration Committees) subordinate to the board of directors according to the law, we have formed a Sustainable Development Committee on our own initiative to facilitate the implementation of corporate sustainability concepts and fulfillment of CSR. As a result of the effective supervision by the board of directors and three functional committees, TTY Biopharm has achieved brilliant results and performance in all three dimensions of ESG.

We are deeply aware of the fact that we must rely on the concerted efforts of all staff members paired with constant advances and improvements to realize our goal of becoming an exceptional transnational pharmaceutical company. On the foundation of a sound governance system, we practice integrity and honesty, implement a legal compliance system, and thereby turn TTY Biopharm into a highly respected enterprise. We will continue to step up our efforts in the field of ESG and intensify intra-industry cooperation with the ultimate goal of creating value for our stakeholders and honoring our pledge to the environment and society.

## **The Company's Business Result for year 2021**

### (1) Business Plan Implementation Result

The Company's consolidated net business revenue for year 2021 reached NT\$4,535,610 thousands, which represents an increase by NT\$313,774 thousands (+7.43%) compared to that of NT \$4,221,836 thousands for year 2020. The increase was mainly caused by the increasing volume of influenza vaccines and manufacturing of COVID-19 vaccines for Medigen Vaccine Biologics Corp. Net profit attributed to the parent company for year 2021 totaled NT\$831,894

thousands which represented a decline by NT\$92,284 thousands (-9.99%) compared to that of NT\$924,178 thousands in year 2020. The decrease was mainly caused by the recognition of penalty of NT 220,000 thousands from Fair Trade Commission. The Company has filed an administrative relief to revoke of this administrative penalty with acceptance by the Court.

(2) Budget Implementation Status

The Company's net business revenue for year 2021 is NT\$ 4,038,636 thousands, Pre-tax net profit is NT\$ 1,082,219 thousands, achieving 99.92% of the annual budget target.

(3) Income & Expenditure and Profitability Analysis

Item		Year	
		2021	2020
Income & Expenditure	Interest Income (in thousands)	442	1,126
	Interest Expenditure (in thousands)	17,288	17,358
Profitability Analysis	Return on Assets %	9.91	10.95
	Return on Equity %	15.67	16.77
	Net Profit Margin %	20.60	24.84
	Earnings Per Share (NTD)	3.35	3.72

(4) Research & Development Status

TTY Biopharm has accumulated professional capabilities in the development and manufacture of drugs and provides comprehensive solutions in the field of drug delivery systems. Dosage development includes development of formulations, analysis methodology and processes, animal testing, functional formulation, GMP manufacturing, and CMC preparation. We are firmly committed to our core philosophy to benefit more patients and maximizing shareholder value.

The Company is actively engaged in the research and development of long-acting microsphere products for the treatment of Acromegaly and functional gastric, intestinal, and pancreatic endocrine tumors. Besides, overseas markets for two liposome products are developed in cooperation with leading international companies. The Company also actively implements relevant procedures for the other products to accelerate access to overseas markets.

Looking forward, the Company shall continue to utilize innovation as its core value, develop strategies based on broad and enhanced technology platform and think strategically to

maintain the Company's competitiveness leading position for the purpose of maximizing respective stakeholders' values.

## **Overview of the year 2022 Business Plan**

### (1) Operation Policy

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

### (2) Quantity and Basis for Projected Sales

In year 2022, the Company expects to sell 333,100 thousands tablets of oral products and 6,250 thousands vials of injection. The Company's projected sales volume has been established in accordance with IQVIA statistic report and under considerations of possible changes in market supply and demand going forward, new product development speed as well as national health insurance policy.

### (3) Critical Production and Marketing Policies

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

With respect to "marketing strategy," we shall continue to evaluate major countries in Asia, global primary markets, and emerging markets in addition to our in-depth exploration of Taiwan market. Exploration of TTY product revenue and brand efficiency will be conducted through management of direct sales and strategic partner collaboration. As for "Research & Development Strategy," we shall continue to enhance the development of specialty pharma platform. In the meantime, we shall balance our needs for short/medium/long term R&D and be engaged in aggressive and cautious search for and assessment of licensing-in and development

targets in a bid to enhance product assortments for respective business divisions in the Company. With respect to “Production Strategy,” we shall continue to establish and maintain drug manufacturing bases meeting international quality requirements, purchase manufacturing equipment, and enhance production capacity planning which comes with flexibility and economies of scale for the purpose of ensuring our cost and competitive advantages.

### **The Company’s Future Development Strategy**

Corporate Vision: “Enhance Human Life Quality with Technology”

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

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

- (1) Balanced evaluations and investment over early/middle/final phase drug development targets for the purpose of enhancing product assortments and competency (specialty pharma, biopharma, new drug) and sustaining this organization’s short/long term growth momentum and integration of value chain;
- (2) Collaboration with international cooperation partners in order to speed up development for specialty pharma and new drugs which come with unmet medical needs, high entry barrier (technology, manufacturing) and high drug economic values;
- (3) Development of specialty pharma through competitive in-house and joint developments and concentration in an ongoing basis on the implementation of “localized” business activities and life cycle management “best suited for local community” in respective target markets;
- (4) Establishment, renewal and maintenance of drug manufacturing bases which comply with international quality standards and requirements for the purpose of creating stable operation patterns for Contract Development and Manufacturing Organization (CDMO) and adding

values to TTY international business development;

- (5) Enhance production capacity and supply chain management and complete optimal integration and management encompassing from R&D to production through critical strategic events of M&As, strategic alliance and joint venture.
- (6) Continued implementation of production process improvement and enhancement of production capacity planning (capable of supplying international mass production demand) which comes with flexibility and economies of scale for the purpose of ensuring cost advantage and competency;
- (7) Rapid acquisition and cultivation of local talents with “entrepreneurial spirit” and continued enhancement over product development, operation, and marketing talents possessing balanced developments in the fields of “science, regulation, business management;”
- (8) Accelerate expansion of overseas business footprints, enhance agency sales target management over existing collaborating partners and continue to establish powerful and preeminent overseas self-operated teams for the purpose of generating the Company’s mid-and-long term revenue growth potential and diversified development for internationalization.

### **Impacts from External Competition Environment, Regulatory Environment and Macro-Economic Environment**

Under the policy of stricter controlling drug expenditure conducted by governments and the impact of regional industrial competition, China, India, and emerging countries have successively stepped into generic drug industry, which has led to a status of cut-throat price war. In addition, Taiwanese drug manufacturers lack economies of scale, coupled with challenging export sales resulted from increasing documents requirement with certain regulatory obstacles, has caused excessive domestic competition and staggers development of the drug market in Taiwan.

In addition, production costs have been constantly rising upon implementation of PIC/S in the wake of the enactment of increasingly strict manufacturing laws and regulations. Besides that, price negotiation from hospital and that for drugs covered by National Health Insurance have been adjusted numerous times, which has led to an imbalance between input and output and a further squeeze on revenues and profits of drug manufacturers.

2021 operation environment was full of challenges due to COVID-19 pandemic. Geopolitical instability and US-China trade war caused impact to global economy. Looking into the year of 2022, trend for global economy has not exposed a silver lining. Economic growth for major countries is struggling, testing again corporate’s capability to respond to contingency and

effectiveness in cost control. TTY Biopharm shall continue to exploit and develop suitable drugs, explore channels, acquire drugs approval or obtain applications of new drugs to boost revenue growth and expand corporate territory. At the meantime, the Company shall exert aggressive control over expenses for the purpose of maximizing shareholder's equities.

TTY Biopharm Co., Ltd.

Chairman of the Board: Lin, Chuan

## II. Company Introduction

1. Founding date: July 22, 1960

2. History of the Company :

<b>1960</b>	<ul style="list-style-type: none"><li>Establishment of Taiwan Tung Yang Chemical Industries Company Limited. with a total registered capital of NT\$ 2 million.</li></ul>
<b>1968</b>	<ul style="list-style-type: none"><li>Construction of the Zhongli Factory and technical cooperation with Toyo Jozo Company Limited.</li></ul>
<b>1969</b>	<ul style="list-style-type: none"><li>Registration of the Chinese and English name of the Company (Taiwan Tung Yang Chemical Industries Company Limited.)</li></ul>
<b>1988</b>	<ul style="list-style-type: none"><li>The task force in charge of promotion of Good Manufacturing Practices (GMP) for pharmaceuticals determines that the plant meets all required GMP standards</li></ul>
<b>1993</b>	<ul style="list-style-type: none"><li>Construction of a plant as a joint venture with Shanghai Xudonghaipu Pharmaceutical Company Limited</li></ul>
<b>1997</b>	<ul style="list-style-type: none"><li>Merger with Dongxing Pharmaceutical Company Limited. The company has a total capital of NT\$180 million upon a capital increase.</li></ul>
<b>1998</b>	<ul style="list-style-type: none"><li>The Securities &amp; Futures Institute approves the public listing of the company's stock. The company carries out a cash capital increase of NT\$ 40 million. The total capital after the capital increase amounts to NT\$ 239.9 million.</li><li>Acquisition of the Lipo-Dox Liposome Injection certification, turning the plant into one of only three pharmaceutical plants worldwide that possess the technology to manufacture liposomes</li><li>Development of “Regrow SR” for slow-release formulas and acquisition of the first certification in Taiwan for antitussives with prolonged effect</li></ul>
<b>2000</b>	<ul style="list-style-type: none"><li>In accordance with the development and transformation of the company, its English name is officially changed to TTY BioPharm Company Limited.</li><li>The first locally produced anti-tumor medication (UFUR) is granted a drug permit license by the Department of Health (in accordance with public notice No.77)</li><li>Shanghai Xudong Haipu Pharmaceutical plant passes the GMP certification</li></ul>
<b>2001</b>	<ul style="list-style-type: none"><li>Official OTC listing of the company's stock on September 27</li><li>Issuance of secured common corporate bonds of a par value of NT\$ 300 million</li></ul>

<b>2002</b>	<ul style="list-style-type: none"> <li>• Thado is granted a drug permit license and is brought on the market</li> <li>• Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan</li> <li>• Recognized with the Excellence Award for industrial technology development presented by the Ministry of Economic Affairs</li> <li>• Lipo-Dox® is honored with the Silver Award for Pharmaceutical Technology Research and Development presented by the Department of Health, Ministry of Economic Affairs</li> </ul>
<b>2003</b>	<ul style="list-style-type: none"> <li>• Acquisition of Folina license (Singapore)</li> <li>• Acquisition of a Chinese patent for new Thalidomide indications</li> <li>• Acquisition of a Chinese patent for preparation methods of Oxaliplatin injection sterilization product</li> </ul>
<b>2004</b>	<ul style="list-style-type: none"> <li>• Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan</li> <li>• Acquisition of the exclusive right to develop the new anti-cancer drug S1 in Taiwan granted by Taiho in Japan</li> </ul>
<b>2005</b>	<ul style="list-style-type: none"> <li>• Recognized with the Outstanding Innovation Award presented by the Ministry of Economic Affairs in the context of the 13<sup>th</sup> Industrial Technology Development Awards</li> </ul>
<b>2006</b>	<ul style="list-style-type: none"> <li>• Acquisition of a Taiwanese patent for Lipo-Dox® Liposome Injections – Manufacturing method of liposomal suspensions including liposomal suspension products manufactured with this method</li> <li>• Acquisition of a New Zealandian patent for Asadin® injection – Radioactive arsenic compound and its use for tumor treatment</li> <li>• Acquisition of a Taiwanese patent for Asadin® injection – partially applied medicinal formula for treatment of subcutaneous tumors</li> <li>• Acquisition of a Taiwanese patent for Thado® capsules – Medicinal formula for treatment of stem cell cancer</li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>• Passing of a European plant certification for injection medicines for clinical trial</li> <li>• Completion and activation of a professional plant for the manufacture of anti-cancer drugs in accordance with PIC/S GMP.</li> </ul>
<b>2008</b>	<ul style="list-style-type: none"> <li>• Anti-cancer injection medicine plant passes EU plant certification</li> </ul>
<b>2009</b>	<ul style="list-style-type: none"> <li>• Full anti-cancer dosage passes EU plant certification</li> <li>• Cancer Translational Center earns ISO17025 certification</li> <li>• to-BBB technologies BV announces the joint development of the brain tumor target drug liposomal doxorubicin</li> <li>• Anti-cancer drug Taxotere is granted a generics license in Europe</li> <li>• The Zhongli Factory passes the domestic PIC/S GMP plant certification</li> </ul>

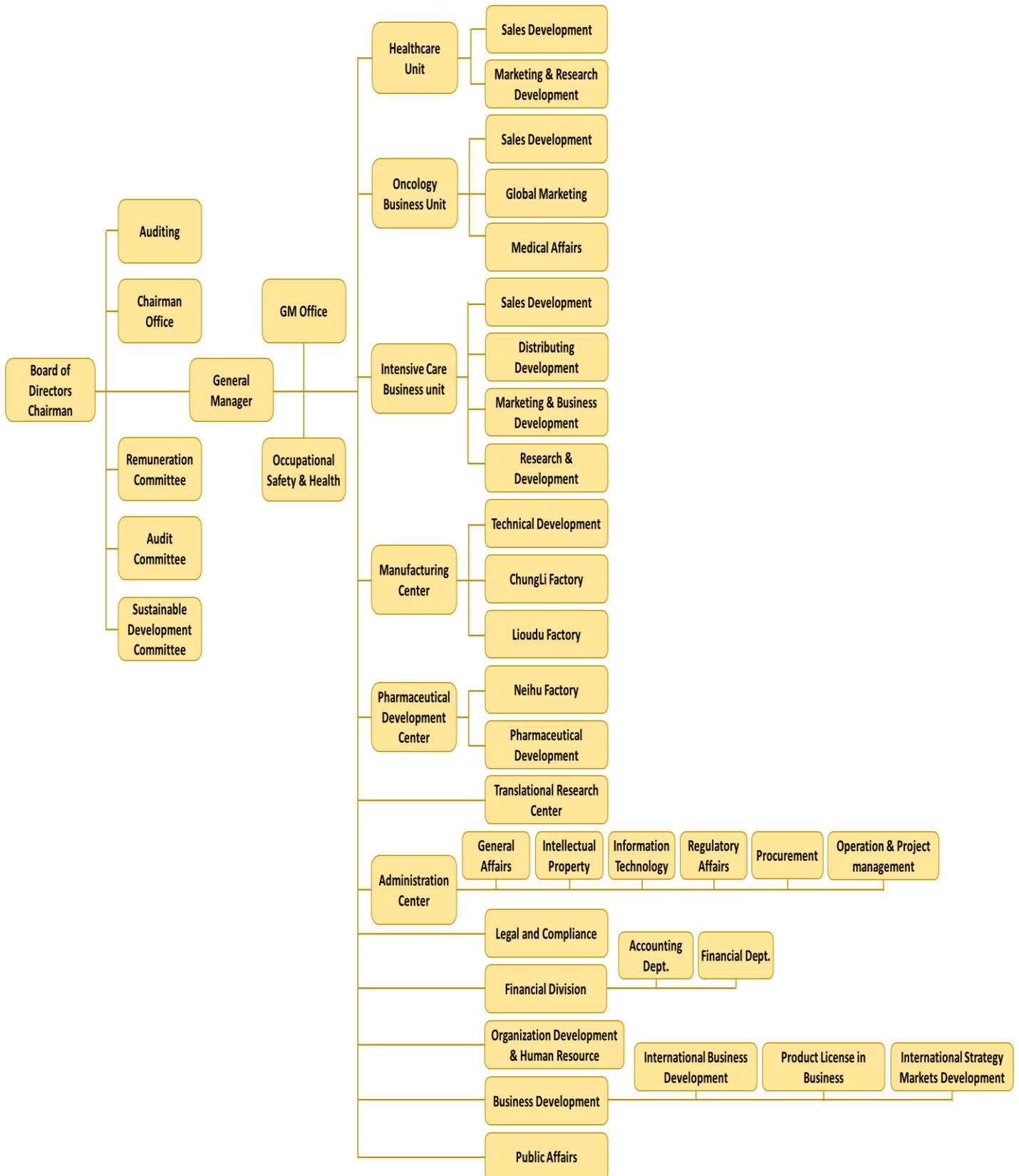
<p><b>2010</b></p>	<ul style="list-style-type: none"> <li>• Establishment of TOT Shanghai R&amp;D Center Company Limited. in China</li> <li>• Acquisition of the Taiwan Shionogi Liodu Factory</li> <li>• Establishment of TOT Biopharm Company Limited in China</li> <li>• Acquisition of drug permit license for TS-1 Capsule</li> <li>• Establishment of TSH Biopharm Corporation Limited through spin-off</li> </ul>
<p><b>2011</b></p>	<ul style="list-style-type: none"> <li>• Establishment of a local office in Hanoi, Vietnam</li> <li>• Lipo-Dox is honored with the 2011 Biotechnology Award for best technology commercialization</li> <li>• Lipo-Dox is honored with the 2011 National Invention and Creation Award- Silver Medal Award</li> <li>• Award in the industry category at the 7<sup>th</sup> Nano Elite Awards organized by the Ministry of Economic Affairs</li> <li>• Investment in CY Biotech</li> </ul>
<p><b>2012</b></p>	<ul style="list-style-type: none"> <li>• Acquisition of a Taiwanese drug permit license for Temazo Capsules</li> <li>• Acquisition of a Taiwanese drug permit license for Tynen Injection</li> <li>• Construction and activation of the new anti-cancer drug manufacturing plant of TOT Biopharm Company Limited in Suzhou</li> <li>• Acquisition of 100% of the total equity of Chengdu Shuyu Pharmaceutical Company Limited. in China</li> </ul>
<p><b>2013</b></p>	<ul style="list-style-type: none"> <li>• Disposal of 60% of the total equity of Taiwan Tungyang International Company Limited</li> <li>• Honored with the Gold Award for outstanding biotechnology industries</li> <li>• The Liodu Factory passes the domestic PIC/S GMP plant certification</li> </ul>
<p><b>2014</b></p>	<ul style="list-style-type: none"> <li>• Acquisition of a Taiwanese drug permit license for Brosym for Injection</li> <li>• Neihu Plant passes Taiwan TFDA plant certification</li> </ul>
<p><b>2015</b></p>	<ul style="list-style-type: none"> <li>• Neihu Plant passes Taiwan TFDA PIC/S GMP plant certification</li> <li>• Chungli Factory passes Taiwan TFDA PIC/S GMP plant certification</li> <li>• In order to adjust investment structure, selling all equities of Taiwan Tungyang International Company Limited and TOT Biopharm International Company Limited</li> </ul>
<p><b>2016</b></p>	<ul style="list-style-type: none"> <li>• Audit committee was established to replace supervisor.</li> <li>• Liu-Du factory passed Taiwan TFDA PIC/S GMP inspection and obtained certification in freeze-drying dosage, sterile preparation and final sterilization.</li> <li>• The Company as a whole has passed “Taiwan Intellectual Property Management System” A level certification.</li> </ul>
<p><b>2017</b></p>	<ul style="list-style-type: none"> <li>• Achieved top 5% performance among OTC Company in the 3rd Company Governance Assessment.</li> </ul>

<p><b>2018</b></p>	<ul style="list-style-type: none"> <li>· The company established a joint venture of EnhanceX Biopharm Inc. with 2-BBB MEDICINES BV.</li> <li>· Achieved top 5% performance among OTC companies in the 4th Company Governance Assessment.</li> <li>· The company and global player jointly develop generic drug of Arsenic Trioxide for US and Europe market.</li> </ul>
<p><b>2019</b></p>	<ul style="list-style-type: none"> <li>· The establishment of the officer of corporate governance.</li> <li>· Achieved top 5% performance among OTC companies in the 5th Company Governance Assessment.</li> <li>· Long-acting microsphere product “Octreotide LAR” was developed and cooperate with leading international company into oversea markets.</li> <li>· The establishment of sustainable development committee.</li> </ul>
<p><b>2020</b></p>	<ul style="list-style-type: none"> <li>· Achieved top 5% performance among OTC companies in the 6<sup>th</sup> Company Governance Assessment and top 10% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</li> <li>· Awarded “Best Companies to work for in Asia 2020”.</li> <li>· The Company has passed “Taiwan Intellectual Property Management System” level A certification.</li> <li>· The anti-cancer drugs of TTY Biopharm Mexico have been approved.</li> </ul>
<p><b>2021</b></p>	<ul style="list-style-type: none"> <li>· Achieved top 5% performance among OTC companies in the 7<sup>th</sup> Company Governance Assessment and top 10% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</li> <li>· The Generic Drug- Arsenic Trioxide has been approved by US FDA.</li> </ul>
<p><b>2022</b></p>	<ul style="list-style-type: none"> <li>· The Board of Directors has appointed Ms. Hou, Ching-Lan as the General Manager of the Company.</li> <li>· Achieved top 5% performance among OTC companies in the 8<sup>th</sup> Company Governance Assessment and top 11-20% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</li> </ul>

# III. Corporate Governance Report

## 1. Organization

### (1) Organization Chart



## (2) Department Functions

Department	Segregation of duties
Chairman Office	Execute the assigned tasks and assist in the preparations for the meetings of Board of Directors
Auditing Office	Audit the execution of internal control of each unit with suggestion and track the improvement.
GM Office	Assist General Manager to realize respective strategy under business model.
Occupational Safety & Health	Planning and execution for Company's environment, health and safety management; improving work place, safety protection equipment and factory hygiene as well as conducting the Company's industry safety risk assessment operation to reduce or control potential damage in work.
Oncology Business Unit	Develop, assess and explore efficiently products to align Company's strategic directions in the realm of cancer based on the Company's disease categories; and execute marketing planning and business promotion before and after product launch.
Intensive Care Business Unit	Develop strategies in accordance with the Company's disease categories; execute strategic planning, development and project management over anti-infective drugs, narcotic drugs, and vaccines; conduct marketing planning before and after product launch and execute sales promotion on prescription drug.
Healthcare Unit	Develop strategies in accordance with the Company's disease categories; execute product development over healthcare field and chronic disease treatments; execute marketing planning and business promotion before and after product launch.
Pharmaceutical Development Center	Allocate and coordinate resources to R&D formulation programs to ensure smooth transfer of new know-how to other departments in a timely manner. Develop traditional drugs to fulfill domestic business units' needs.
Manufacturing Center	Integrate and maintain PIC/S GMP management system to ensure TTY's products meet and exceed global quality standard.
Administration Center	<ol style="list-style-type: none"> <li>1. Project and Regulatory: master the pharmaceutical regulations of various target markets with ability of strategic regulations and project management, deliver the strategy and schedule for drug approval to aim to accelerate product launch in both oversea and domestic markets.</li> <li>2. Intellectual Property: act as intellectual property and intelligence center of the Company, evaluate the risk of intellectual property and overcome challenge for product listing, to accelerate product development and lower the risk of launching.</li> <li>3. Procurement: In charge of procurement of key API, strategically sourcing and procuring, strengthening the relationship of supply chains to stabilize the supplies of key API and to enhance competitiveness.</li> <li>4. Business and Project Management: Assist setting annual targets, mid-to-long term strategy and planning, major project management, and business analysis for decision-making to consolidate mid-to-long term development.</li> <li>5. Information Technology: Implement of hardware and software planning and infrastructure, enhance capability of information security and support the promotion for digital transformation.</li> <li>6. Administration and General Affairs: In charge of tender of hospitals, delivery, sales commission management to aim to achieve the sales goal;</li> </ol>

Department	Segregation of duties
	execute asset management and general affairs procurement.
Financial Division	Responsible for fund scheduling and management, investment and M&A planning, accounting and tax affairs, budget management, investment company management, investor relationship management, board of directors and stock operations.
Legal and Compliance Department	Responsible for the formulation and evaluation of the Company's legal risk prevention mechanism, including contract review, legal consultation, intellectual property litigation and other domestic and foreign related litigation and non-litigation cases and projects. Comprehensively manage legal compliance affairs, collect updated laws and regulations related to the Company's business operations and analyze its legality, plan, manage, and implement legal compliance mechanism, review the internal rules and regulations, accept internal reporting, and comply with the laws and regulations of the respective industry.
International Business Development	In charge of oversea company's operation, including oversea market development, license-in, strategic alliance, new venture evaluation, merger and acquisition
Organization Development & Human Resource Department	Manage the full spectrum of Human Resource functions including recruitment, training, performance evaluation, compensation and benefits. Also responsible for safeguard TTY's core value in order to maintain competitive edge.
Translational Research Center	In charge of new project, focus on early-stage drug inquiry, verification, evaluation, license-in, and cooperative development, and use scientific technology to develop and validate the best clinical candidates to reduce development risks and accelerate the license-in and development.
Public Affairs	Promote the Company's brand and image, establish and maintain public relations, participate in the planning and execution of industry-related policies and regulation, to create healthy environment for the Company's business.

## 2. Information of Directors, General Manager, Vice General Manager, Vice President and the Respective Departments and Branch Officers

### (1) Director

#### 1 Director

Apr. 30, 2022, Unit: share: %

Title/ Name	Nationality or Place of Registration	Gender (Ages)	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings (Note 1)		Current Shareholding of Spouse and Minor Children (Note 1)		Shareholdings in the Names of Others (Note 1)		Main Education & Experience	Current Positions at TTY and Other Company	Directors or Supervisors who are Spouses or within Two Degrees of Kinship
						Shares	%	Shares	%	Shares	%	Shares	%			
Chairman Lin, Chuan	R.O.C.	Male (71~80)	2021.08.25	3 years	2018.11.22	120,000	0.05	120,000	0.05	55,000	0.02	0	0	【Note】	【Note】	【Note】
Vice Chairman Chang, Wen-Hwa	R.O.C.	Female (51~60)	2021.08.25	3 years	1995.7.24	4,409,800	1.77	4,409,800	1.77	0	0	0	0	【Note】	【Note】	【Note】
Director Dawan Technology Company Limited.	R.O.C.		2021.08.25	3 years	1995.7.24	22,590,732	9.09	23,526,732	9.46	0	0	0	0	【Note】	【Note】	【Note】
Representative: Carl Hsiao	U.S.A.	Male (31~40)			2019.3.26	881,712	0.35	881,712	0.35	0	0	0	0			
Director Yang, Tze-Kaing	R.O.C.	Male (61~70)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	500,000	0.20	【Note】	【Note】	【Note】
Director Chang, Hsiu-Chi	R.O.C.	Male (61~70)	2021.08.25	3 years	2016.6.24	1,943,686	0.78	1,942,686	0.78	2,772,062	1.11	0	0	【Note】	【Note】	【Note】
Director Liao, Ying-Ying	R.O.C.	Female (51~60)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Tsai, Duei	R.O.C.	Male (71~80)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Hsueh, Ming-Ling	R.O.C.	Male (61~70)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Lin, Tien-Fu	R.O.C.	Male (71~80)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】

【Note】 : Main Education & Experience, Current Positions at TTY and Other Company and Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship as below:

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company		Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
				Title	Name	Relation	
Chairman Lin, Chuan	Ph.D., Economics, University of Illinois at Urbana-Champaign, USA	Chairman Director	TSH Biopharm Company Limited TTY Biopharm Mexico S.A DE C.V.	—	—	—	
Vice Chairman Chang, Wen-Hwa	MBA of Manmos College	Director Director Director Director Director Director Director	Arich Investment Company Limited PharmaEngine Inc. Xudonghaipu International Company Limited. American Taiwan Biopharma Philippines Inc. Worldco International Limited TTY Biopharm Korea Co., Ltd. TTY Biopharm Mexico S.A DE C.V. TTY Biopharm Turkey Health Products Industry and trade Limited Company	—	—	—	
Director Dawan Technology Company Limited.	PharmD, University of the Pacific Thomas J Long School of Pharmacy	Director Director Director	TSH Biopharm Company Limited American Taiwan Biopharm Co., Ltd. Dawan Technology Company Limited.	—	—	—	
Representative: Carl Hsiao	MBA, University of the Pacific Eberhardt School of Business			—	—	—	
Director Yang, Tze-Kaing	MBA of University of Illinois at Urbana-Champaign Ph.D of Business Administration, National Chengchi University	Chairman Director and General Manager Director Director Director Director Director	Yangtze Associates Huiyang Private Equity Fund Co., Ltd Chien Kuo Construction Co., LTD. Airiti Inc. Hon Yang Healthcare Pegatron Corporation Asustek Computer Inc. Hua-Cheng Capital Inc.	—	—	—	

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company		Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
				Title	Name	Relation	
Director Chang, Hsiu-Chi	EMBA, National Taiwan University College of Management BS., School of Pharmacy, Taipei Medical University	Director Director Chairman Chairman Director	Xudonghaipu International Company Limited. Worldco International Limited Yuan-Hwa Biotechnology Enterprise Company Limited Yuen Hung Investment Company Limited Reber Genetics Company Limited	—	—	—	
Director Liao, Ying-Ying	MBA, University of Missouri, USA	Supervisor	cnYES.com Company Limited	—	—	—	
Independent Director Tsai, Duei	Ph.D., Graduate Institute of Electrical Engineering, National Taiwan University	Independent Director Independent Director Independent Director undertaking public affairs	Compal Electronics, Inc. Taiwan High Speed Rail Corp.  Starlux Airlines Company Limited	—	—	—	
Independent Director Hsueh, Ming-Ling	MBA, Bloomsburg University, Pennsylvania, USA MS., Graduate Institute of Accounting, Soochow University	Independent Director Independent Director Independent Director Independent Director Independent Director	Lite-On Technology Corp. Walsin Lihwa Corporation Yuanta Financial Holdings Yuanta Commercial Bank Tung Hua Book Company Limited	—	—	—	(Note 2)
Independent Director Lin, Tien-Fu	Center for Public Administration and Business Management Education, National Chengchi University, Accounting Training Common Accounting Group and Intermediate Accounting Group	Chairman	Yuanta Futures Co., Ltd.	—	—	—	

Note 1: The number of shares held by the directors self-owned, his/her spouse, minor children and others in the name of others is as of March 28, 2022, the suspension date for Year 2022 Annual General Meeting.

Note 2: Independent Director Hsueh, Ming-Ling was designated by Yuanta Financial Holding Co., Ltd. as an independent director for Yuanta Commercial Bank Co., Ltd. According to paragraph 2, article 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”- an independent director of a financial holding company or of a TWSE or TPEX listed investment holding company concurrently serves as an independent director of more than one wholly owned subsidiary of that company, the number of such subsidiaries beyond one shall be included in the calculation of the number of subsidiaries at which the independent director concurrently serves under paragraph 1, subsidiary company with such assumption of duties shall not be counted in the number of “other” listed companies with such independent director prescribed in Article 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.

## 2 Major Shareholders of Institutional Shareholders

Apr. 30, 2022

Name of Institutional Shareholder	Name of Major Shareholders
Dawan Technology Company Limited.	Hsiao, Yu-Bin ( 36.98% ) , Hsiao, Ying-Chun ( 28.69% ) , Li-Yuan Welfare Charitable Trust (11.02%), Wu, Yong-Liang ( 8.50% ) , Xu, Mei-Qin ( 9.14% ) , Hsiao, Chia-Yu ( (3.11% ) , Carl Hsiao ( 2.56% )

## 3 Major Shareholder of Corporate Shareholders with a institutions as its Main Shareholder: None.

#### 4 Professionalism, Diversity, and Independence of Directors

##### (1) Professionalism and Experience of Directors

Name/Title	Professionalism and Experiences
Lin, Chuan /Chairman	<p>Chairman Lin Chuan obtained Ph D degree in economics from the University of Illinois in the United States, and is specialized in economics, taxation and finance. He served as a CEO of a research institution, professors in universities, major public service; He also served as chairman, directors and independent directors in various listed companies (Vanguard International Semiconductor Corp., Chartis Taiwan Insurance Co., Ltd., Pegatron Corp., Casetek Holdings LTD., Hwaya Technology, etc.) in Taiwan with abundant experiences in industry, government and academics.</p> <p>Combining theoretical and practical experience, Chairman Lin has served as the director of TTY Biopharm Company Limited since 2011 to contribute to Taiwan's biotechnology industry. In year 2015, he also served as a director of PharmaEngine Inc., which focus on new-drug development.</p> <p>Chairman Lin has many years of experience in the biotechnology industry including pharmaceutical R&amp;D, innovation, manufacturing, and marketing, coupled with an international perspective and familiarity with corporate governance, he will lead the Company to aim to a benchmark and leading position in Taiwan's biotechnology industry through in-depth market strategy, good manufacturing, integration, horizontal or even vertical merger and acquisitions and effective management.</p> <p>Lin, Chuan, Chairman of TTY Biopharm Co., Ltd. was not involved in any of the provisions of Article 30 of the Company Law.</p>
Chang, Wen Hwa / Vice Chairman	<p>Ms. Chang, Wen Hwa has served as a vice chairman of TTY Biopharm Company Limited since 1995 and also served as a vice president of Arich Enterprise Co., Ltd.</p> <p>Ms. Chang specializes in logistics in biotechnology industry, negotiation, financial operations, and risk controls. Coupled with experiences in finance and accounting filed, she will lead TTY Biopharm Co., Ltd. to have more solid financial performance to further aim to be an international company.</p> <p>Chang, Wen Hwa, Vice Chairman of TTY Biopharm Co., Ltd. was not involved in any of the provisions of Article 30 of the Company Law.</p>

Name/Title	Professionalism and Experiences
Representative of Dawan Technology Company Limited: Carl Hsiao / Director	<p>Before serving as the Director of TTY Biopharm since 2018, Carl Hsiao had worked in CVS Health Pharmacy, an international retail pharmacy. He specializes in prescription management, clinical service, disease management and retail pharmacy management, coupled with knowledge of marketing, logistics, and inventory management under international business model, which will be beneficial for the Company to be internationalized.</p> <p>Carl Hsiao, Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Yang, Tze-Kaing / Director	<p>Mr. Yang, Tze-Kaing has served as a director of TTY Biopharm Co., Ltd. since 2016.</p> <p>Mr. Yang had served as public service, President of CDIB Capital Groups, and directors and independent directors for several listed companies. He also served as a professor of Guanghua School of Management and National Chengchi University. Mr. Yang has professional expertise in the fields of investment and financials operation, domestic and oversea capital market operation, and risk management; and his sophisticated knowledge can help TTY Biopharm Co., Ltd. to conduct risk management under uncertain business environment and further to create the stakeholders' value.</p> <p>Yang, Tze-Kaing, Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Chang, Hsiu-Chi / Director	<p>Mr. Chang, Hsiu-Chi has served as a supervisor and director of TTY Biopharm Co., Ltd. for a long time. He also served as General Manager of Purzer Pharmaceutical Co., Ltd. and Director of Reber Genetics Co., Ltd., possessing plenty experiences of manufacturing, sales, human resources, research and development, and finance in biotechnology industry.</p> <p>Director Chang specializes in biotech product cycle and research and development process, and he can contribute effective and pragmatic suggestion to enrich product lines of TTY Biopharm Co., Ltd. and to be beneficial for the patients.</p> <p>Chang, Hsiu-Chi, Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>

Name/Title	Professionalism and Experiences
Liao, Ying-Ying / Director	<p>Ms Liao, Ying-Ying has served as a supervisor and a director since 2014.</p> <p>Ms. Liao had served as the manager in underwriting department as well as the assist vice president in international department of Fubon Securities, and has been the director of cnYes. Com. Co., Ltd. She has dedicated to operations of international capital market, being familiar with issuance of corporate shares and bonds, optimization of capital structure, multinational financial operation, and risk control.</p> <p>Ms. Liao deeply possess insights of the importance of corporate sustainability for oversea and domestic institutional investors hence she will provide insights through aspects of environment, society, and governance to help TTY Biopharm Co., Ltd. to furtherly implement corporate sustainability and aim for an excellent corporate citizen.</p> <p>Liao, Ying-Ying, Director of of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Tsai, Duei / Independent Director	<p>Mr. Tsai has served as the independent director of TTY Biopharm Co., Ltd. since 2016 and the convener of Remuneration Committee.</p> <p>He has been an adjunct professor of National Taiwan University of Science and Technology; In addition, he also had served as several important public service such as the Minister of transportation and communication, General Director of Civil Aeronautics Administration, MOTC, and Vice General Director of Directorate General of Telecommunications, MOTC in Taiwan. Mr. Tsai also had served as or currently is the independent directors of several listed companies, such as Compal Electronics Inc., Taiwan High Speed Railway Corp., Taiwan Taxi Co., Ltd., Starlux Airlines Co., Ltd., and Getac Technology Corp. He possess rich experiences of business management across industry, government and academia. Mr. Tsai has dedicated in information technology field, and his insights can drive TTY Biopharm to conduct digit transformation with combination of technology and medical field.</p> <p>Tsai, Duei, Independent Director of of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>

Name/Title	Professionalism and Experiences
Hsueh, Ming-Ling / Independent Director	<p>Mr. Hsueh has served as the independent director of TTY Biopharm Co., Ltd. since 2016 and he also has been the conveners of Audit Committee and Sustainable Development Committee. Mr. Hsueh possess Certified Public Accountant in Taiwan, and served as Head of PwC Taiwan and an adjunct professor of National Taiwan University of Science and Technology. He possess abundant experiences of finance and accounting, risk management, and corporate governance, specializing in corporate governance, business practices, financials analysis. Mr. Hsueh currently has served as Executive Director of Taiwan Corporate Governance Association, Independent Directors of Yuanta Financial Holding Co., Ltd., Yuanta Bank, LITE-ON Technology Corp., Walsin Lihwa Corp., and Director of TungHua Book Co., Ltd.</p> <p>Hsueh, Ming-Ling, Independent Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Lin, Tien-Fu / Independent Director	<p>Mr. Lin has served as the independent director of TTY Biopharm Co., Ltd. since 2016, and he possess over 25 years 'experiences in security-related industry.</p> <p>Mr. Lin currently is Chairman of Yuanta Futures Co., Ltd. and he had been General Manager of Yuanta Polaris Securities Co., Ltd., Director of Yuanta Financial Holding Co., Ltd., Vice Chairman of Yuanta Securities Finance Co., Ltd., Director and Chief Executive Officer of Fuhwa Securities, Director and Vice Executive President of Yuanta Securities Co., Ltd. and Chairman of DingFu Securities.</p> <p>Mr. Lin has insights of economic trends for domestic and oversea market, and his professionalism will be beneficial for TTY Biopharm Co., Ltd. to expand international market.</p> <p>Lin, Tien-Fu, Independent Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>

## (2) Independence Attributes of Directors

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
Lin, Chuan / Chairman	Not Applicable	None
Chang, Wen-Hwa / Vice Chairman	Not Applicable	None
Dawan Technology Company Limited. Representative: Carl Hsiao / Director	Not Applicable	None

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
Yang, Tze-Kaing / Director	Not Applicable	None
Chang, Hsiu-Chi / Director	Not Applicable	None
Liao, Ying-Ying / Director	Not Applicable	None
Tsai, Duei / Independent Director	<p>Independent Director Tsai, Duei conforms to the independence requirements set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other relevant details are as follows,</p> <ol style="list-style-type: none"> <li>1. Independent Director Tsai does not hold any shares of the Company. In addition to currently serving as the independent director of TTY Biopharm and an adjunct professor of National Taiwan University of Science and Technology, he holds concurrent appointment as independent directors of Compal Electronics Inc., Taiwan High Speed Railway Corp. and Independent Director undertaking public affairs of Starlux Airlines Co., Ltd. The aforementioned 3 companies have no relationship with TTY.</li> <li>2. Independent Director Lin's spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.</li> <li>3. Prior to his appointment, Independent Director Tsai signed a declaration stating that he meets the qualification criteria set out in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and relevant provisions stipulated in Article 14-2 of the Securities and Exchange Act.</li> </ol>	2

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
Hsueh, Ming-Ling / Independent Director	<p>Independent Director Hsueh, Ming-Ling conforms to the independence requirements set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other relevant details are as follows,</p> <ol style="list-style-type: none"> <li>1. Independent Director Hsueh does not hold any shares of the Company. In addition to currently serving as the independent director of TTY Biopharm, he holds concurrent appointment as executive director of Taiwan Corporate Governance Association, Independent Directors of Yuanta Financial Holding Co., Ltd., Yuanta Bank, LITE-ON Technology Corp., Walsin Lihwa Corp., and Director of TungHua Book Co., Ltd. Except that TTY Biopharm commissioned Taiwan Corporate Governance Association to evaluate the performance of the Board of Directors and functional committees with service fee of NT\$ 160 thousand in year 2021, there is no relationship between other aforementioned companies and TTY Biopharm.</li> <li>2. Independent Director Hsueh's spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.</li> <li>3. Prior to his appointment, Independent Director Hsueh signed a declaration stating that he meets the qualification criteria set out in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and</li> </ol>	4 (Note)

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
	relevant provisions stipulated in Article 14-2 of the Securities and Exchange Act.	
Lin, Tien-Fu / Independent Director	<p>Independent Director Lin, Tien-Fu conforms to the independence requirements set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other relevant details are as follows,</p> <ol style="list-style-type: none"> <li>1. Independent Director Lin does not hold any shares of the Company. In addition to currently serving as the independent director of TTY Biopharm, he holds a concurrent appointment as director of Yuanta Futures. The latter company has no relationship with TTY.</li> <li>2. Independent Director Lin’s spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.</li> <li>3. Prior to his appointment, Independent Director Lin signed a declaration stating that he meets the qualification criteria set out in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and relevant provisions stipulated in Article 14-2 of the Securities and Exchange Act.</li> </ol>	None

Note : Independent Director Hsueh, Ming-Ling was designated by Yuanta Financial Holding Co., Ltd. as an independent director for Yuanta Commercial Bank Co., Ltd. According to paragraph 2, article 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”- an independent director of a financial holding company or of a TWSE or TPEX listed investment holding company concurrently serves as an independent director of more than one wholly owned subsidiary of that company, the number of such subsidiaries beyond one shall be included in the calculation of the number of subsidiaries at which the independent director concurrently serves under paragraph 1, subsidiary company with such assumption of duties shall not be counted in the number of “other” listed companies with such independent director prescribed in Article 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”

### (3) Diversity and Independence of Board of Directors

- Diversity :

The Company has formulated the policy on diversity of members of Board in Chapter 3 “Enhancing the Functions of the Board of Directors” in the “Principles of Corporate Governance”. The members of the Board of Directors shall possess the knowledge, skills, and qualification to perform their duties. To achieve the goal of corporate governance, the Board of Directors shall have capability of business judgement, accounting and financial analysis, business management, crisis management, industry knowledge, international outlook, leadership and decision-making.

The Election of Board of Directors has been adopted via nomination method in accordance with Articles of Incorporation, and the candidates of Directors shall be evaluated based on background and experiences with compliance of “Regulation for Election of Directors” and “Principles of Corporate Governance” to ensure the diversity and independence of Directors.

The Board of Directors consists 9 directors, including 2 female directors and accounting for 22.22% of total members; in addition, there are 3 independent directors, accounting for 33.33% of total members. The age of the Board of Directors are between 35 and 75 years old.

The members of the Board of Directors of the Company possess a variety of professionalism, including biotech, banking, business, law, finance and accounting, being sufficient to undertake business strategy and major decisions involved in economic, environment and society, and to supervise the management team and to conduct risk management.

Name/Title	Experiences and Professionalism						
	Core Item of Diversity	Business Management	Leadership and Decision-making	Industry Knowledge	Finance and Accounting	Law	Environmental Protection
Lin, Chuan / Chairman	✓	✓	✓	✓	✓	✓	✓
Chang, Wen-Hwa / Vice Chairman	✓	✓	✓	✓	✓	✓	
Carl Hsiao / Director	✓	✓	✓				
Yang, Tze-Kaing / Director	✓	✓		✓			
Chang, Hsiu-Chi / Director	✓	✓	✓	✓			
Liao, Ying-Ying / Director	✓	✓		✓			
Tsai, Duei / Independent Director	✓	✓		✓	✓	✓	✓

Name/Title	Core Item of Diversity	Experiences and Professionalism					
		Business Management	Leadership and Decision-making	Industry Knowledge	Finance and Accounting	Law	Environmental Protection
Hsueh, Ming-Ling / Independent Director		✓	✓		✓	✓	
Lin, Tien-Fu / Independent Director		✓	✓		✓		✓

- Independence :

There are 3 independent directors of the Company, accounting for 33.33% of total members. All independent directors have assumed their positions since June, 2015 with the 3<sup>rd</sup> term of office and length of office has been 6 years.

In addition to meet the independence qualification of Independent Directors, all members of the Board are unrelated. In addition to the independent directors meet the qualification, there is no kinship relations between the Board members. Meanwhile, Chairman Lin has appointed to act as General Manager concurrently since Oct. 18, 2021, nevertheless, the Company has been actively seeking appropriate candidates for the purpose of maintaining independence of the Board and clear division between duty and responsibility. Hence, the Board of Directors has approved the appointment of General Manager on Mar. 09, 2022 and the new General Manager, Hou, Ching-Lan, will assume her position on Apr. 18, 2022. Furthermore, in terms of concurrent position in other companies of each Director, there are no business relationship between the Company and other companies which Directors of the Company served concurrently except for serving as Directors of reinvested companies for the Company.

## (2) Information of Management Team

Apr 30, 2022; Unit: share; %

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings (Note)		Current Shareholding of Spouse and Minor Children (Note)		Shareholdings in the Names of Others (Note)		Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship
					Shares	%	Shares	%	Shares	%			
General Manager	R.O.C.	Hou, Ching-Lan	Female	2022.04.18	0	0	0	0	0	0	【Note】	【Note】	【Note】
Senior Vice General Manager, Pharmaceutical Development Center	R.O.C.	Hu, Yu-Fang	Male	2021.01.20	6,607	0	813	0	0	0	【Note】	【Note】	【Note】
Vice General Manager, Healthcare Unit	R.O.C.	Wu, Yong-Liang	Male	1989.01.01	2,085	0	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, Intensive Care Business Unit	R.O.C.	Lai, Chi-Hsiang	Male	2021.11.04	0	0	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, Manufacturing Center	R.O.C.	Lin, Shih-Chuan	Female	2020.08.04	0	0	0	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Oncology Unit	R.O.C.	Hung, Hsiang-Ju	Female	2020.04.01	13,000	0.01	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, Administration Center	R.O.C.	Liu, Nai-Wei	Female	2018.12.04	27,000	0.01	0	0	0	0	【Note】	【Note】	【Note】
Senior Manager, Business Development Division	R.O.C.	Huang, Wen-Po	Male	2021.11.04	20,000	0.01	1,000	0	0	0	【Note】	【Note】	【Note】

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings (Note)		Current Shareholding of Spouse and Minor Children (Note)		Shareholdings in the Names of Others (Note)		Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship
					Shares	%	Shares	%	Shares	%			
Chief Financial Officer	R.O.C.	Chang , Kuo-Chiang	Male	2015.12.31	0	0	0	0	0	0	【Note】	【Note】	【Note】
Chief Legal and Compliance Officer	R.O.C.	Huang, Shu-Fen	Female	2022.04.18	0	0	0	0	0	0	【Note】	【Note】	【Note】
Chief Human Resource Officer	R.O.C.	Chang, Jen-Yang	Male	2019.05.01	0	0	0	0	0	0	【Note】	【Note】	【Note】
Chief Audit Executive	R.O.C.	Kao, Jung-Liang	Male	2019.03.26	0	0	0	0	0	0	【Note】	【Note】	【Note】
Accounting Officer	R.O.C.	Wang, Shu-Wen	Female	2015.08.13	0	0	0	0	0	0	【Note】	【Note】	【Note】

**【Note】** : Main Education & Experience, Current Positions at TTY and Other Company and Managers who are Spouses or within Two Degrees of Kinship

as below:

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship			Remark
				Title	Name	Relation	
General Manager	Hou, Ching-Lan	MS, Clinical Pharmacy, National Taiwan University	Supervisor AHEAD Medicine Ltd.	—	—	—	
Senior Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	PhD, College of Pharmacy and Health Science, St. John's University	Chairman Enhanc Inc.	—	—	—	
Vice General Manager, Healthcare Unit	Wu, Yong-Liang	MS, School of Pharmacy, National Defense Medical Center BS., Department of Pharmacy, Taipei Medical University	Supervisor Dawan Technology Company Limited	—	—	—	
Vice General Manager, Intensive Care Business Unit	Lai, Chi-Hsiang	BS, Royal Roads University	Chairman Chuang Yi Biotech Co. Ltd.	—	—	—	
Senior Assist Vice President, Manufacturing Center	Lin, Shih-Chuan	BS., Department of Soil and Environmental Sciences, National Chung Hsing University		—	—	—	
Assist Vice President, Oncology Business Unit	Hung, Hsiang-Ju	MS. Institute of Biochemical Sciences, National Taiwan University		—	—	—	
Senior Assist Vice President,, Administration Center	Liu, Nai-Wei	MBA, Department of Business Administration, National Central University		—	—	—	
Senior Manager,	Huang, Wen-Po	MS, Graduate Institute of	Director American Taiwan Biopharm Co., Ltd.	—	—	—	

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship			Remark
				Title	Name	Relation	
Business Development Division		Toxicology, National Taiwan University					
Chief Financial Officer	Chang , Kuo-Chiang	MS, College of Management, National Taiwan University	Supervisor TTY Biopharm Mexico S.A DE C.V. Supervisor TTY Biopharm Korea Co., Ltd.	—	—	—	
Chief Legal and Compliance Officer	Huang, Shu-Fen	Ph.D., College of Law, Western Virginia University, USA		—	—	—	
Chief Human Resource Officer	Chang, Jen-Yang	MS, Department of Human Resource Management, Rutgers, The State University of New Jersey		—	—	—	
Chief Audit Executive	Kao, Jung-Liang	BS, Department of Accounting, Soochow University		—	—	—	
Accounting Officer	Wang, Shu-Wen	BS, Department of Accounting, Soochow University		—	—	—	

Note: The number of shares held by the managers themselves, his/her spouse, minor children and others in the name of others is as of March 28, 2022, the suspension date for Year 2022 Annual General Meeting.

### (3) Remuneration paid to Directors, General Manager, and Vice General Manager in the most recent year

#### 1 Payment of Remuneration to Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Remuneration								Ratio Of Total Remuneration (A+B+C+D) To Net Income (%)	
		Base Remuneration (A)		Severance Pay (B)		Bonus To Directors (C)		Allowances (D)		The Company	All Companies In The Consolidated Financial Statements
		The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements		
Chairman	Lin, Chuan	8,041	8,791	0	0	14,950	14,950	335	375	23,326 2.80%	24,116 2.90%
Vice Chairman	Chang, Wen-Hwa										
Director	Dawan Technology Co. Ltd. Representative: Carl Hsiao										
Director	Yang, Tze-Kaing										
Director	Chang, Hsiu-Chi										
Director	Liao, Ying-Ying	6,480	6,480	0	0	0	0	385	385	6,865 0.83%	6,865 0.83%
Independent Director	Tsai, Duei										
Independent Director	Hsueh, Ming-Ling										
Independent Director	Lin, Tien-Fu										

Title	Name	Relevant Remuneration Received By Directors Who Are Also Employees								Ratio Of Total Compensation (A+B+C+D+E+F+G) To Net Income (%)		Remuneration From The Reinvested Companies Other Than The Company's Subsidiaries or From Parent Company
		Salary, Bonuses, And Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company		All Companies In The Consolidated Financial Statements		The Company	All Companies In The Consolidated Financial Statements	
						Cash	Stock	Cash	Stock			
Chairman	Lin, Chuan	667	667	0	0	0	0	0	0	23,993 2.88%	24,783 2.98%	None
Vice Chairman	Chang, Wen-Hwa											
Director	Dawan Technology Co. Ltd. Representative: Carl Hsiao											
Director	Yang, Tze-Kaing											
Director	Chang, Hsiu-Chi											
Director	Liao, Ying-Ying	0	0	0	0	0	0	0	0	6,865 0.83%	6,865 0.83%	None
Independent Director	Tsai, Duei											
Independent Director	Hsueh, Ming-Ling											
Independent Director	Lin, Tien-Fu											

1. Please describe policies, systems, standards, and structures for independent director remuneration, and connection between remuneration amounts and borne duties, risks, time invested, and other factors:  
The remuneration of the Independent Director approved by the Board of Director on 2016.07.04 based on market standard. As the result, the Independent Director will not participate in the bonus distribution.
2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as non-employee consultants in parent company/all companies included in financial statement/reinvested companies and others) other than disclosed in the table above: None.

## Remuneration Bracket

Unit: NT\$

Compensation Paid to each Director	Name of Director			
	The accumulated amount from the above-mentioned four categories (A+B+C+D)		The accumulated amount from the above-mentioned seven categories (A+B+C+D+E+F+G)	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Less than NT\$1,000,000	Carl Hsiao	Carl Hsiao	Carl Hsiao	Carl Hsiao
NT\$1,000,000 ~ NT\$2,000,000				
NT\$2,000,000 ~ NT\$3,500,000	Dawan Technology Co. Ltd. / Chang, Wen-Hwa / Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu	Dawan Technology Co. Ltd. / Chang, Wen-Hwa / Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu	Dawan Technology Co. Ltd. / Chang, Wen-Hwa / Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu	Dawan Technology Co. Ltd. / Chang, Wen-Hwa / Yang, Tze-Kaing / Chang, Hsiu-Chi / Liao, Ying-Ying / Tsai, Duei / Hsueh, Ming-Ling / Lin, Tien-Fu
NT\$3,500,000 ~ NT\$5,000,000				
NT\$5,000,000 ~ NT\$10,000,000				
NT\$10,000,000 ~ NT\$15,000,000	Lin, Chuan	Lin, Chuan	Lin, Chuan	Lin, Chuan
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
More than NT\$100,000,000				
Total	10	10	10	10

Note: The concept of the “compensation” disclosed in this Form is different from the income defined under the Income Tax Law. Therefore, the purpose of this Form is for information disclosure not for taxation.

## 2 Remuneration of General Manager and Vice General Manager

Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance pay and Pension (B)		Bonus and Special Allowance (C)	
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
General Manager	Lin, Chuan (Note)	18,473	20,061	526	526	6,353	6,721
General Manager	Shih, Chun-Liang (Note)						
Senior Vice General Manager	Hu, Yu-Fang						
Vice General Manager	Wu, Yong-Liang						
Vice General Manager	Qu, Zhi-Yuan (Note)						
Vice General Manager	Chang, Chih-Meng (Note)						
Vice General Manager	Liu, Chih-Ping (Note)						

Note: General Manager Shih, Chun-Liang was dismissed on Oct. 18, 2021 and Chairman Lin, Chuan was appointed to act as General Manager concurrently; then Ms. Hou, Ching-Lan was assumed as this position since Apr. 18, 2022 after approval of Board of Directors dated on Mar. 09, 2022. Vice General Manager Qu, Zhi-Yuan was dismissed Oct. 18, 2021. Vice General Manager Chang, Chih-Meng retired on Mar. 15, 2021. Vice General Manager Liu, Chih-Ping has been adjusted his position since Nov. 04, 2021.

Title	Name	Employee Bonus Amount from Earnings Distribution (D)				The total of A+B+C+D / Net Income Ratio (%)		Remuneration From The Reinvested Companies Other Than The Company's Subsidiaries or From Parent Company
		The Company		All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	
		Cash	Stock	Cash	Stock			
General Manager	Lin, Chuan (Note)	4,850	0	4,850	0	30,202 3.63%	32,158 3.87%	None
General Manager	Shih, Chun-Liang (Note)							
Senior Vice General	Hu, Yu-Fang							
Vice General Manager	Wu, Yong-Liang							
Vice General Manager	Qu, Zhi-Yuan (Note)							
Vice General Manager	Chang, Chih-Meng (Note)							
Vice General Manager	Liu, Chih-Ping (Note)							

Note: General Manager Shih, Chun-Liang was dismissed on Oct. 18, 2021 and Chairman Lin, Chuan was appointed to act as General Manager concurrently; then Ms. Hou, Ching-Lan was assumed as this position since Apr. 18, 2022 after approval of Board of Directors dated on Mar. 09, 2022. Vice General Manager Qu, Zhi-Yuan was dismissed Oct. 18, 2021. Vice General Manager Chang, Chih-Meng retired on Mar. 15, 2021. Vice General Manager Liu, Chih-Ping has been adjusted his position since Nov. 04, 2021.

**Remuneration Bracket**

Unit: NT\$

The Remuneration Bracket for General Manager and Vice General Manager of the Company	Name of General Manager and Vice General Manager	
	The Company	All Companies in the Consolidated Financial Statements
Less than NT\$1,000,000	Lin, Chuan / Chang, Chih-Meng	Lin, Chuan / Chang, Chih-Meng
NT\$1,000,000 ~ NT\$2,000,000		
NT\$2,000,000 ~ NT\$3,500,000		
NT\$3,500,000 ~ NT\$5,000,000	Wu, Yong-Liang	Wu, Yong-Liang
NT\$5,000,000 ~ NT\$10,000,000	Hu Yu-Fang / Shih, Chun-Liang / Liu, Chih-Ping / Qu, Zhi-Yuan	Hu, Yu-Fang / Shih, Chun-Liang / Liu, Chih-Ping / Qu, Zhi-Yuan
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
More than NT\$100,000,000		
Total	7	7

\* The concept of the “compensation” disclosed in this Form is different from the income defined under the Income Tax Law. Therefore, the purpose of this Form is for information disclosure not for taxation.

### 3 Manager's Name of the Allocated Employee Bonus and Allocation Statue

Dec 31, 2021; Unit: NT\$ Thousand

	Title	Name	Amount of stock dividend	Amount of cash dividend	Total	Portion of Net Income (%)
Managerial Officers	General Manager	Lin, Chuan	0	6,660	6,660	0.80
	Senior Vice General Manager	Hu, Yu-Fang				
	Vice General Manager	Wu, Yong-Liang				
	Senior Assist Vice President	Lai, Chi-Hsiang				
	Senior Assist Vice President	Lin, Shih-Chuan				
	Senior Assist Vice President	Liu, Nai-Wei				
	Assist Vice President	Hung, Hsiang-Ju				
	Senior Manager	Huang, Wen-Po				
	Chief Legal and Compliance Officer	Lin, Jin-Rong				
	Chief Human Resource Officer	Chang, Jen-Yang				
	Chief Audit Executive	Kao, Jung-Liang				
	Chief Financial Officer	Chang, Kuo-Chiang				
	Accounting Officer	Wang, Shu-Wen				

Note: Chairman Lin, Chuan was appointed to act as General Manager since Oct. 18, 2021. Ms. Hou, Ching-Lan was assumed as this position since Apr. 18, 2022 after approval of Board of Directors dated on Mar. 09, 2022.

#### **(4) Analysis of the Ratio of Total Remuneration Paid by the Company and by All Companies Included in Consolidated Financial Report to Directors, Supervisors, General Manager, and Vice General Manager / Net Income (%) for the Most Recent Two Years, and Explanation of Remuneration Policy, Standard, and Combination, the Procedure of Remuneration Determination, and the Relation between Business Performance and Future Risk:**

- 1 The ratio of total remuneration paid by the Company to Directors, General Manager, and Vice General Manager / Net income (%)

Item	The Company				All companies in the consolidated financial statements			
	2020		2021		2020		2021	
	Total Amount	/ Net income (%)	Total Amount	/ Net income (%)	Total Amount	/ Net income (%)	Total Amount	/ Net income (%)
Directors	30,531	3.30%	30,858	3.71%	30,930	3.35%	31,648	3.80%
General Manager, and Vice General Manager	31,742	3.43%	30,202	3.63%	34,522	3.74%	32,158	3.87%
Net income	924,178	—	831,893	—	924,178	—	831,893	—

The remuneration of Directors in 2021 was comparable to that in 2020; the remuneration of managerial officers in 2021 was lower than that in 2020 as some managerial officers retired or dismissed during 2021 and did not receive full annual remuneration.

**2 Relationships among compensation payment, standards and combination, procedures for compensation drafting and operation performance and future risks:**

Article 25 of the Company's Articles of Incorporation prescribes that directors are entitled to remuneration upon performance of the Company's duties, regardless of profit or loss on the Company's business. Remuneration hereto shall be authorized to Board of Directors to determine accordingly based on director's participation and contribution to the Company as well as referred from industry's normal standards. Remuneration of the Company's independent directors shall be submitted by the Remuneration Committee in accordance with the "Guidelines for Distribution of Director's Remuneration" for assessment and suggestions before being approved by Board of Directors. Payment of average director's remuneration shall comply with Article 21 of the Company's Articles of Incorporation, which prescribes that, in the event of profits for current year, a payment of not higher than 2% of profits shall be disbursed as director's remuneration. Determination of director's remuneration is conducted through assessments on director and Board of Directors' comprehensive performance in accordance with the Company's "Performance Assessment Guidelines for Board of Directors and Functional Committees." Criteria for director assessment items include: mastering of the Company's goal and mission, recognition of director's duty, level of participation to the Company, management and communication of internal relationship as well as director's professionalism, continuous education and internal control. Furthermore, references from the Company's comprehensive operation performance are made as a basis for assessment before reasonable remuneration is offered accordingly. Distribution of the Company's director remuneration shall be submitted by the "Salary & Remuneration Committee," under considerations of the Company's operation performance, level of individual person's participation to operations and performance assessment and relevance to future risks as well as review based on the Company's remuneration policy, to the Board of Directors for approval. The Chairman's remuneration is submitted by the Remuneration Committee, under consideration of items such as the Company's operation performance and corporate governance operation to evaluate the range of annual salary adjustment, to the Board of Directors for

approval.

Article 21 of the Company's Articles of Incorporation prescribes that, in the event of profits for current year, a payment from 0.5% to 10% of profits shall be disbursed as employee's remuneration. Manager's remuneration includes salary and bonus. Salary is determined under references of industry standards and items of job title, education (career) background, professional capability and responsibility as well as in accordance with the Company's "Salary Structure Table." While determination of bonus is based on the Company's "Guidelines of Performance Development Plan and Bonus " and is under considerations of assessment items for manager's annual performance such as achievement rate for annual target, core occupational capability indicators (trust and achievement-oriented, integrity and teamwork, active aggressiveness, ambition and customer-oriented), occupational capability management indicators, and deduction indicators for external crisis event based on the level of financial loss or goodwill loss. Meanwhile, annual revenue and profit after tax are also considered as indicators for assessment. In addition, the Company has established a separate performance achievement incentive program for the purpose of encouraging senior managers to lead their teams to grow and create even higher operating profits for the Company. Distribution of the Company's manager remuneration is submitted by the Remuneration Committee, under considerations of items such as the Company's operation performance and with its suggested distribution principles, to the Board of Directors for approval.

### 3. Implementation of Corporate Governance

#### (1) Information for the Board of Directors

The meeting of Board of Directors has been held for 10 times in year 2021 and the attendance status of the directors is listed below:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Chairman	Lin, Chuan	10	0	100.00	Re-elected on Aug. 25, 2021
Vice Chairman	Chang, Wen-Hwa	10	0	100.00	Re-elected on Aug. 25, 2021
Director	Dawan Technology Company Limited. Representative: Carl Hsiao	10	0	100.00	Re-elected on Aug. 25, 2021
Director	Yang, Tze-Kaing	10	0	100.00	Re-elected on Aug. 25, 2021
Director	Chang, Hsiu-Chi	10	0	100.00	Re-elected on Aug. 25, 2021
Director	Liao, Ying-Ying	9	1	90.00	Re-elected on Aug. 25, 2021
Independent Director	Tsai, Duei	10	0	100.00	Re-elected on Aug. 25, 2021
Independent Director	Hsueh, Ming-Ling	10	0	100.00	Re-elected on Aug. 25, 2021
Independent Director	Lin, Tien-Fu	9	1	90.00	Re-elected on Aug. 25, 2021

Other matters to be disclosed:

A. In the event of one of the followings from the Board of Director's Meeting operation, date of Board of Directors' Meeting, term, proposals, all opinions of the independent directors and how the company handles it should be noted:

- (a) Matters prescribed in Article 14-3 of Securities and Exchange Act: The Company has established Audit Committee, which is applicable of Article 14-5 of Securities and Exchange Act, hence this subparagraph is not applicable.
- (b) With the exception of aforementioned matters, dissent or reservation which have been documented and with statements in writing over other Board of Directors' Meeting resolutions: None.

B. The recusal of directors with a conflict of interest from discussing the respective motions with the name of the directors, the contents of the motions, the reasons for recusal, and the participation in voting shall be stated:

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
Mar. 19, 2021	Lin, Chuan Chang, Wen-Hwa Carl Hsiao	Total director compensation for directors in year	Compensation Distribution for Director	The aforementioned directors recused

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
	Yang, Tze-Kaing Chang, Hsiu-Chi Liao, Ying-Ying	2020.		themselves from the voting due to a conflict of interest.
Mar. 19, 2021	Lin, Chuan	Discussion of Fixed Remuneration for the Company's Chairman.		Chairman of the Company recused himself from voting due to a conflict of interest.
Apr. 23, 2021	Lin, Chuan Chang, Wen-Hwa Carl Hsiao Yang, Tze-Kaing Chang, Hsiu-Chi Tsai, Duei Hsueh, Ming-Ling Lin, Tien-Fu	The Release of non-compete restrictions for new-elected director and its representative.	Release of non-compete restrictions for new-elected director and its representative.	The directors recused themselves from the voting due to a conflict of interest.
May. 06, 2021	Lin, Chuan Carl Hsiao	Commissioning of the Company by a Subsidiary to Provide Human Resource Service.	Directors of the Company are directors for a Subsidiary.	The directors recused themselves from the voting due to a conflict of interest.
Aug. 05, 2021	Carl Hsiao	Commissioning of the Company by an invested company to manufacture investigational drugs, conduct necessary trials and validation, and the Company also out-licensing the distribution of the products.	The Director of the Company are a director for an invested company.	The director recused himself from the voting due to a conflict of interest.
Aug. 05, 2021	Lin, Chuan Carl Hsiao	Intention to distribute compensation to the Company's subsidiary director representative upon performance of the year 2020 director duty.	The directors of the Company are directors of subsidiary, and receive the remuneration for exercising the duty and power of Directors for a subsidiary.	The directors recused themselves from the voting due to a conflict of interest.
Oct. 18, 2021	Lin, Chuan	Proposal of appointing Chairman Lin Chuan as General Manager.	Appoint Chairman Lin Chuan as General Manager.	Chairman of the Company recused himself from voting due to a conflict of interest.
Nov. 04, 2021	Carl Hsiao	Proposal of Change of Transfer Price for Invested Company's Distribution Agency	The Director of the Company are a director for an invested company.	The director recused himself from the voting due to a conflict of

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
		Products Under The Company's Authorization.		interest.
Nov. 04, 2021	Carl Hsiao	Commissioning of the Company by the invested Company to Provide Product Marketing Research and Investigate Consulting Services and Professional Product Operating Management Services.	The Director of the Company are a director for an invested company.	The director recused himself from the voting due to a conflict of interest.
Dec. 24 2021	Lin, Chuan Carl Hsiao	Subsidiary Leased Office from The Company and adjustment of rental area.	Both directors of the Company were directors for a subsidiary.	The director recused himself from the voting due to a conflict of interest.

C. The Company's disclosure of information for assessment cycle and period, scope of assessment, measures and contents of assessments for the Board of Directors' self (or peer) assessment:

Situation for Execution of Board of Directors Assessment

Cycle of Assessment	Period of Assessment	Range of Assessment	Method of Assessment	Content of Assessment
Once a year	2021.01.01   2021.12.31	Performance assessments on the Board of Directors as a whole, individual director member and functional committees (including Audit Committee, Remuneration Committee and Sustainable Development Committee)	Self-assessments by the Board of Directors, functional committees and members of directors	Under considerations of the Company's conditions and demands the Company hereby establishes measurement items for performance assessments over Board of Directors and functional committees, and these items shall include the following five major perspectives: (1) Level of participation to the Company's operations (2) Enhancement on Board of Directors' decision quality (3) Composition and structure for Board of Directors (4) Director's election and continuous education (5) Internal Control Measurement items for director member's performance assessment shall include the following six major perspectives: (1) Mastering of the Company's goal

Cycle of Assessment	Period of Assessment	Range of Assessment	Method of Assessment	Content of Assessment
				<p>and mission</p> <p>(2) Knowledge of director’s duties and responsibilities</p> <p>(3) Level of participation to the Company’s operations</p> <p>(4) Management and communication of internal relationship</p> <p>(5) Director’s professionalism and continuous education</p> <p>(6) Internal Control</p> <p>Measurement items for functional committee’s performance assessment shall include the following five major perspectives:</p> <p>(1) Level of participation to the Company’s operations</p> <p>(2) Knowledge on functional committee’s duties and responsibilities</p> <p>(3) Enhancement of functional committee’s decision quality</p> <p>(4) Composition and member election for functional committee</p> <p>(5) Internal control</p> <p>Please refer to the Company’s website for details of Performance Assessment Guidelines for Board of Directors and Functional Committee and year 2021 audit result.</p>

The company's year 2021 self-evaluation results of the board of directors and functional committees were reported to the Remuneration and the Board of Directors on March 9, 2022 as the basis for review and improvement. The average score of the board's performance self-evaluation is 4.97 points (out of 5 points); the average score of directors' performance self-evaluation is 4.98 points (out of 5 points); the three functional committees' self-evaluation are full points. The directors expect the company to strengthen the succession plan and integrate the risk assessment and control for the management team into the corporate decision-making process. The board of directors and functional committees are functioning well.

D. The goals (such as, setting Auditing Committee, improving information transparency, etc.) of strengthening the functions of the Board of Directors of the year and in the most recent year by objectives and the performance evaluation:

- (1) On June 24, 2016, the Company established Audit Committee which is responsible for performing supervisor’s duties prescribed in related laws and regulations.
- (2) For the purpose of enhancing information transparency, the Company voluntarily makes monthly announcement of consolidated income statement in addition to announcements of material information and monthly revenue prescribed by laws.
- (3) To fulfill corporate governance and enhance Board of Directors’ Meeting functions, performance goal has been established to enhance Board of Directors’ Meeting operation efficiency. “Performance Assessment Guidelines for Board of Directors’

Meeting and functional committees” was drafted on December 29, 2016. Performance assessments over Board of Directors’ Meeting and functional committees has been conducted accordingly and assessment results have been submitted to the Board of Directors’ Meeting.

- (4) To enhance corporate governance capability and develop enterprise functions, and in addition to aggressive arrangements of learning lessons for directors in accordance with director learning hours required by competent authority, directors will also be arranged to visit factory and receive briefings on the Company’s products and main businesses in order to enhance their professional knowledge and skills.
- (5) A corporate governance supervisor who is responsible for the handling of director requirements and provides timely and effective assistance to directors in the performance of their duties was appointed on March 26, 2019.
- (6) To realize corporate governance, environmental sustainability, social welfare, corporate sustainability, and CSR, on October 7th, 2019, the Sustainable Development Committee was established under the Board of Directors.
- (7) To reduce the uncertain threats for business and conduct risk management, the Risk Management Center was established under the Sustainable Development Committee on December 28<sup>th</sup>, 2020.
- (8) Quarterly financial reports have submitted and reviewed the Audit Committee and have approved by the Board of Directors since the first quarter of 2021.
- (9) For the purpose of strengthening the supervision of Board of Directors, the meeting process of all functional committees (including Sustainable Development Committee, Audit Committee, and Remuneration Committee) shall be submitted and reported to the Board of Directors.
- (10) The related information of corporate governance has been disclosed on the Company’s website.

## **(2) Function of Audit Committee**

The Audit Committee is comprised of the three independent directors. Its professionalism and experiences can be refer to “Professionalism, Diversity and Independence of Directors” on page 18-21. The duties and responsibilities of Audit Committee include the deliberation of financial reports , internal control and internal audits, acquisition or disposal of material assets or derivative trading, lending of capital, endorsements or guarantees, placement or issue of securities, legal compliance, potential insider trading and conflicts of interest of managers and directors, malpractice survey reports, risk management of the Company, CPA appointment, dismissal, or remuneration, and appointment and dismissal of finance, accounting, or internal audit officers. In year 2021 Audit Committee operations can be summarized as follows,

### **① Attendance record of independent directors in Audit Committee meetings**

The meeting of Audit Committee has been held for 8 times in year 2021 and the attendance status of the Independent directors is listed below:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Independent Director (Convener)	Hsueh, Ming-Ling	8	0	100.00	Re-elected on Aug.25, 2021
Independent Director	Tsai, Duei	8	0	100.00	Re-elected on Aug.25, 2021
Independent Director	Lin, Tien-Fu	8	0	100.00	Re-elected on Aug.25, 2021

## ② Audit Committee deliberations

In year 2021, the committee reviewed a total 9 proposals and deliberated a total of 25 proposals,

### **Reviewed Items**

- (i) Preparation of Financial report capability improvement plan and progress
- (ii) Internal audit reports
- (iii) Risk management reports
- (iv) CPA audit reports

### **Deliberated Items**

- (i) Matters involving conflicts of interest of directors
- (ii) Business report, earning distribution statement, and quarterly financial reports
- (iii) CPA independence, appointment, and remuneration
- (iv) Amendment of important rules and regulations
- (v) Amendment of the internal control system
- (vi) Evaluation of internal control system effectiveness

## ③ Key tasks of the Audit Committee

- (i) Review of financial reports

The board of directors has compiled and submitted the Company's year 2021 Business Report, Financial Reports (including the Consolidated Financial Reports), and the earnings distribution proposal. The Financial Statement (including the Consolidated Financial Statement) has already been audited by two CPAs (Han, Yi-Lien and Chang, Shu-Ying) of KPMG Taiwan and an audit report has been issued. The aforementioned reports and statements have been audited and verified by the Audit Committee.

- (ii) Evaluation of the effectiveness of the internal control system

The Audit Committee assessed the effectiveness of the design and execution of the internal control system. No major deficiencies were detected in assessments of the results of self-inspections and evaluations by different units and implemented improvements for deficiencies and abnormalities identified by the Auditing Office. It can therefore be concluded that the design and execution of the internal control system are effective.

- (iii) CPA appointment

The Audit Committee assesses the independence and qualifications of CPAs with reference to Article 47 of the Certified Public Accountant Act and Statement No.10 on the code of professional ethics for accountants. Independence qualifications encompass the individual independence of the accounting firm and all its members which includes policies and procedures pertaining to business relations with customers, accountant rotation system, and non-auditing services. Conformity to independence criteria and competency qualifications of the three accountants, (Ms. Han, Yi-Lien and Ms. Chang, Shu-Ying from KPMG Taiwan) in charge of audits of the financial statements while Ms. Chang Zhi from KPMG Taiwan in charge of tax reports was reviewed by the Audit Committee in the 1<sup>st</sup> meeting of year 2022 on Mar 09, 2022 and approved by the Board in the 1<sup>st</sup> meeting of year 2022 on Mar. 09, 2022.

## (iv) 2021 committee operations

Audit Committee Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by 2/3 or more of all directors	
Mar 19, 2021 (14 <sup>th</sup> Meeting for Former Session)	1. Year 2020 Business Report and financial statements	✓		
	2. Year 2020 Profit Distribution			
	3. Year 2021 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.	✓		
	4. Formulation of the year 2020 Internal Control Statement.	✓		
	5. Planned Commissioning of the Company by a Subsidiary to Provide Logistics Management Service			
	Objections, reservations or major opinion of independent directors: None.			
	Result from Audit Committee's opinions			
	Approved unanimously as proposed by all attending directors. The Company's handling of Audit Committee's opinions (Mar.19, 2021): Approved unanimously as proposed by all attending directors.			
Apr 23,2021 (15 <sup>th</sup> Meeting for Former Session)	1. Proposal of Adding Appropriation of Special Surplus Reserve in accordance with the Regulation of Financial Supervisory Commission			
	Objections, reservations or major opinion of independent directors: None.			
	Result from Audit Committee's resolution:			
	Approved unanimously as proposed by all attending directors. The Company's handling of Audit Committee's opinions (Apr 23,2021): Approved unanimously as amended by all attending directors.			
May 6, 2021 (16 <sup>th</sup> Meeting for Former Session)	1. The Consolidated Report for the first quarter of year 2021.			
	2. Commissioning of the Company by a Subsidiary to Provide Human Resource Service.	✓		
	Objections, reservations or major opinion of independent directors: None.			
	Result from Audit Committee's resolution :			
	Approved unanimously proposed by all attending directors. The Company's handling of Audit Committee's opinions (May 06, 2021): The 1 <sup>st</sup> resolution was approved unanimously as amended by all attending directors. The 2 <sup>nd</sup> resolution was approved unanimously as proposed by all attending directors except Chairman Lin, Chuan and Director Carl Hsiao who recused themselves due to a conflict of interest.			
Aug 05,2021 (17 <sup>th</sup> Meeting for Former Session)	1. The Consolidated Report for the second quarter of year 2021.			
	2. Proposal of subsidiary's intention to commission the Company in new drug development.			
	3. Commissioning of the Company by an invested company to manufacture investigational drugs, conduct necessary trials and validation, and the Company also out-licensing the distribution of the products.	✓		
	4. Planned to change the certain transaction terms for a subsidiary's distributed products under the Company's authorization.			
	Objections, reservations or major opinion of independent directors: None.			
	Result from Audit Committee's resolution:			
	Approved unanimously as proposed by all attending directors.			
	The Company's handling of Audit Committee's opinions (Aug. 05, 2021): The 1 <sup>st</sup> , 2 <sup>nd</sup> and 4 <sup>th</sup> resolutions were approved unanimously as proposed by all attending directors; the 3 <sup>rd</sup> resolution was approved unanimously as proposed by all attending directors except Director			

Audit Committee Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by 2/3 or more of all directors
	Carl Hsiao who recused himself due to a conflict of interest.		
Aug 25,2021 (1 <sup>st</sup> Meeting for This Session)	1. Election of The convener of Audit Committee for This Session		
	Objections, reservations or major opinion of independent directors: None.		
	Result from Audit Committee's resolution: Mr. Hsueh Ming-Ling was elected as the convener of Audit Committee for This Session.		
	The Company's handling of Audit Committee's opinions (Aug. 25, 2021): None		
Nov 04,2021 (2 <sup>nd</sup> Meeting for This Session)	1. The Consolidated Report for the third quarter of year 2021		
	2. Proposal of Change of Transfer Price for Invested Company's Distribution Agency Products Under the Company's Authorization.	✓	
	3. The invested Company has Commissioned the Company to Provide Product Marketing Research and Investigate Consulting Services and Professional Product Operating Management Services.	✓	
	4. Planned revision of the accounting rules of the Company.	✓	
	5. Planned revision of "Other management- Process of Financial Statement Preparation" under internal control system.	✓	
	6. Planned formulation of "Procedures of Communications between Audit Committee and Auditing CPA"		
	7. Planned formulation of "Procedure s of Communications between Audit Committee and Internal Auditing Unit"		
	Objections, reservations or major opinion of independent directors: None.		
	Result from Audit Committee's resolution: Approved unanimously as proposed by all attending directors.		
	The Company's handling of Audit Committee's opinions(Nov 04, 2021): The 1 <sup>st</sup> , 4 <sup>th</sup> ~7 <sup>th</sup> resolutions were approved unanimously as proposed by all attending directors. The 2 <sup>nd</sup> and 3 <sup>rd</sup> resolutions were approved unanimously as proposed by all attending directors except Chairman Lin, Chuan and Director Carl Hsiao who recused themselves due to a conflict of interest.		
Dec 03,2021 (3 <sup>rd</sup> Meeting for This Session)	1. Proposed to transfer intangible assets – drug license to other Company and to sign a manufacturing contract.	✓	
	Objections, reservations or major opinion of independent directors: The disposal of intangible assets and the manufacturing contract should be inseparable and the contract conditions should specify the guarantee terms such as minimum purchasing quantities.		
	Result from Audit Committee's resolution: Approved unanimously as proposed by all attending directors.		
	The Company's handling of Audit Committee's opinions (Dec 03, 2021): Approved unanimously as amended by all attending directors.		
Dec 24,2021 (4 <sup>th</sup> Meeting for This Session)	1. Subsidiary Leased Office from The Company and adjustment of rental area.	✓	
	2. Planned revision of internal auditing plan for 2022	✓	
	3. Planned revision of "Other management system-Procedure of Prevention of insider trading"	✓	
	Objections, reservations or major opinion of independent directors: None.		
	Result from Audit Committee's resolution: Approved unanimously as proposed by all attending directors.		
	The Company's handling of Audit Committee's opinions(Dec 24, 2021):		

Audit Committee Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by 2/3 or more of all directors
	The 1 <sup>st</sup> resolution was approved unanimously as proposed by all attending directors except Chairman Lin, Chuan and Director Carl Hsiao who recused themselves due to a conflict of interest. The 2 <sup>nd</sup> and 3 <sup>rd</sup> resolutions were approved unanimously as proposed by all attending directors.		

Other matters to be disclosed:

- A. Matters Prescribed in Article 14-5 of Securities and Exchange Act, and agendas which were not approved by the Audit Committee but otherwise resolved by two thirds or more of all directors shall state the date of meeting, period, content of resolution, objection, reservation or major opinion provided by independent directors, result from Audit Committee, and the Company's handling of Audit Committee's opinion. Detailed description of year 2021 Audit Committee operations
- B. With respect to implementation of independent director's avoiding of conflict of interest resolutions, director's name, resolution contents, reason for avoidance and participation in voting should be prescribed accordingly: N/A.
- C. Communications between independent director and internal audit head and accountant (This should include major issues, measures and results for communications over the Company's finance and business conditions.)
  - (a) Communication between Independent Director and chief internal auditor:  
The Company has established "Procedures of Communications between Audit Committee and Internal Auditing Unit" , and the internal audit officer reports audit results to the independent directors in Audit Committee meetings at least on a quarterly basis and conducts annual conferences with independent directors to communicate with the issues they address. In addition, the audit officers will discuss audit plans, communicate audit conditions, and report tracking execution and results to attending independent directors. Two-way communication is conducted by e-mail and phone as required. Please refer to the Company's website on details of such communications.
  - (b) Communication between Independent Director and CPAs of the Company:  
The Company has established "Procedures of Communications between Audit Committee and audit CPAs", and CPAs appointed by the Company attend Audit Committee meetings on a quarterly basis to communicate the results of review and audits of financial reports issued by the Company and its subsidiaries, adjustment of entries, or impacts of accounting principle updates on financial statements. They also discuss internal control audit conditions and independence related matters with independent directors. Before conducting auditing, CPAs will report the audit plan to Audit Committee. In addition, CPAs will conduct annual conference with Audit Committee, discussing major issues related to the audit and the response from the management or other important matters. Please refer to the Company's website on details of such communications.

### (3) Remuneration Committee Composition, Responsibilities and Operation:

#### 1 The Member of Remuneration Committee

Dec. 31, 2021

Qualification		Professionalism and Experience	Independence Attributes	Number of Remuneration Committee member Posts Held Concurrently for Other Publicly Listed Companies
Title / Name				
Independent Director (Convener)	Tsai, Duei	Please refer to the “Professionalism, Diversity, and Independence of Directors” on Page 18-21.		2
Independent Director	Hsueh, Ming-Ling			4
Independent Director	Lin, Tien-Fu			0
Others	Lin, Wen-Jeng	Mr. Lin possess a PhD degree in Industrial Relations and Human Resource Management, Michigan State University, USA. He currently serves as an associate professor of graduate institute of Human Resource Management in National Central University and adjunct associate professor of Business Administration Department in National Taiwan University, a columnist of “Manager today”, Chairman of Labor Data Research Foundation, a committee member of “Talk with Society” under Minister of Labor, Taiwan. He has awarded “Elite of Human Resources Management” from Chinese Huamn Resource, “Excellence in Teaching Award”, “The Most Popular Teacher in EMBA” from Career Magazine. Mr. Lin had served as institute director	The member of the Remuneration Committee Lin, Wen-Jeng conforms to the independence requirements set forth in Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. Other relevant details are as follows, 1. Mr. Lin does not hold any shares of the Company. In addition to currently serving as the Remuneration Committee memeber of TTY Biopharm, he holds a concurrent appointment as an associate professor of graduate institute of Human Resource Management in National Central University, a member of Remuneration Committee of	3

Qualification Title / Name		Professionalism and Experience	Independence Attributes	Number of Remuneration Committee member Posts Held Concurrently for Other Publicly Listed Companies
		of Graduate Institute of Human Resource Management, Chief Executive Officer of EMBA, and associate director of Chinese Human Resource Management Association. He specializes in payroll management, talent management, training and development, team building, and leadership. He is the author of textbooks such as “Payroll systems and management” and “International Human Resource Management”	Amed advacned medication Co., Ltd., independent director, the member of the Auditing Committee and the Remuenation Committee for Young Qin International Co., Ltd. and Mayo Human Capital Inc. respectively. Aforementioned companies and institutions have no relationship with TTY Biopharm. 2. Mr. Lin’s spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.	
Others	Chou, Te-Yu (Note)	Mr. Chou obtained Ph.D. of Economics in Virginia Polytechnic Institute and State University, and a bachelor degree of Physics in National Tsing Hua University. He currently serves as associate professor in Public Finance Department of National ChengChi University and he had served as the Chair of Public Finance Department of National ChengChi University, General Manager and Chairman of Taipei 101, Director of Taiwan Financial Holdings, Director	The member of the Remuneration Committee Chou, Te-Yu conforms to the independence requirements set forth in Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. Other relevant details are as follows, 1. Mr. Chou does not hold any shares of the Company. In addition to currently serving as	1

Qualification Title / Name		Professionalism and Experience	Independence Attributes	Number of Remuneration Committee member Posts Held Concurrently for Other Publicly Listed Companies
		of Chunghua Association of Public Finance. He specializes in industry economics, intellectual property and innovation and business competitiveness and public finance policy.	the Remuneration Committee member of TTY Biopharm, he holds a concurrent appointment as a independent director and a member of the Remeuneration Committee of Taiwan Cooperative Bank, a director of The Cardinal Medical Foundation, a director of Development Foundation of National Chengchi University, and committee member under Ministry of Finance. Among these aforementioned companies, the Cardinal Hospital is a client of the Company however its revenue contribution is lower than 10%. 2. Mr. Chou's spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.	

Note: Mr. Chou has resigned his position as member of Remuneration Committee since March 31, 2022.

## 2 Operation of the Remuneration Committee

- (i) The Company's Remuneration Committee is composed of with 5 members, including 3 independent directors and 2 external experts.
- (ii) The tenure for the members of the Remuneration Committee is from Aug. 25, 2021 to Aug. 24, 2024. In the most recent year, 4 meetings had been held and their qualification and attendances illustrated as follows:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Convener	Tsai, Duei	4	0	100.00	Re-elected on Aug. 25 <sup>th</sup> , 2021
Committee member	Hsueh, Ming-Ling	4	0	100.00	Re-elected on Aug. 25 <sup>th</sup> , 2021
Committee member	Lin, Tien-Fu	4	0	100.00	Re-elected on Aug. 25 <sup>th</sup> , 2021
Committee member	Lin, Wen-Cheng	3	1	75.00	Re-elected on Aug. 25 <sup>th</sup> , 2021
Committee member	Chou, Te-Yu	2	2	50.00	Re-elected on Aug. 25 <sup>th</sup> , 2021

- (iii) Matters of duties for the Company's Remuneration Committee

The Company's Remuneration Committee shall assess director and manager's salary and remuneration policy and system based on its professional and objective status. Meetings shall be held at least twice per year and shall be convened at any time if needed in order to present recommendations to Board of Directors for references of its decision-making.

● Duties and responsibilities for the Company's Remuneration Committee:

- ① Establish policies, systems, standards and structures for director and manager's performance assessment and salary and remuneration and reviewed periodically.
- ② Periodically assess and establish director and manager's salary and remuneration.
- ③ Periodically review related matters of organization charts which shall be provided to Board of Directors for reference.

● Remuneration Committee's performance of duties shall be conducted in accordance with the principles hereunder:

- ① Director and manager's performance assessment and salary and remuneration shall take references from industry's normal standards, and shall consider reasonable connection with individual's performance, the Company's operation performance and future risks.
- ② Director or manager shall not be directed to conduct actions exceeding the Company's risk tolerance for the purpose of pursuing salary or remuneration.
- ③ With respect to compensation distribute percentage for short term performance and time of payment for partial changes of salary or remuneration, determination shall be made under references of industry characteristics and the Company's business nature.
- ④ To ensure the company's salary and compensation systems comply with relevant laws and regulations and be able to attract outstanding

talents.

- ⑤ The content and amount of compensation for board of directors and managers should be considered reasonable and not deviated from financial performance materially.
- ⑥ The Committee members shall not participate in discussion and vote on their personal salary compensation decisions.

(iv) The meeting date, the term, the contents of the Proposals, the Resolution result and the Company's feedback of Remuneration Committee's opinion in 2021.

Remuneration Committee	Contents of Proposal	Resolution result	Company's feedback of Remuneration Committee's opinion
4 <sup>th</sup> session 13 <sup>th</sup> Meeting Mar 19, 2021	1. 2021 Pay Raise Strategy.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/03/19 and unanimous approval by all directors in attendance
	2. The Compensation for Directors in year 2020.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/03/19 and unanimous approval by all directors in attendance for total employee compensation; Unanimous approval by all directors in attendance except the chairman, Lin, Chuan, the vice chairman, Chang, Wen-Hwa, the director, Carl Hsiao, the director, Yang, Tze-Kaing, the director, Chang, Hsiu-Chi and the director, Liao, Ying-Ying who recused himself/herself from the voting due to a conflict of interest for director compensation for directors in 2020. The execution shall be conducted in accordance with resolutions and distribution of compensation has already been reported to competent authority within required period, and has been submitted to year 2021 annual general meeting for report accordingly.
	3. The Compensation for Employee in year 2020.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/03/19 and unanimous approval by all attending directors, and has been submitted to year 2021 annual general meeting for report accordingly.

Remuneration Committee	Contents of Proposal	Resolution result	Company's feedback of Remuneration Committee's opinion
	4. Discussion of Fixed Remuneration for the Company's General Manager.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/03/19 and unanimous approval by all attending directors.
	5. Discussion of Fixed Remuneration for the Company's Chairman.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/03/19 and unanimous approval by all attending directors except the Chairman, Lin, Chuan, rescued himself from voting due to a conflict of interest.
4 <sup>th</sup> session 14 <sup>th</sup> Meeting Aug 05, 2021	1. Discussion over year 2021 Managerial Officer's Remuneration Distribution.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/08/05 and unanimous approval by all attending directors.
	2. Intention to distribute compensation to the Company's assigned affiliates' director representative upon performance of the year 2020 director duty.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/08/05 and unanimous approval by all attending directors except the Chairman, Lin, Chuan, and Director Carl Hsiao rescued themselves from voting due to a conflict of interest.
5 <sup>th</sup> session 1 <sup>st</sup> Meeting Aug 25, 2021	1. Election of the convener for Remuneration Committee of 5 <sup>th</sup> session.	All committee members agreed to elect Director Tsai, Duei as the convener.	None.
5 <sup>th</sup> session 2 <sup>nd</sup> Meeting Nov 04, 2021	1. Intention to distribute compensation to the Company's assigned re-invested company director representative upon performance of the year 2020 director duty.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/11/04 and unanimous approval by all attending directors.
	2. Intended	1. The salary	Submission to a board meeting

Remuneration Committee	Contents of Proposal	Resolution result	Company's feedback of Remuneration Committee's opinion
	Amendment of the title on "The Salary Structure of Managers".	structure table maintains the title of Director and Assist Vice President to facilitate the identification of who have the right to manage affairs and sign for the company; 2. Professional titles such as chief auditor, chief financial officer, chief legal officer, and chief human resources officer shall be included in the managerial officer; 3. Except for the aforesaid amendments, the rest are approved as the original proposal.	on 2021/11/04 and unanimous approval by all attending directors.

Other matters to be disclosed:

- If the Board does not accept or amend the suggestions of the Remuneration Committee, shall state the Board meeting date, the term, the contents of the motions, the resolution of the Board, and the Company's handling the opinions of the Remuneration Committee (such as, when the remuneration resolved in the Board meeting is better than the remuneration recommended by the Remuneration Committee, shall state the differences and the reasons for the differences): None.
- If there is any opposition or reservation against the resolutions of the Remuneration Committee recorded or documented in writing, shall state the meeting date of the Remuneration Committee, the term, the contents of the motions, the opinions of all members, and handling the opinions of the members: None.

**(4) Sustainable Development Committee Composition, Responsibilities and Operation:**

For the purpose of fulfilling corporate governance, developing sustainable development and participating social welfare in order to implement corporate sustainable operation concept and fulfill corporate social responsibility, the Company hereby established Sustainable Development Committee on October 7th, 2019 in accordance with the Company's "Guidelines for Corporate Social Responsibility Practices." (Revised to "Guidelines for Sustainable Development

Practices” on Dec. 24, 2021) This committee reports to the Board of Directors.

**① The Member and Authority of Sustainable Development Committee**

The Company’s Sustainable Development Committee is composed of 5 directors which include 3 independent directors of Hsueh, Ming-Lin, Tsai, Duei and Lin, Tian-Fu and Vice Chairman Chang, Wen-Hua and Director Carl Hsiao. The Convener Hsueh, Ming-Ling independent director is specialized in finance accounting, risk control and corporate governance. His qualifications meet with professional capabilities required by this Committee.

Sustainable Development Committee’s Duties and Responsibilities are as follows:

- (i) Establishment of the Company’s policy, goal, strategy and execution program for sustainable development. The so-called company sustainable development includes perspectives of environment (E), society (S) and governance (G)
- (ii) Review of execution and effectiveness of the Company’s sustainable development, amendment of strategy goal and related regulations and systems and periodical submission of report to Board of Directors.
- (iii) Other matters to be executed by this Committee under instruction from Board of Directors’ resolution.

**② Operation of Sustainable Development Committee**

- (i) Tenure for commissioners of this plenary is from August 25<sup>th</sup>, 2021 to August 24<sup>th</sup>, 2024. There were a total of 4 meetings held in the year of 2021. Attendance for commissioners is as follows:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Convener	Hsueh, Ming-Ling	4	0	100.00	Re-elected on Aug. 25, 2021.
Committee member	Tsai, Duei	4	0	100.00	Re-elected on Aug. 25, 2021.
Committee member	Lin, Tien-Fu	4	0	100.00	Re-elected on Aug. 25, 2021.
Committee member	Chang, Wen-Hwa	4	0	100.00	Re-elected on Aug. 25, 2021.

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Committee member	Carl Hsiao	4	0	100.00	Re-elected on Aug. 25, 2021.

The professionalism and experiences of the Committee's members can be refer to "Professionalism, Diversity, and Independence of Directors" on Page 18-21.

- (ii) The meeting date, the term, the contents of the Proposals, the Resolution result and the Company's feedback of Sustainable Development Committee's opinion in 2021

Sustainable Development Committee	Contents of Proposal	Resolution result	Company's feedback of Sustainable Development Committee's opinion
1 <sup>st</sup> session 8 <sup>th</sup> Meeting Mar. 19, 2021	1. Planned Amendment of the Company's "Organization Regulations for Sustainable Development Committee".	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/03/19 and unanimous approval by all attending directors.
1 <sup>st</sup> session 9 <sup>th</sup> Meeting May 06, 2021	1. Planned Amendment of the Company's "Guidelines for Corporate Social Responsibility Practices".	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/05/06 and unanimous approval by all attending directors.
2 <sup>nd</sup> session 1 <sup>st</sup> Meeting Aug 25, 2021	1. Election of the Convener of Sustainable Development Committee of the 2 <sup>nd</sup> session	All committee members agreed to elect Director Hsueh, Min-Ling as the convener.	Not applicable.
2 <sup>nd</sup> session 2 <sup>nd</sup> Meeting Dec 24, 2021	1. Planned Amendment of the Company's "Guidelines for Corporate Social Responsibility Practices"	Approved unanimously by all attending committee members.	Submission to a board meeting on 2021/12/24 and unanimous approval by all attending directors.
	2. Planned the strategy target and working schedule for the Company's Sustainable Development Committee	Approved unanimously by all attending committee members.	Reported to a board meeting on 2021/12/24.

**(5) The operation of corporate governance and its differing from the “Corporate Governance Best Practice Principles for TWSE/TPEX listed companies”, and the reasons**

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Does the company develop and disclose corporate governance practice principles in accordance with “Governance Best Practice Principles for TWSE/GTSM Listed Companies.”?	✓		The Company has already formed “Governance Best Practice Principles.” These principles are fully disclosed on the Company's website. ( <a href="http://www.tty.com.tw">http://www.tty.com.tw</a> )	No discrepancies
2. Corporate shareholding structure and shareholders’ equity				
(1) Does the company develop internal operation procedures to process shareholders’ suggestions, doubts, disputes, and complaints with implementation according to the procedures?	✓		(1) The Company has already form “Operating Procedures for the Processing of Material Internal Information and Prevention of Insider Trading” and has appointed a spokesperson and acting spokesperson and established a stock affairs unit. This enables the Company to process shareholders' suggestions, disputes, and related problems in a prompt and effective manner.	No discrepancies
(2) Does the company actually control the main shareholders and the final control list of major shareholders of the company?	✓		(2) The Company has assigned dedicated personnel to handle shareholder services and manage relevant information. A securities dealer has been commissioned as a stock affairs agent providing	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company establish and execute the risk control and firewall mechanism with the affiliated enterprise?	✓		<p>assistance in matters related to stock affairs. The Company applies for the shareholder's list with more than 5% shareholding from Taiwan Depository &amp; Clearing Corporation on a quarterly basis, and shareholding ratios of directors and managers are reported on monthly basis and the Company maintains a firm grasp of the main shareholders and the final control list of major shareholders of the Company. It also maintains positive relationships with major shareholder.</p> <p>(3) The Company has already formed "Operating Procedures for Transactions with Related Parties" which serve as norms for financial and business dealings with affiliated enterprises. Joint venture operations are handled pursuant to the Subsidiary Management Guidelines, the Internal Control System regulations as well as relevant laws and regulations. This is a transaction with major interested party and it is submitted to Audit Committee for review.</p>	No discrepancies
(4) Does the company develop internal specification to prohibit insiders from using	✓		(4) Under compliance with existing regulations as well as practical business needs, the Company stipulates	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
undisclosed information from the market to buy or sell securities?			“Operating Procedures for the Processing of Material Internal Information and Prevention of Insider Trading” which shall serve as the basis for the Company’s critical information process and disclosure mechanisms. The Company also conducts online courses (twice a year) as well as physical courses (irregular) to promote importance and guidelines for internal critical information and prevention of insider trading to the Company’s employees, additionally, the Company also remind the importance and guidelines for internal critical information and prevention of insider trading to internal personnel via email on a monthly basis. “Operation Process for Internal Critical Information and Prevention of Insider Trading” is disclosed in the “Investor Column/Corporate Governance/Major Corporate Policies” on the Company’s website.	
3. Composition and responsibility of Board of Directors (1) Does the Board of Directors develop diversified guidelines, specific targets and implement execution in terms of member composition?	✓		(1)The Company established Board Meeting member diversification policy on Chapter Three “Enhancement of Board of Directors’ Meeting Duty” of the “Corporate Governance Guidelines.” Under	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>requirements from the “Articles of Incorporation,” selection of directors will all adopt candidate nomination system. Assessment will be conducted on individual candidate’s academic background and experiences. “Director Election Requirements” and “Corporate Governance Guidelines” will be complied to ensure diversity and independence for director members. The current board of directors is comprised of nine directors. The two female directors and three independent directors account for 22.22% and 33.33% of the board membership, respectively. All independent directors served for 3<sup>rd</sup> term of office and their serving period is 6 years.</p> <p>The board directors have professional experience in the fields of business, finance, accounting, and different industries. Chairman Lin, Chuan has abundant experience in the fields of industry, government, academics, and international relations. Vice Chairman Chang, Wen-Hua is highly familiar with financial operations and risk management in the biotechnology industry. Director Carl Hsiao has served at CVS Health Pharmacy, an international retail pharmacy chain, for a long time and possesses</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>professional competence in the fields of prescription management, clinical services, disease management programs, and retail pharmacy management. Director Yang, Tzu-Chiang served as President of CDIB Capital Group and Professor at Guanghua School of Management and National Chengchi University. He has professional expertise in the fields of investment and financial operations. Director Chang, Hsiu-Chi has experience in the fields of production, sales, HR, development, and finance in the biotechnology industry. Director Liao, Ying-Ying has been actively engaged in the international capital market for a long time and is highly familiar with financial operations and risk control. Independent director Tsai, Dui has concurrent positions as member of the Audit Committee and Sustainable Development Committee, and Chairman of the Remuneration Committee. He has experience in the fields of business management, industry, government, and academia. Independent director Hsueh, Ming-Ling concurrently serves as member of the Audit Committee, Sustainable Development Committee and Remuneration Committee. She has served as head of PwC Taiwan</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Does the company also voluntarily establish other functional committee apart from the remuneration committee and audit committee?	✓		<p>and currently holds a position as Executive Director of Taiwan Corporate Governance Association. Her areas of expertise include financial accounting, risk control, and corporate governance. Independent director Lin, Tien-Fu concurrently serves as member of the Audit Committee, Sustainable Development Committee and Remuneration Committee and has over 25 years' experience in the securities industry.</p> <p>Board member diversification policy is disclosed on the Company's website and Market Observation Post System.</p> <p>(2)For the purpose of fulfilling corporate governance, developing sustainable environment and participating social welfare in order to implement corporate sustainable operation concept and fulfill corporate social responsibility, the Company hereby established Sustainable Development Committee on October 7th, 2019.</p>	No discrepancies
(3) Does the Company establish Board of Directors' performance assessment guidelines and assessment measures, conduct periodic	✓		<p>(3)The Company established "Performance Assessment Guidelines for Board of Directors and Functional Committees" on December 29th, 2016. The</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
performance assessment each year, submit performance assessment results to Board of Directors, and utilize these results as references for individual director's salary and remuneration as well as for nomination of continued tenure?			<p>Guidelines hereto prescribe that performance assessment on Board of Directors shall be conducted at least once per year, Assessment period is at the end of each year and annual performance assessment for that year shall be conducted in accordance with the Guidelines hereto. Assessment result shall be reported to Board of Directors in the first quarter of next year, and shall serve as reference basis for selecting or nominating directors. Performance assessment result for individual director shall serve as reference basis for determination of individual's salary and remuneration. The performance evaluation of the board of directors is performed externally by professionals and independent organization or external experts and scholar team at least once within 3 years. The Company has commissioned the Taiwan Corporate Governance Association to perform the external evaluation of board in September, 2021 and the evaluation results are:</p> <p>① The Chairman respects the professionalism of directors, and the independent directors has been consulted specifically as the 3<sup>rd</sup> party opinions, increasing the efficiency of the decision-making</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>process for the resolutions. The 3 independent directors performed their duties in a proactive manner to ensure a positive board culture.</p> <p>② The Company has established Sustainable Development Committee subordinate the board of directors, which reports the implementation of current year and working plan for the following year at the end of each year with a view to effectively increasing synergy in the communication and execution of corporate sustainability and social responsibility strategies and actions by respective units.</p> <p>③ TTY Biopharm organizes board luncheons or invites board members to visit plant sites on a non-periodic basis. Intensive interactions between the management level and the board are conducive to maximum effectiveness of independent director functions.</p> <p>The Company completed year 2021 Board of Directors and functional committee performance assessments in January 2022, and submitted assessment results to Remuneration Committee for review and to Board of Directors for report on March</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Does the company routinely assess the independence of attesting CPA?	✓		<p>9<sup>th</sup>, 2022. The average score of the Board’s self-evaluated performance is 4.97 out of 5, and the average score of directors’ self-evaluated performance is 4.98 out of 5; the 3 functional Committee’s self-evaluation are full points. Except for that the Directors expect the Company to strengthen the succession plan and integrate the risk assessment and control of the management team into corporate decision-making process, the board of directors and functional Committee have performed well.</p> <p>Please refer to the Company’s website for details of performance assessments for Board of Directors and functional committees.</p> <p>(4)According to the Company’s “Certified Accountant Selection Review Guidelines,” assessment on certified accountant’s independence and appropriateness shall be conducted at once each year. 2021 annual qualification review result was submitted to the Audit Committee and the Board of Directors’ Meeting on March 9<sup>th</sup>, 2022 and was approved after review. Financial statement was audited by KPMG accountants Han Yi-Lien, and Chang Shu-Ying and</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			enterprise income tax filing audit for year 2021 to year 2023 by accountant Chang, Chih have all been reviewed in line with accountant selection review chart (detailed in Chart 1) established by this Company. They all qualify for the Company's requirements with respect to independence and adequacy. These three accountants also issue statements declaring their audits qualify for related independence requirements on accountant occupational ethics norms.	
4. If exchange-listed and OTC-listed companies are equipped with competent and appropriate number of corporate governance personnel, and if corporate governance head has been assigned to take charge of the Company's corporate governance related matters (including but not limited to providing director and supervisor with materials needed to execute business, assisting director in regulation compliance, conducting related matters of Board of Directors and shareholders' meeting in accordance with laws, establishing minutes for Board of Directors and shareholders' meeting,	✓		The appointment of Mr. Chang, Kuo-Chiang, Senior Assist Vice President of the Financial Division, as Corporate Governance Officer of the Company was approved by board resolution on March 26, 2019. He has many years' experience and a sound professional background in accounting, financial operations and services, and management of relevant procedures for public companies. His main responsibility lies in the provision of key governance-related information which is required for the performance of board duties, implement Board of Directors' Meeting, Audit Committee, Sustainable Development Committee and Shareholders' Meeting related matters in accordance with laws, to assist	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
and so on)?			<p>directors to comply with regulations and conduct matters such as change of company registration.</p> <p>Business execution for year 2021 is as follows:</p> <p>(1) Assistance to independent director and average director in duty performance, provision of materials needed and arrangement of learning courses for director:</p> <p>① After the Company's announcement of material information, notify respective directors immediately via emails to ensure director's real-time awareness of the Company's material information.</p> <p>② Establish social media groups for the Board of Directors' Meeting to provide directors with the latest regulation modifications on biotechnology medical treatment, macro economy and corporate governance. Related industry information and corporate news are also provided as reference.</p> <p>③ Review information confidentiality class in accordance with the Company's systematic document management guidelines, provide director with company information needed and assist to maintain smooth communication and exchange</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>between respective management levels and directors.</p> <p>④ In addition to non-scheduled offering of research and training unit's courses to directors for reference and assistance in registration, "teaching at home" courses are also offered. A total of 2 courses with 6 hours were conducted in 2021.</p> <p>⑤ Arrange internal audit management and certified accountants to communicate with the Audit Committee and independent directors on an annual basis, and this communication for year 2021 was conducted on December 24, 2021. Additionally, assist in contacting and communicating with respective parties in the event that independent directors have needs for communication in other time.</p> <p>(2) Assist in meeting procedures and regulation compliance matters for the Board of Directors' Meeting, the Audit Committee, Sustainable Development Committee and Shareholders' Meeting:</p> <p>① Corporate governance assessment for year 2020 result was reported in the Board of Directors' Meeting dated May 06, 2021. Non-executed</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>corporate governance items were reviewed to enhance corporate governance capability and strengthen corporate sustainable development.</p> <p>② Formulate the strategies of corporate sustainable development and the year of 2022 sustainable development plan and submit them to the Sustainable Development Committee and the Board of Directors on December 24, 2021.</p> <p>③ Ensure the holding of the Company's Board of Directors' Meeting, Audit Committee, Sustainable Development Committee and Shareholders' Meeting complies with related regulations and corporate governance guideline requirements.</p> <p>④ Assist and remind directors of regulations to be complied with upon execution of business or making Board of Directors' Meeting or Audit Committee official resolutions, and make recommendations in the event that the Board of Directors' Meeting or the Audit Committee may make illegal resolution.</p> <p>⑤ Assist respective units in making proposal to the Board of Directors' Meeting.</p> <p>⑥ Establish Board of Directors' Meeting, Audit</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>Committee meeting and Sustainable Development Committee meeting agenda, send out notification within mandatory deadline to directors for holding meetings, provide meeting materials and send out meeting minutes, and offer advance reminding to directors in the event that meeting subject requires conflict of interest avoidance or is at risk of insider trading.</p> <p>⑦ Conduct advance registration and report of various announcements prior to the date of Shareholders' Meeting in accordance with regulations, and send out meeting notices to shareholders within mandatory deadline.</p> <p>⑧ Assist chairman in presiding Board of Directors' Meeting, Audit Committee meeting, Sustainable Development Committee meeting and Shareholders' Meeting for the purpose of smooth execution of the meeting.</p> <p>⑨ After announcement of material information made by the Board of Directors' Meeting and Shareholders' Meeting, ensure legitimacy and accuracy of the critical information to protect balances of investor's trading information.</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>(3) Maintain Investor Relationship:</p> <p>① Actively notify institutional investor of related information after the Company's announcement of financial information.</p> <p>② Maintain interaction and communication with existing and potential shareholders which include domestic and offshore institutional investors, listen to suggestions and feedback to management for the purpose of maintaining shareholder's rights.</p> <p>③ Participate in domestic and offshore investor meeting and investment forum (participations of total 4 times in year 2021), and report the Company's financial business status and operation performance to investors to ensure in-depth understanding of the Company.</p> <p>(4) Conduct company change registration Please refer to Chart 2 in the appendix for details of education situations for the Company's governance head.</p>	
5. Does the company establish communication channel with the stakeholders (including but not limited to shareholder, employee, customer and supplier), establish stakeholder section on the company website, and properly respond to	✓		The Company has multiple communication channels in place for different operations. A "Sustainability" section has been created on the company website in "Corporate Social Responsibility" section which lists issues of concern to stakeholders, communication channels, and	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
the key corporate social responsibility issues concerned by the stakeholders?			<p>communication frequency. The contact section lists e-mail addresses and phone numbers for the contacting of investors and plants as well as the reporting of adverse drug reactions (ADR). The goal lies in the sound handling of stakeholder affairs and maintenance excellent communication.</p> <p>Each year, the Company's Sustainable Development Promotion Center shall report situations of its communication with respective stakeholders to the Sustainable Development Committee and Board of Directors. On March 9<sup>th</sup>, 2022, the Sustainable Development Committee and Board of Directors reported situations of communication with stakeholders. Please refer to "Sustainability/Stakeholder" section on the Company's website for details.</p>	
6. Does the company commission professional registrar for handling of shareholder meeting affairs?	✓		The Company has commissioned the registrar agency department of Capital Securities Corp.	No discrepancies
7. Public information				
(1) Does the company establish website to disclose information on the financial operations and corporate governance?	✓		(1) The Company discloses information on financial operations and corporate governance on website.	No discrepancies
(2) Does the company adopt other information	✓		(2) The Company has established an English website and	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
<p>disclosure methods (i.e. establishing English website, assigning specialist to collect and disclose the corporate information, implement spokesperson system and displaying corporate website at investor meeting?)</p> <p>(3)Has the Company made public announcement and report of annual financial statements within two months after end of accounting year? Have public announcements and report of financial statements for Q1, Q2 and Q3 as well as operation situations for respective months been made prior to required deadlines?</p>	✓		<p>appointed a spokesperson and acting spokesperson. Specialists have been assigned to collect and disclose corporate information. Information related to investor meetings is also disclosed on the website.</p> <p>(3) The Company has not made public announcement and report of annual financial report yet within two months after end of accounting year. Nevertheless, public announcements and reports of financial report and operation situations for respective months have already been made prior to required deadlines.</p>	No significant discrepancies.
<p>8. Does the company hold significant information that helps understand the operation of corporate governance (including but not limited to employees' rights, care for employees, investor relations, vendor relations, stakeholders' equity, advanced study of directors and supervisor, execution of risk management policy and risk measurement standards, execution of customer policy, and</p>	✓		<p>(1) Care and rights of Employees: The Company has established an employee welfare committee, implements a pension plan, and provides fair employment opportunities. Various employee training programs and employee group insurance policy are also available and the Company schedules health checks on a regular basis. A large number of rights is better than the requirements set forth in the Labor Standards Act. In addition, the Company also</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
company buying liability insurance for directors and supervisors)?			<p>provides diversified educational training programs (incl. orientation training, on-the-job training courses, professional courses, work safety courses, and other training courses related to work duties) for its employees to enhance their professional skills and turn them into outstanding professionals of international caliber. For more details on employee rights and employee care please refer to the chapter on labor-management relations in V. Overview of Operations.</p> <p>(2) Investor Relations: The Company actively notifies institutional investor of related information after the company's announcement of financial information, maintains reactions and communication with existing and potential shareholders which include domestic and offshore institutional investors, listens to suggestions and provides feedback to management for the purpose of maintaining shareholder's rights. Additionally, the Company participates in domestic and offshore investor meeting and investment forum, and reports the Company's financial business status and operation performance to investors to ensure in-depth understanding of the Company.</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>(3) Vendor Relations: The Company actively searches for a second and third source of raw materials provided by suppliers to meet the PIC/S GMP requirements and be able to provide API DMF which are purchased pursuant to the regulations set forth in the procurement management guidelines in order to provide the Company with the required quantities of high-quality supplies at reasonable prices in a timely manner and achieve projected goals.</p> <p>(4) Stakeholders' Rights: The Company has set up email boxes for the filing of grievances, contacting of investors and plants, and adverse drug reactions to ensure the sound handling of stakeholder affairs and safeguard shareholder rights and interests.</p> <p>(5) Advanced study and director analysis. The directors of the Company participate in relevant advanced training courses in accordance with their professional needs. For more details on advanced training for directors and supervisors in year 2021 please refer to Chart 3 in the appendix.</p> <p>(6) Execution of risk management policy and risk</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>measurement standards: The Company has established Risk Management Center, which is subordinate to the Sustainable Development Committee, responsible for drafting “Risk Management Policy and Procedure” and implementing the company’s risk management. The company’s risk management operations was presented details in the “Corporate Governance/ Corporate Governance Operation” Section of the company’s website.</p> <p>(7) Execution of consumer protection or customer policy: The Company has already set up customer service hotlines and mailboxes for the reporting of adverse drug reactions to provide consumers with inquiry or grievance channels, while dedicated customer service personnel provides services and handles relevant problems.</p> <p>(8) The Company purchased liability insurance for director and managerial officers: The Company purchases liability insurance for its directors and managers on an annual basis to minimize or spread the risk of material damage to company and shareholder interests caused by mistakes or negligence</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>of directors and managers. Coverage expired on January 13, 2022. The Company therefore renewed coverage provided by AIG Asia Pacific Insurance Pte. Ltd. for another year from January 13, 2022 to January 13, 2023. The insurance amount is US\$ 8 million. Relevant details were reported in a board meeting on December 24, 2021.</p> <p>(9) For more details on the acquisition of certificates prescribed by the competent authority by personnel responsible for financial information transparency please refer to Chart 4 in the appendix</p>	
<p>9. Please explain improvement over corporate governance assessment result published in the latest year by corporate governance center of Taiwan Stock Exchange Corporation, and present first priority enhancement matters and according measures on issues not yet improved.</p> <p>(1) Improvement in year 2021</p> <p>① The interim financial reports of the Company is approved by the Audit Committee and submitted to the Board of Directors for discussion and approval.</p> <p>② The annual general meeting will be held in May, 2022.</p> <p>(2) Improvement scheduled for year 2022</p> <p>① To obtain external verification of CHG inventory.</p>				

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

Chart 1

Review items of CPA's Independence and Adequacy

**Independence**

1. Did one of the followings occur within the last two years:
  - (1) Neither an employee of the company nor the affiliated companies.
  - (2) Not a director/supervisor of the Company or its affiliated companies, unless he/she serves as an independent director of the Company or its parent company or a subsidiary of the Company with more than 50% shareholding held by the Company directly or indirectly or has discharged.
  - (3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.
  - (4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the fifth degree of consanguinity of any person indicated in the foregoing three categories.
  - (5) Not a member of the board, supervisor, or employee of institutional shareholders directly holding more than 5% of the company issued total shares, or a member of board, supervisor, or employee of the first five institutional shareholders.
  - (6) Director, supervisor, manager or shareholder with shareholding of more than 5% of a specific company or institute lacking finance or business transaction with the Company served as an independent director but is now released from the duty is not included.
2. If requirements of "integrity, fair, objective and independent" prescribed in Article 8 of "No. 10 Gazette of Professional Ethics Guidelines drafted by Certified Accountant Association" are met:
  - (1) Lack of direct or indirect major financial benefit relationship with the Company;
  - (2) Lack of financing or guarantee behavior with the Company or director;
  - (3) Lack of consideration on the possibility of losing customers;
  - (4) Lack of close business relationship with the Company;
  - (5) Lack of potential employment relationship with the Company.
  - (6) Lack of relationship or public expense related to audited case.

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

3. If accountant's independence statement is obtained:

**Adequacy**

- (1) Are accounting firm personnel equipped with knowledge on the Company's business related industries or fields?
- (2) Do accounting firm personnel understand laws or regulations related to the Company's businesses or necessary skills or knowledge?
- (3) Is accounting firm equipped with sufficient professional staff needed for audit on the Company?
- (4) Is accounting firm able to complete cases within agreed deadline?
- (5) Is accounting firm's adequacy free from influences from the Company's major events which will occur this year or in future years?
- (6) Is accounting firm engaged in conflict of interest with the Company's future potential interests?

Chart 2

Advanced training received by corporate governance head in Year 2021

Date of Education		Organizer	Course Name	Education Hours	Total Education Hours for Current Year
From	To				
2021.01.22	2021.01.22	Taiwan Corporate Governance Association	Contests for Corporate Control and Case Study	3.0	19.0
2021.03.17	2020.03.17	Securities and Futures Institute	Discussion on Remuneration Issues for Employees and Directors	3.0	
2021.08.31	2021.09.01	Taipei Exchange	Online Seminar for Sustainable Upgrade of Year 2021.	4.0	
2021.09.17	2021.09.17	Taiwan Corporate Governance Association	The Dispute Case of Corporate Control and Introduction to Commercial Case Adjudication Act	3.0	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
2021.10.14	2021.10.14	Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in Response to Global Unsustainability Risks from the Perspective of the Covid-19	3.0
2021.11.18	2021.11.18	Taiwan Corporate Governance Association	Hostile Mergers and Acquisitions, Case Study of Contests of Corporate Control and Countermeasures	3.0

Chart 3

Advanced training received by directors in Year 2021

Title	Name	Organizer	Course Name	Education Hours
Chairman	Lin, Chuan	Taiwan Corporate Governance Association	The Dispute Case of Corporate Control and Introduction to Commercial Case Adjudication Act	3.0
		Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in Response to Global Unsustainability Risks from the Perspective of the Covid-19	3.0
Vice Chairman	Chang, Wen-Hwa	Taiwan Academy of Banking and Finance	The Dispute Case of Corporate Control and Introduction to Commercial Case Adjudication Act	3.0
		Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in Response to Global Unsustainability Risks from the Perspective of the Covid-19	3.0
Director	Carl Hsiao	Taiwan Corporate Governance Association	Value Realization of Corporates M&A- Discussion on Integration Issues and Establishment of Management	3.0

Item			Operations		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
			Y	N		Summary and Description
Director				Mechanism after M&A		
		Taiwan Corporate Governance Association		Hostile Mergers and Acquisitions, Case Study of Contests of Corporate Control and Countermeasures	3.0	
		Taiwan Corporate Governance Association		The Dispute Case of Corporate Control and Introduction to Commercial Case Adjudication Act	3.0	
	Yang, Tze-Kaing	Taiwan Corporate Governance Association		Corporates Sustainable Development-Environmental Protection and Legal Compliance.	3.0	
		Taiwan Corporate Governance Association		Insights of Party Transactions, Irregular Transactions, and Insider Trading from Case Study	3.0	
	Chang, Hsiu-Chi	Taiwan Corporate Governance Association		The Dispute Case of Corporate Control and Introduction to Commercial Case Adjudication Act	3.0	
		Taiwan Corporate Governance Association		Business Strategy and Corporate Governance in Response to Global Unsustainability Risks from the Perspective of the Covid-19	3.0	
	Liao, Ying-Ying	Taipei Exchange		Online Seminar for Sustainable Upgrade of Year 2021.	2.0	
		Taiwan Corporate Governance Association		The Dispute Case of Corporate Control and Introduction to Commercial Case Adjudication Act	3.0	
		Taiwan Corporate Governance Association		Business Strategy and Corporate Governance in Response to Global Unsustainability Risks from the Perspective of the Covid-19	3.0	
	Independent Director	Tsai, Duei	Taipei Exchange		Online Seminar for Sustainable Upgrade of Year 2021.	4.0
			Taiwan Corporate Governance Association		The Dispute Case of Corporate Control and Introduction to Commercial Case Adjudication Act	3.0
Taiwan Corporate				Business Strategy and Corporate Governance in	3.0	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
	Y	N	Summary and Description		
			Governance Association	Response to Global Unsustainability Risks from the Perspective of the Covid-19	
Independent Director	Hsueh, Ming-Ling		Taiwan Corporate Governance Association	A Turning Point of Strategy for International Companies-Learning from Century-Old Corporates for Sustainable Development	1.0
			Taiwan Corporate Governance Association	The Global Marco Economic Outlook in Year 2021	3.0
			Taiwan Corporate Governance Association	Discussion on Corporate Governance Blueprint 3.0 and Directors' Responsibilities	3.0
			Taipei Securities Association	Practices and Case Study of Money Laundering Prevention and Combating Information Terrorism	3.0
			Taipei Securities Association	The Challenges and Response to Information Security	3.0
			Taiwan Corporate Governance Association	Research on Major Economic and Trade Issues and Case Study of Integrity Management	3.0
			Taipei Securities Association	Sustainable Finance Innovation and Management	3.0
			Taipei Securities Association	The Introduction and Response to Financial Consumer Protection Act	3.0
			Taiwan Corporate Governance Association	Practices of Employee Incentives Tools for Listed Companies	3.0
			Taiwan Corporate Governance Association	Corporate Governance Summit Forum- Practicing ESG and Implementing Governance and Sustainable Development	6.0
Independent Director	Lin, Tien-Fu		Taipei Securities Association	Practices and Case Study of Money Laundering Prevention and Combating Information Terrorism	3.0

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
	Y	N	Summary and Description		
			Taipei Securities Association	The Challenges and Response to Information Security	3.0

Chart 4

Acquisition of certificates prescribed by the competent authority by personnel responsible for financial information transparency

Title	Name	Certificates
Assistant Manager	Chen, Ru-Yi	Passing of R.O.C. Accountant Examination
Auditor	Chu, Qi-Wen	Passing of Internal Control Basic Proficiency Test

**(6) Implementation of Sustainable Development and its difference from the “Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, and the reasons**

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Does the company establish governance structure and promote full-time (part-time) corporate sustainable development department, where the Board of Directors authorize senior management to process and report to the Board of Directors of the processing?	✓		The Company established Sustainable Development Committee subordinated to the Board of Directors on October 7 <sup>th</sup> , 2019. The Corporate Sustainable Development Committee consists of the Sustainable Development Promotion Center, the Risk Management Center and the Ethical Operation Promotion Center. The 3 functional centers are authorized by the Board of Directors, and General Manager shall assume as the convener of all 3 functional teams. Among them, the Sustainable Development Promotion Center and Risk Management Center are staffed by Department of Finance and Department of Business and Project Management respectively, in charge of promotion of related affairs. Department of Finance is in charge of the administrative management of Ethical Operation Promotion Center. If any reports occur, the center will accept the report and initial investigation. Based on the identity of the accused person, an investigation team will consists of managers in various units, the details can be referred to “8. Implementation of Sustainable Development Promotion” in the table.	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
2. Does the Company conduct assessment of risks associated with environmental, social, and governance issues related to its operations, and has it adopted risk management policies or strategies in accordance with materiality principles?	✓		The company's board of directors passed a resolution on December 28, 2020. To formulate the "Risk Management Policy and procedure" as the highest management policy for the company's risk management. The risk management center will identify the company through an identification and evaluation mechanism on a regular basis each year. Significant risks and formulate risk management strategies and implement the supervision and control of major risks in accordance with the strategy. The details can be referred to "8. Implementation of Sustainable Development Promotion" in the table.	No discrepancies
3. Environmental issues (1) Does the company establish proper environmental management system in accordance with its characteristics of industry?	✓		(1) The Company conforms to the environmental management mechanism for biopharmaceutical industry characteristics. Its plants have passed official inspections in Taiwan, Europe, the US, and Japan and have obtained PIC/S GMP certifications in numerous countries. In addition, we promote the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals in all our plants by displaying material safety signs in working areas to indicate dangerous and hazardous substances employees are exposed to. The latest material safety data sheets	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Does the company devote in the improvement on the utilization efficiency of various resources and use recycled materials with low environmental impact?	✓		<p>are made available for perusal by employees in work locations. The ultimate goal lies in the enhancement of operational performance through the improvement of internal environments and the adoption of effective environmental protection measures.</p> <p>(2) The Company's execution complies with domestic related laws and discharge standards established accordingly. In terms of air pollutant material, natural gas boiler is utilized to replace consumption of low-sulfur heavy oil in order to reduce nitrogen dioxide emission effectively. In terms of waste water handling, the Company installs circulation system, collects water resources in cooling tower for recycle and re-use, improves cooling procedures, enhances heat recovery rate to lower needs for cooling water and carefully recycles and uses used water for cleaning. In terms of waste disposal, certified waste disposal vendors are commissioned to handle wastes within factories. Garbage classification is implemented rigorously and recycling rates are increased accordingly.</p> <p>The Company expects to introduce ISO-14064-1 greenhouse gas inspection and verification in 2022, and set a target of saving 1.2% of electricity in 2022 compared to previous year. After the</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the Company assess existing and future potential risks and opportunities to enterprise from climate change and adopt counter measures related to climate issues?	✓		green gas inspection and verification, a more comprehensive energy management target will be set.  (3) In response to the rising awareness of global warming, extreme climate patterns, environmental protection, safety & health, and energy and ecological conservation, the Company has identified risks and opportunities generated by climate change. Concrete response strategies have been formulated based on risk identification results in the three main dimensions of water resource management and development, disaster responses and adjustments, and reinforced cooperation with cities and value chains. For a more detailed description, please refer to “9. Illustration of Environmental sustainability of the Company (1) Disclosure in response to climate change” in this chart.	No discrepancies
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and does it formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water	✓		(4) As a pharmaceutical industry that improves the quality of human life, we are fully aware that human health depends to a large extent on a favorable environment characterized by clean air and proper treatment of wastewater and solid waste. We have therefore adopted an environmental protection management approach which is based on environmental sustainability as the top priority in all operating activities. All suppliers are required	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
consumption reduction, or other waste management?			to comply with the provisions set forth in our supplier management policy. We have also made an ongoing commitment to process optimization and economical use of resources to minimize the impact of climate change risks. For a more detailed description, please refer to “9. Illustration of Environmental sustainability of the Company (2) Environmental Sustainability Policy” in this chart.	
4. Social issues (1) Has the Company formulated management policies and procedures in accordance with applicable laws and international human rights conventions?	✓		(1) We pay close attention to human rights related issues and strive to provide our employees with fair and safe working environments to minimize potential hazards and negative impacts. Our human rights policy has been formulated with reference to internationally recognized standards set out in the Universal Declaration of Human Rights, the Ten Principles of the UN Global Compact, and the United Nations Guiding Principles on Business and Human Rights. We place strong emphasis on fair treatment and respect for all stakeholders. For more details on our human rights policy, please refer to the dedicated section on “Sustainable Development/Employee Care” on our website.	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits) and reflected operation performance or achievements on employee's salary or remuneration?	✓		<p>(2)</p> <p>① Remuneration</p> <p>Article 21 of the Company's Articles of Incorporation prescribes that 0.5% to 10% of profits shall be appropriated as employee's remuneration in the event that the Company has obtained profits for that year. Nevertheless, amount for loss compensation shall be reserved in advance in the event that the Company still has accumulated losses. The Company has high emphasis on talents. Each year, senior employees are specifically recognized in public and gifts are awarded to thank for employee's contribution. This is also an exhibition of TTY Biopharm Company's human-oriented initial commitment. In terms of retaining new employees, salary is determined in accordance with objective factors of each employee's previous experiences, capability possessed, and retaining position. The Company's salaries are based on the local basic salary, the internal monthly minimum salary is set at NTD\$24,000, and the ratio to the current basic salary is 1:1. After considering various conditions such as occupation category and education background, the stander salary of the company's grass-roots personnel has taken into account the ratio of the average salary of lowest rank to the basic salary, 1.51 times for women and</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>1.58 times for men, both are higher than the local basic salary. There's no difference due to gender. However, in 2021 there were more male managers, so the average salary ratio of women to men was 1:1.033. In addition, TTY Biopharm also pay attention to the employee' annual salary adjustment and promotion system. Based on the internal performance appraisal of organization, the employees can obtain the best salary adjustment opportunities and the smoothest promotion channel.</p> <ul style="list-style-type: none"> <li>• Salary Structure: Different salary structure designs in accordance with attributes of duties.</li> <li>• Bonus Program: 0.5 month of salary will be rewarded for Mid-Autumn Festival and Dragon Boat Festival respectively each year and a 2-month full salary will be rewarded for Chinese New Year. In addition to regular rewards, there are separate performance bonuses distributed in accordance with the organization's internal performance review guidelines, the whole operations and individual's performance. There shall be at least 70% of connections between a colleague's performance and department performance goal. Lastly, multiples for bonus shall be calculated accordingly under considerations of current year the Company's total revenue and after-tax net</li> </ul>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>profit achievement in order to fulfill high degrees of connections between rewards and performance.</p> <ul style="list-style-type: none"> <li>• Annual Salary Adjustment: There will be two salary adjustment opportunities (performance salary adjustment, special salary adjustment). In year 2021, non-managerial officer and managerial officer received an average of 2.5%~3.5% of salary adjustments.</li> <li>• Promotion Mechanism: The Company offers transparent promotion system and activates talent retention project. Employees with excellent performance are recognized and promoted accordingly.</li> </ul> <p>② Diversity and Equality in the Workspace</p> <p>Diversified human resources are the engine of the Company's continuous innovation. Due to the diversity of colleagues, such as different values, beliefs, races, ages, genders, experiences, and backgrounds, they have a higher vision and pattern. It is expected that colleagues to achieve self-positioning and value in the innovative organization, and continue to grow with the company, expanding career path and enriching life. The Company strives to foster an inclusive, non-discriminatory workplace where every colleague can fully utilize their skills, experiences and perspectives.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>The biotechnology and pharmaceutical industry is a high-tech industry. The recruitment of employees of the company focuses on professional knowledge and technology, so the number of men and women is equal. In 2021, there were 249 male employees, accounting for 45.94%, and 293 women, accounting for 54.06%; in terms of manager-level, 39.68% of positions are held by women.</p> <p>③ Other Benefits To enhance the centripetal force of our colleagues, the Company is committed to providing comprehensive benefits for regular employees. In addition to basic benefits that comply with laws and regulations, such as labor health insurance, annual leave, maternity leave, and parental leave, it also includes group accident insurance, travel leave, and paid sick leave, year-end bonus, regular health examination, as well as birthday gifts, wedding gifts, maternity gifts, New Year (Dragon Boat Festival / Mid-Autumn Festival) bonus or gifts, sickness hospitalization condolences, funeral subsidies, disaster relief funds, education subsidies (students for employees' children, scholarships ), travel allowances, etc. Retirement qualifications and pension standards for employees are handled in accordance with the TTY Biopharm Retirement</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>Management Regulations, and 100% are formulated in accordance with Taiwan's labor laws and regulations. In addition, in response to the weather changes in the cold winter every year, and the dual threats of influenza in autumn and winter and the corona virus, the Company cooperates with the national epidemic prevention mechanism and re-introduces influenza vaccine. At the same time, to protect the health and safety of employees, from October 7, 2011, all colleagues and their first relatives and family members were provided with flu vaccines free of charge for 4 people to strengthen the resistance of employees and their family members. In year 2021, a total of 690 people were vaccinated. As a happy enterprise that fulfills its corporate social responsibilities, the company is obliged to maintain public health and support epidemic prevention. The Company will make effort to build a safe and secure net for employees and their families, creating a common prosperity society.</p> <p>Please refer to 5. Labor Relations of V. Operational Highlights of the Company's annual report as well as "Talent Recruitment" and "Sustainability/Employee Care" section of the Company's website for details of the Company's Salary and Benefit Policy.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education?	✓		<p>④ Employee's Remuneration Policy and Implementation Employee remuneration includes salaries and bonuses, of which salaries refer to industry standards, professional titles, academic (experience), professional abilities and responsibilities, etc., and are approved according to the Company's "Salary Structure Table"; bonuses are based on the Company's "Performance Development Plan and Bonus Evaluation Method", considering the annual performance evaluation items of each employee, such as annual achievement rate, core function indicators (trust and achievement orientation, integrity and teamwork, initiative and ambition, and customer orientation), and depending on total revenue and after-tax net profit achievement rate of current year.</p> <p>(3) The Company firmly believes that the mental and physical health of its staff is a key prerequisite for work performance characterized by high efficiency and high quality. To protect employee's safety, TTY Biopharm Company Limited not only purchased labor insurance and health insurance for all employees, it also provides insurance items of group insurance, accident insurance, occupational disaster insurance, cancer</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>insurance and business trip insurance. Employee health check is conducted each year to ensure employee's health. In addition, in response to the dual threats of fluenza and Covid-19, the Company provided fluenza vaccines to all employees and their family members for free. (4 quotas for each employee). Public accident liability insurance is also purchased for workplaces of the Company and factories. Factories also comply with regulations in their regular applications to competent authority for public safety equipment check on buildings and fire-fighting equipment. Certificates for qualified fire-fighting managerial officers have been obtained, and fire-fighting plans for work place have been established in order to maintain fire-fighting equipment safety for work place. For the purpose of preventing occupational disaster and protecting employee's safety and health, "Occupational Safety &amp; Sanitation Work Rules" and "Occupational Safety &amp; Sanitation Management Plan" are established in accordance with Occupational Safety &amp; Health Act and related regulations. Respective factories established occupational safety &amp; health units, management work staff and emergency rescue personnel as required by laws. Safety &amp; health education and training are conducted each year. Given importance of protection measures on work environment and</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Does the company establish effective career competence development training program for employees?	✓		<p>personnel, TTY Biopharm Company Limited conducts related education and training in factories and implements education trainings on “Occupational Safety &amp; Health Education Series” to new employees and existing staffs. This training includes courses of normal safety and health education training, measures to provide safety consciousness, promotion of work place health and accurate selection of masks. Learning assessment is also utilized during education training process to verify accuracy of employee’s learning direction as well as to ensure fulfillment of protection measure concepts on work environment and personal safety.</p> <p>Please refer to 5. Labor Relations of V. Operational Highlights of the Company’s annual report for other protection measures on employee’s physical safety and work environment.</p> <p>(4) “Acquiring knowledge quickly, transferring knowledge effectively, and transforming knowledge into consensus and organizational capability as soon as possible” is one of the important ways for enterprises to build their core competitiveness. Therefore, in addition to training new employees, the company continues to innovate and build on other employees. A complete education training and</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>development system has been established, and the TTY University employee training project has been implemented since 2012. According to the depth of knowledge content, the courses are divided into preliminary courses, advanced courses and advanced courses. The preliminary courses are suitable for all colleagues of the company to participate, the advanced courses are suitable for colleagues in related functional fields to participate, and the advanced courses are arranged for relevant colleagues to participate according to the course attributes</p> <p>① New Employee Training</p> <p>The Company is committed to creating a workplace that continuously learns and inspires colleagues' enthusiasm for work. For the purpose of help new colleagues to adapt to the organizational culture as soon as possible, understand self-positioning and show performance, the company plans a series of new employee training and reviewing courses, including introduction to confidential document management, introduction to GMP management, introduction to drug patent laws, introduction to Taiwan Intellectual Property Management Standards (TIPS), basic intellectual property rights courses, drug safety monitoring, information security education and training, and introduction of good distribution</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>practices (GDP), introduction to business secrets, environmental safety and health, etc. A total of 48 new employees participated in the training courses in year 2021, It is expected that every new colleague can start from knowing TTY Biopharm’s vision and values, organizational strategic direction, job focus and required core capabilities, and the organization resources to gradually understand the Company and solidly accumulate capabilities.</p> <p>② Professional Development The Company has established a comprehensive corporate internal training system – “TTY College.” In addition to new employee training, universal knowledge courses and leadership management courses, physical and on-line classes (R&amp;D, manufacturing and operation, quality control, marketing, business) have been integrated via biotechnology industry expertise and TTY Biopharm corporate culture across the fields mentioned above. For information on training, please refer to Chapter 5 Operation Status XI Relationship between Labors and Management.</p> <p>③ Executive Training For the purpose of incubating future talents with leadership capability for the organization, we have already invested</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(5) Does the Company comply with related laws and international standards in	✓		<p>enormous amount of efforts and resources to establish talent development culture within the Company's group and establish a comprehensive and fair "Talent Development Committee." Through communication and integration of knowledge and resources within the Group, we provide colleagues with more diversified occupational career selections and a bigger stage. It is expected that the Company and colleagues can jointly find the best development goal and program which meet with organization needs as well as individual's interest. After each year's evaluation and recruitment by the "Talent Development Committee," the Company establishes customized individual development goal for each core talent, and offers periodical and timely feedback and instructions accordingly. Appropriate development plan will be provided depending individual's development status and performances in respective phases. In 2021, 2 business management courses were held, each with about 20 participants, and the average after-course satisfaction was 4.59 points (out of 5).</p> <p>(5) In accordance with requirements from "PIC/S Guide to Good Manufacturing Practice for Medical Products" and "Good</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
terms of customer's health and safety related to products and services, customer's privacy, marketing and labeling, and establish related consumer rights protection policy and complaint procedures?			Distribution Practice (GDP)", the Company produces and manufactures drugs and executes operations of import, export, storage and transportation for the purpose of providing customers with safe and effective medical products. In terms of marketing and labeling for drugs, package inserts are attached in accordance with regulations and package insert linkages are posted on the Company's official website for enquiry. Promotional advertisements are submitted to health competent authority in advance as required by laws and advertisement registration numbers are obtained accordingly. In addition, the Company establishes appropriate information safety management mechanisms, enhances information security awareness and complies with stringent control requirements and protection measures in order to protect personal information and customer's privacy. The Company posts responsible person's contact phone number and e-mail address on the "Contact Us" section of the Company's website for the purpose of processing issues related to complaint of the Company's consumer rights and handling customer's complaint fairly and timely.	
(6) Does the Company establish supplier management policy and request	✓	(6)	① Supplier Management Policy	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
suppliers to comply with related requirements in issues of environmental protection, occupational health and safety or labor human rights? What are their execution situations?			<p>The company focuses on the four major policies of “quality assurance”, “quantity stability”, “short delivery time” and “sustainability pursuit” and concurrently evaluate financial status, organizational management, corporate sustainability implementation of the suppliers. The Company has established the "Supplier Sustainability Management Capability Selection" mechanism, from the selection and qualification assessment of new suppliers, to the qualification assessment of existing suppliers for continued cooperation, risk assessment hierarchical management, coaching and improvement and other detailed rules, to implement sustainability and transparency on supplier selection and management.</p> <p>The evaluation of suppliers includes routine evaluation (for any abnormal situation of daily supplier incoming materials, the evaluated points will be deducted and this points will be the basis of annual evaluation) and annual evaluation includes delivery, quality, customer complaints, cooperation, and sustainability, grading these suppliers and conducting management based on the assessment results.</p> <p>② Supplier Management Status</p> <p>a. Chungli Factory</p> <p>In terms of 272 items that have been traded in year 2021,</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>Chungli Factory has assessed them based on quality, customer complaints. The evaluation results: Grade A for total 272 items; Grade B 0 items; Grade C 0 items. The suppliers who graded A will be prioritized if the Company has new supplies request and will be provided to the Quality Control Department to reduce or exempt the test and evaluation of raw materials.</p> <p>b. Lioudu Factory In terms of 281 items that have been traded in year 2021, Lioudu Factory has assessed them based on quality, customer complaints. The evaluation results: Grade A for total 277 items; Grade B 4 items; Grade C 0 items. The Company will follow up and review the improvement of suppliers who graded B, and these suppliers will be prioritized into the monitor plan for year 2022. Additionally, the frequency of monitoring will be increased if necessary.</p> <p>c. Neihu Factory Neihu Factory assessed the 73 items that had been traded in year 2021 based on their quality and cooperation. The result of this year's assessment: all 73 items were qualified; no unqualified items were found.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			Please refer to “Sustainability” section of the Company’s website and Sustainability Report for further details.	
5. Does the Company take references from internationally applied guidelines or instructions for report compiling in its preparation of corporate social responsibility report which discloses the Company’s non-financial information? Have opinions of assurance or guarantee from third party verification units been obtained for aforementioned report?	✓		The Company complies with GRI Sustainability Reporting Standards (GRI Standards) in preparing the Sustainability Reports of Year 2020 and Year 2021. The Sustainability Report of Year 2020 has received Type 1 “The Moderate Assurance” of the “AA1000 Assurance Standard v3” established by the British Standards Institution (“BSI”), which is a third-party independent verification institute and a global non-profit organization. Sustainability Report of Year 2021 is under verification.	No discrepancies
6. For companies having developed independent sustainable development practice in accordance with “Corporate Sustainability Development Best Practice Principles for TWSE/TPEX listed Companies,” please describe the discretion of operation with the independent practice developed: The Company establishes its “Corporate Sustainability Development Guidelines” in accordance with “Corporate Sustainability Development Best Practice Principles for TWSE/TPEX listed Companies” and complies accordingly without fail for the purpose of fulfilling corporate social responsibility promotion.				

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
7. Other critical information that helps understand the operation of corporate social responsibility:				
(1) Donation of Influenza Vaccines				
<p>The Covid-19 epidemic continues to spread, and respiratory diseases usually peak in autumn and winter. Both Covid-19 virus and influenza viruses have threatened the health of domestic people simultaneously, coupled with physical classes have been resumed, which may increase the risk of cluster infection. For the purpose of supporting for Taipei Medical University, which has been engaged in medical research and public welfare activities for a long time, the Company has donated more than 1,000 doses of influenza vaccine to the hospital affiliated to Taipei Medical University in year 2021 to fulfill corporate social responsibility. The vaccination program is for staff and faculty and can be facilitated to assist Taipei Medical University to deepen its social influence.</p>				
(2) Summer internship Program				
<p>Since year 2008, the Company has held Summer Internship Program (SIP) for 14 consecutive years. It has organized many briefing sessions, group interviews, course content planning and project management learning classes for students from universities or research institutes in pharmacy and biosciences all over the country. From the perspective of a professional and forward-looking international pharmaceutical company, the Company shares industry experiences which cannot learnt from class. In past 14 years, there were 363 students joined this program.</p> <p>Even in the face of the epidemic in 2021, the Company started online remote practice instead. Among them, a new plan "group entrepreneurship competition" has been executed, in the form of simulating the establishment of a new biotechnology company, allowing participants to participate in this process of building company's vision, mission, strategy, etc. and gaining the overall market operation mode and market needs of the biotechnology industry, to facilitate these students to be high-level talents in the future. In year 2021, a total of 24 students from National Taiwan University, Taipei Medical University, National Yang Ming Chiao Tung University, National Tsing Hua University, China Medical University, National Cheng Kung University, Chia Nan University of Pharmacy and Science, Kaohsiung Medical University, Tajen University, and National Taiwan Ocean University, including international students from the United Kindom, the United States, Japan and Hong Kong,</p>				

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>participated in summer internship program. In Year 2021, students with excellent internship performance were selected as “campus ambassadors”, and it is expected that more students to participate in the “SIP Summer Internship Program” in the future.</p> <p>(3) Cancer Education and Local Care  As a member of the pharmaceutical industry, TTY Biopharm constantly invests resources in the development of new anti-cancer drugs, makes donations to cancer patient families, and disseminates cancer-related information on the Internet in response to the gradually increasing number of cancer patients in Taiwan. Free health education events are organized in cooperation with relevant organizations to provide teenagers and children with a correct understanding of cancer and make a contribution to cancer prevention.</p> <p>① Cancer Education in Rural Areas and Schools  Since year 1994, TTY Biopharm Cancer Science Development Group has organized and promote a series of cancer prevention and healthy diet education for junior high school students with some cancer-related nonprofit organizations. And dozens of events have been held every year in rural junior high school campuses, to prevent cancer and healthy diet. Even the sessions had been suspended in the first half of 2021 due to the pandemic, in the second of year 2021 we held 49 sessions in remote areas such as Yunlin, Chiayi, Tainan, Miaoli, Hualien and Taitung, and the outlying islands of Kinmen, Penghu, and other remote areas. We invited professional medical staffs from major medical centers to promote the prevention of cancer at campus. By passing the knowledge, let the teenagers play the role of assistant in family’s daily life, so the whole family has the right knowledge of preventing cancer life. Since 2012, the company employees have been relayed every year to organize anti-cancer and health promotion activities on the campuses of Taitung Green Island Elementary School and Taitung Gonguan Elementary School. By the health competition, the knowledge of cancer risk factors from childhood is brought in. The activity was deeply loved by students and got strong support from principals and teachers. We hope the anti-cancer activity will continue to be inherited and rooted. Although the activity was suspended due to the impact of the Covid-19 epidemic in year 2021, the Company has continued to plan to conduct lectures in elementary schools in various places to create a high-quality and equal learning environment.</p> <p>② Scholarships for children of cancer patients  People of cancer-affected population in Taiwan continues to be younger, and most cancer patients are the breadwinner of the family.</p>	

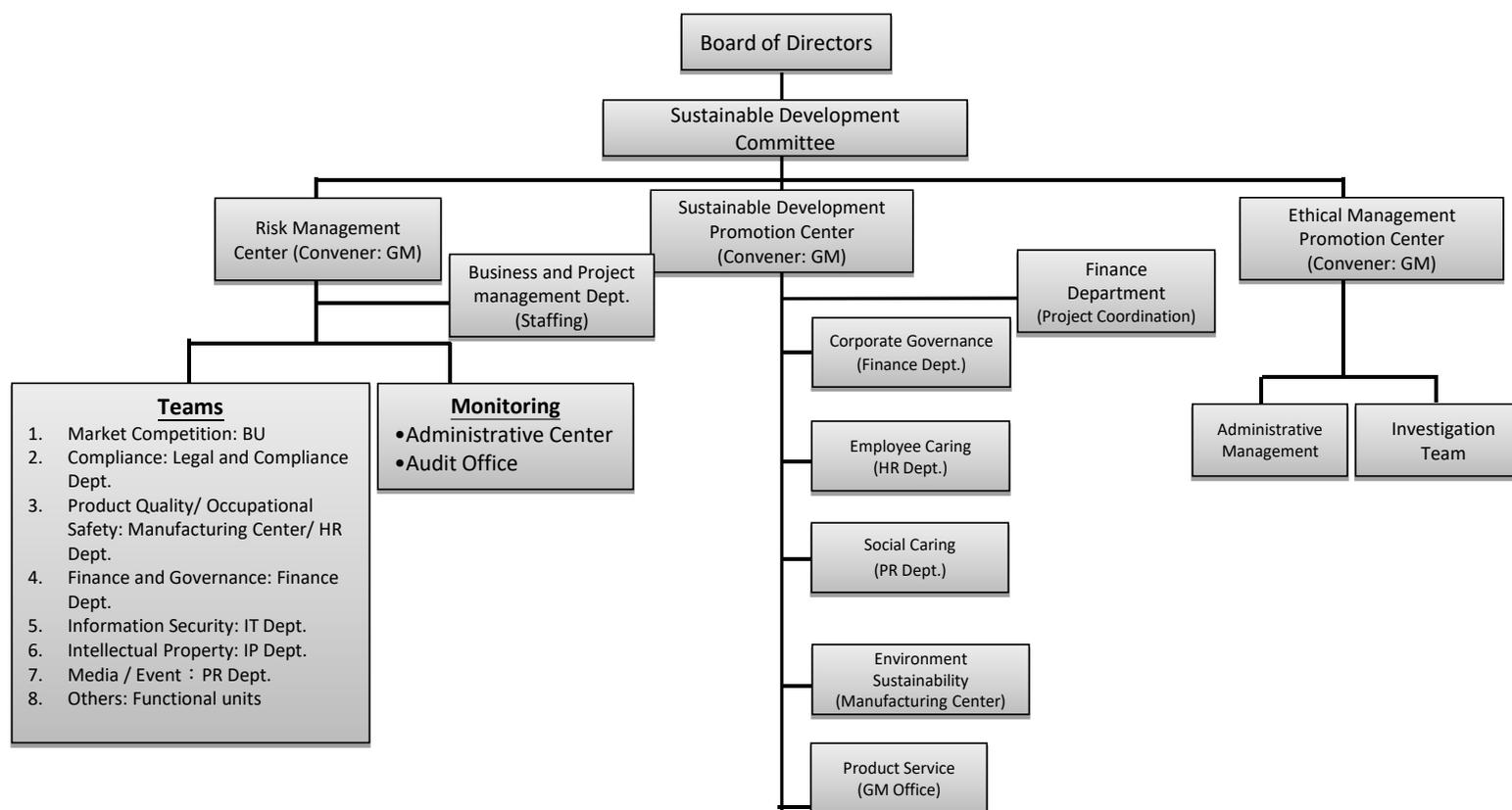
Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>Disease and treatment expenses often become the burden of cancer families, which in turn affects the lives and studies of their children. To alleviate the economic burden of cancer families and help their children go to school smoothly, TTY Biopharm has sponsored the Cancer Hope Foundation for a long time since 1999. And has done its best to help children of cancer families in their education. In year 2020, a total of 75 college students were funded. The total amount of sponsorship for the event is NT\$ 1 million.</p> <p>③ Holding of Health Education Seminar</p> <p>For patients consistent cancer treatment, the company regularly organizes patient and family disease treatment and cancer pain nutrition and health education with cancer related NPOs (non-profit organizations), so that patients can survive the discomfort which is caused by treatment and diseases, and families can learn correct knowledge and fight against cancer positively. Due to the impact of Covid-19 epidemic and in cooperation the prevention measures of government and hospital, there were 2 physical sessions and 1 online session held with total of 89 people in year 2021. Since 1998, a total of 6,621 cancer friends have attended the lecture. In addition, the Company held health education lectures on osteoporosis and bone health, and provided tests to prevent the causes of calcium and vitamin D deficiency. The Company also invited doctors as lecturers for these health education activities, guiding and advising how to achieve sufficient intake from diet and daily life. 47 events (including general hospital and community health education, patient associations, etc.) are held in year 2021 with 2,589 participants.</p> <p>(4) Purchasing from Charity Association</p> <p>Since 2018, the Company has cooperated with the Yu-Cheng Social Welfare Foundation, focusing on supporting the mentally handicapped people, providing various assistance, and expressing its care for these people with practical actions. In the past, on the Mid-Autumn Festival, the Company called on volunteers to reunite with these people at Tamsui "Ai Yu Development Center" to create a "home" atmosphere for these students who have been lacked of care. In 2021, due to the severe global COVID-19 epidemic, in order to avoid unnecessary risks caused by the gathering, and to consider the health of the mentally-handicapped, the original shared meal plan was cancelled. The epidemic has also impacted the income and operation of foundation, therefore, the Company called for the purchasing from charitable group, and actively responded to the Mid-Autumn moon cake group buying, indirectly assisting in cultivating the mentally handicapped people</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>working skills, and the abilities of independence and social interaction, improving employability and increasing job opportunities for the purpose of helping these people create more possibilities and encouraging them.</p> <p>For the purpose of offering feedback to shareholders and supporting the foundation, in year 2021, annual general meeting selected the “Rose Rock Salt from Mountain Himalayan” package as souvenir and total 23,000 packages were purchased.</p> <p>(5) Hospice Caring for Cancer Family</p> <p>For the purpose of assistance of the domestic promotion of hospice care and facilitation of the industry advantage, the Company has launched hospice caring service. The Company has cooperated with Chinese Medical University to plan daytime hospice care services since year 2021. We provide relief nursing after returning home for the Chinese Medical University Hospital patients who have died of cancer. In nursing medical services, home nurses from the hospice care will visit patients’ home and perform hospice care and medical behaviors and help families solve the problems of terminal cancer patients, reducing pressure on caregivers. In year 2021, the hospice caring services have been provided to 523 patients without charges for the purpose of relieving the symptoms of patients, providing mentally support and financial support, to help patients and their families can calm down on their final journey of lives and to further extend the impact of the Company.</p> <p>(6) River Cleanup</p> <p>To effectively protect water resources, the Company contacted the Taipei Environmental Protection Bureau in October 2021, and cooperated with the "Taipei Water Environment Patrol Team" to hold the river cleanup activity named "Clean River Dajia, Ocean Lives Survives" in Dajia Riverside Park. This activity was echoed by our affiliate-TSH Biopharm, and nearly 60 volunteers participated in this activity, not only enabling employees to participate in public governance to be responsible corporate citizens of the water system, but also allowing colleagues to have deeper hydrology-related insights. This activity is also a response to CommonWealth Magazine's initiative to protect water resources, "Do One Thing for Danshui River", the Company hopes to contribute to protect Taiwan's water resources through reducing environmental and water pollution in our daily lives.</p>	

Item	Operations		Summary and Description	Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N		

## 8. Implementation of Sustainable Development Promotion

### (1) The Governance Structure of Sustainable Development Promotion



Item	Operations		Summary and Description	Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N		
(2) Implementation of Sustainable Development				
① Sustainable Development Promotion Center			<p>The Sustainable Development Promotion Center is divided into Corporate Governance Team, Employee Care Team, Social Engagement Team, Environmental Sustainability Team and Product Service Team based on functions. The team leaders of each functional team is selected from Finance Department, Human Resources Department, Public Relation Department, Manufacturing Center and General Office. Meanwhile, the team leaders select inter-departmental support team members based on their in-charges for jointly execution. At the end of each year, the Sustainable Development Promotion Center proposes a working plan for the next year, submitting it to the Sustainable Development Committee for approval and reporting to the Board of Directors. In addition, it is required to report the implementation of the previous year to the Sustainable Development Committee and the Board of Directors in the first quarter of each year. In year 2021, the Company has formulated the corporate sustainable development strategy blueprint and targets and year 2022 work plan, and has submitted them to the Sustainable Development Committee for approval and reported to Board of Directors on December 24, 2021. On March 9, 2022, the Sustainable Development Promotion Center has reported the implementation of the Year 2021 working plan to the Sustainable Development Committee and the Board of Directors. For further details about the implementation of sustainable development, please refer to the Company's Sustainable Development Report for year 2021 and the "Sustainability" section of the Company's website.</p>	
② Risk Management Center			<p>On December 28, 2020, the Board of Directors approved the "Risk Management Policies and Procedures" as the Company's highest guidelines for risk management. The risk management center identifies and evaluates the Company's major risks on an annual basis and supervise and control of major risks based on the strategies of risk management.</p> <p>The General Manager serves as the convener of the risk management center and is responsible for supervising the execution and coordination of the overall risk management; the first-level unit under the general manager is the risk management unit, being responsible for various risk management within the organization. The Business and Project Management Department under Administrative Center is the staff unit of the risk management center, assisting the general manager to coordinate operations of risk management for each unit, for the purpose of ensuring</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons									
	Y	N	Summary and Description										
			<p>that the involved risked are controlled within the acceptable scope. The Sustainable Development Committee supervises the operation of the Risk Management Center, meanwhile, the Audit Committee supervises the company's risk management to ensure the effective implementation of internal control; the Board of Directors is the decision-making and responsible unit for the company's risk management. The Risk Management Center is required to report risk identification and operations to the Sustainable Development Committee, the Audit Committee and the Board of Directors every year. On March 9, 2022, it has reported the performance of risk management in year 2021 and the risks identification for year 2022.</p> <ul style="list-style-type: none"> <li>• Boundary and scope of risk assessment <ul style="list-style-type: none"> <li>The year 2022 risk assessment boundary includes all the company's sites and departments, and the scope can be divided into four aspects, <ul style="list-style-type: none"> <li>▪ Strategy: Changes of legal compliance, industry change/market competition, technology research and development, talent</li> <li>▪ Operation: product safety, occupational safety, supply chain management, intellectual property/business secrets, information security, public events</li> <li>▪ Finance: interest rate, exchange rate, changes in tax laws and regulations</li> <li>▪ Disasters: Earthquakes, epidemics, natural disasters, fire/chemical leakage, climate change</li> </ul> </li> </ul> </li> <li>• Performance of conducting risk management <p>After identification of risks, the major risks include legal compliance, technology research and development, talents, intellectual property, information security, public relations events, finance, occupational safety, climate change and natural disasters. The Company's major risk management strategies and implementations are as follows,</p> <table border="1"> <thead> <tr> <th>Types</th> <th>Items</th> <th>Measures</th> </tr> </thead> <tbody> <tr> <td>Compliance</td> <td>Laws and regulations of government</td> <td>1. Announcement of “Principles of Major Commercial Cases Process” 2. Propaganda of Ethical Management</td> </tr> <tr> <td>Technical</td> <td>New Project</td> <td>1. Standardize the reviewing items of proposal to ensure the quality of decision-making for proposal. 標</td> </tr> </tbody> </table> </li> </ul>	Types	Items	Measures	Compliance	Laws and regulations of government	1. Announcement of “Principles of Major Commercial Cases Process” 2. Propaganda of Ethical Management	Technical	New Project	1. Standardize the reviewing items of proposal to ensure the quality of decision-making for proposal. 標	
Types	Items	Measures											
Compliance	Laws and regulations of government	1. Announcement of “Principles of Major Commercial Cases Process” 2. Propaganda of Ethical Management											
Technical	New Project	1. Standardize the reviewing items of proposal to ensure the quality of decision-making for proposal. 標											

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
Research and Development			2.Adopt for the system of project management evaluation, monitor real-time performance of project.	
Talent			Formulate "Employee Shares Trust Mechanism" as employees' incentives, reducing talent turnover, and creating long-term shareholders' value.	
IP			Enhanced management for "strictly confidential" documents.	
Information Security			1. Establish the mechanism for private devices (computers/ mobile phones/ tablets) to access intranet. 2. Expand the scope of permission check	
PR Events			1. Adoption of external monitor system for public opinions. 2. An exclusive personnel responsible for information collection of public government.	
Finance			Increase the forecast period of foreign currencies depends on actual needs, and invest in more in JPY when JPY depreciates.	
			Regularly monitor the financial ratios of the Company to lower the financing cost due to worsening financial status.	
Occupational Safety			1. Training and education related to human-induced hazards. 2. Public accident insurance of office and building.	
Natural Disaster			Continuously monitor the epidemic and discuss the countermeasure internally	
			Due to the limitation of water supply in Taoyuan resulted from the insufficient raining in the 1 <sup>st</sup> half of year 2021, the Company has proposed the corresponding measure.	
			There were 2 incidents of blackout that lasted for more 1 hour in May, 2021, all units are required to propose the countermeasures to avoid the business interruption.	
Man-made			Evaluation of insuring business interruption insurance.	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
Disaster			chemical leakage	
Climate Change			Climate Change	Hold environmental sustainability promotion activity twice a year.

③ Ethical Management Promotion Center

Ethical Management Promotion Center includes administrative team and investigation team. The Finance Department is in charge of administrative task, and its main responsibilities are to formulate and revise the ethical-related regulations such as “Procedures for Ethical Management and Guidelines for Conduct”, to conduct internal training of ethical management, to propose the reporting mechanism, to process if illegal benefit received by the colleagues and to collect the ethical operational-related activities. This operation result will report to the Sustainable Development Committee and the Board of Directors on an annual basis.

The head of the Organization Development & Human Resource Department is responsible for the receipt of e-mails sent to the reporting mailbox. Reports on the receipt of reporting emails by the Sustainable Development Committee are submitted on a quarterly basis. When incidents are reported through this channel, the Processing & Investigation Division springs into action immediately and the heads of relevant units form investigation task forces that conduct inquiries as required based on the identity of the accused. The Auditing Office conducts annual audits regarding receipt of reports in the reporting mailbox and ethical management conditions.

Ethical Management Promotion Center will report the performance to the Sustainable Development Committee and the Board of Directors. On March 09, 2022, the Center reported the performance of year 2021-the Company has conducted online courses (including quizzes) of “The promotion of ethical management” and “The principles of prevention of inside trading and major commercial cases”, and 100% of total 542 employees completed the courses and passed the quizzes. In addition, the Company has received a report and has completed investigation in year 2021.

(3) Supervision of Board of Directors

The board of directors is the highest governing unit in the field of sustainable development. The Sustainable Development Committee submits

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>annual reports to the board of directors in accordance with work plans announced by the functional center and its actual operations. It also delivers successive reports to the board on its meeting procedures. Actual operations in the field of sustainable development and issues of concern to stakeholders in 2021 were reported to the board for review on March 9, 2022 (see Item 2 Sustainable Development Implementation Status for more details). On December 24, 2021, the Committee submitted a report to the board describing the sustainability strategy blueprint, short- and medium-term development goals, and action and work plans for 2022. Development directions are defined and management approaches and action plans are developed in the three dimensions of environment (E), society (S), and governance (G), Concrete plans and approaches can be described as follows:</p> <p>① Promotion of “Green Transition”</p> <p>a. Climate action - to protect a clean and safe life for the next generation. Securing a clean environment and safe life for the next generation.</p> <p>b. Green operation- Creation of energy-efficient, low-pollution green production modes in collaboration with suppliers.</p> <p>② Realization of a healthy society</p> <p>a. Innovative R&amp;D – Provision of high-quality pharmaceutical products and services to consumers</p> <p>b. Health care – Building of health and welfare-promoting lifestyles for all citizens</p> <p>③ Solid development for the Company</p> <p>a. Ethical Management –Building of an enterprise with excellent financial performance and an outstanding reputation for the benefit of investors.</p> <p>b. Risk Management –Creation of low-risk operation modes</p> <p>c. Talent Development –Employee training aims to turn them into professionals with a firm grasp of international trends and industry developments.</p> <p>For more details, please refer to the Sustainability Report for year 2021 and the “Sustainability” section on Company’s website.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

9. Illustration of the Company's Environmental Sustainability

The data for the Company's environmental-oriented boundary and scope are from the two major manufacturing sites- Chungli Factory and Lioudu Factory, and partial disclosure includes the statistics from Pharmaceutical Development Center. These statistics are presented in universal standard.

(1) Disclosure in response to climate change

① Risk Identification and Countermeasures

Risk Type		Impact	Countermeasure and potential financial impact
Transition Risk	Policy and Laws	Tightened restriction on GHG Reduction and Management Act, and the potential control over total emission in the future will be followed by extra operational expenses on carbon tax.	With a view to enhancing our energy efficiency, we will implement an energy conservation and carbon reduction program and add energy-saving facilities. We have made an ongoing commitment to improving our production processes and minimizing environmental impacts through reductions at the source and strengthening of end equipment for emission control.  The latest Taiwan Power Company statistics revealed that the power generation costs per kWh will rise by 45.45% in 2025 if Taiwan decides to replace nuclear with renewable energy and coal with natural gas. Calculations based on the average electricity tariff of NT\$ 2.6/kWh in 2018 point to an increase of power generation costs per kWh by NT\$ 1.182 in 2025.  In view of the fact that the Company purchased 13,000,000 kWh of electricity in 2020, this would raise expenditures by an estimated NT\$ 15,400,000 per year.
	Technical	Economic systems gradually	We conduct short- and medium-term planning based on comprehensive

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>transition toward supporting technological improvements and innovations with low-carbon and high-efficiency characteristics. This will affect the Company's competitiveness and could result in increased procurement, production, and distribution costs due to schedules and service depth demanded by customers</p>	<p>assessments of the impact of climate change policies on the Company. A project for the installation of thermal insulation and cooling materials on the rooftops of factory buildings which is currently in progress aims to effectively reduce indoor temperatures and carbon emissions generated in production processes and thereby achieve a gradual implementation of green transformation.</p> <p>a. Projected investments in the replacement of obsolete assets (equipment) in 2022 amount to NT\$ 20 million</p> <p>b. Projected investments in the installation of thermal insulation and cooling materials on factory rooftops and enhanced thermal insulation of windows with the goal of lowering indoor temperatures total NT\$ 3 million.</p>
Market			<p>In response to climate change risks and carbon emission control requirements, new business models and the market and adaptation demands are gradually emerging on the market. This forces enterprises to build up their capabilities in the field of carbon asset management. Due to the Company's determined efforts to minimize the risk of</p>	<p>With a view to strengthening our ability to bear climate change risks, we have created new opportunities for revenue increase and market expansion through the adoption of an environmental protection mechanism and carbon emission control measures. On the other hand, increased safety stock levels will result in rising inventory costs. Based on our total inventory costs of around NT\$ 940 million in 2021, it can be estimated that every increase of inventories by 1% will raise our inventory costs by NT\$ 9.4 million.</p>

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			supply chain disruptions caused by unstable supply of raw materials, inventory costs have increased noticeably.	
	Reputation		The perceived potential impact of climate change on customers or communities is inextricably intertwined with the perceived image of the Company in terms of commitment to low-carbon transformation. High carbon emissions or pollution could result in the cancellation of bidding qualifications, loss of orders, and dropping revenues, or change the perception of the Company by customers and society.	With a view to developing more eco-friendly, high-quality products and services, we strive to constantly increase our internal wastewater and solid waste recycling and reuse rates and organize external activities for the promotion of environmental sustainability with the ultimate goal of creating a green corporate culture from the inside and out. We also conduct assessments of a possible engagement in the development of green energy and low-carbon logistics with the ultimate goal of decreasing the carbon footprint of our products and organization and strengthening our competitiveness by ensuring that our products fit the demands of the market.
Physical Risk	Immediate		Climate change is also associated with extreme weather events such as typhoons, floods, and drought, which can cause immediate financial impacts in form of	Water resource management is strengthened to ensure the safety of plant equipment and business continuity. We have created a complete list of water suppliers to be optimally prepared for droughts. However, the purchase of water from such suppliers to make up for water shortages will result in raised costs. Based on a total water consumption of around

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
		damage to Company assets or supply chain disruptions	<p>110,000 m<sup>3</sup>, it may be estimated that annual water purchase costs will surge by NT\$ 110,000 (based on an assumed cost increase of NT\$1 per m<sup>3</sup>) if such purchases are necessary.</p> <p>In addition, typhoons and flooding can disrupt the normal transportation of raw materials and delivery of finished goods, which in turn affects operating revenues. With a view to preventing such disruptions, we assess the possibility of offsite warehouse rental, which will lead to increased rental costs.</p>	
Long-term		Rising average global temperatures coupled with the gradual depletion of energy (water, electricity, fuel) and other resources can result in the disruption of plant operations, rising operating costs, or even liquidated damages due to delivery delays	<p>We assess regional energy and resource usage conditions and arrange staggered peak production in accordance with actual conditions. Electricity usage peaks are avoided for production operations in areas where such arrangements are adopted. We also formulate business continuity plans. In addition to the active development of new suppliers, we have installed emergency generators and compiled lists of water suppliers to ensure a stable supply of raw materials or energy resources and thereby strengthen our ability to respond and adapt to disasters.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
② Climate Changes Opportunities and Countermeasures				
Type	Description		Countermeasure and potential financial impact	
The efficiency of resources utilization	Improving the efficiency of energy and resource utilization can lower the Company's medium and long-term operating costs, and also achieve the goal of carbon reduction.		Evaluate the establishment or replacement of low-energy-consumption equipment, set various reduction targets such as electricity and water consumption, and improve the efficiency of resource use. It is estimated that the annual operating cost can be reduced by about NT\$400 thousand.	
Product and Service	Updating the method and frequency of product offerings can increase customer satisfaction, also achieve the goal of carbon reduction.		Introducing low-carbon transportation by adjusting the supply method and delivery frequency, and reducing the number of delivery trips, in addition to maintaining customers, it is estimated that the annual operating cost can be reduced by about NT\$100 thousand.	
Elasticity	Improve the ability to adapt to climate change in order to manage the risks associated with climate change and opportunities.		The Risk Management Center convened each group to identify risks and opportunities related to climate change, and formulate climate change risk management strategies. The Audit Office planned to establish major guidelines for the company's "climate governance" to track results and strengthen the Company's risk response capabilities.	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

(2) Environmental Sustainability Policy

① Greenhouse gas

➤ Statistics in recent 5 years

▼Energy Consumption (Unit : Megajoules)

Factory	Type	2017	2018	2019	2020	2021
Lioudu	Scope I	10,197,096	9,587,246	10,323,547	11,411,672	10,920,001
	Scope II	28,809,360	28,142,064	28,156,536	31,368,240	29,877,120
Chungli	Scope I	7,208,292	5,611,316	7,094,433	5,574,111	5,548,225
	Scope II	18,743,760	19,088,640	20,711,880	20,604,600	20,145,600
Total		64,958,508	62,429,266	66,286,396	68,958,623	66,490,946

Note:

- The installation of natural gas boilers has been completed, replacing the consumption of low-sulfur heavy oil and effectively reduced carbon dioxide emissions since January 2018.
- Scope I emission sources are mainly natural gas boilers, and the calculation method of natural gas greenhouse gas: Natural gas consumption 1 m<sup>3</sup> = 8000 kcal = 33,488,000 Joule.
- Scope II emission sources are mainly outsourced electricity, calculation outsourced electricity 1 kWh =3,600,000 Joule.

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

▼Energy Intensity

Year	2017	2018	2019	2020	2021
<b>Energy Consumption (Megajoule)</b>	64,958,508	62,429,266	66,286,396	68,958,623	66,490,946
<b>Consolidated Revenue (NTD thousand)</b>	4,078,760	4,036,196	4,466,308	4,221,836	4,535,610
<b>Energy Intensity (Megajoule /NTD thousand)</b>	15.9	15.5	14.8	16.3	14.7

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

▼ Greenhouse Gas Emission (Unit:tonCO<sub>2</sub>e)

Factory	Type	2017	2018	2019	2020	2021
Lioudu	Scope I	756	538	579	640	613
	Scope II	4,225	4,128	4,169	4,827	4,166
Chungli	Scope I	534	315	398	313	311
	Scope II	2,749	2,800	3,067	2,913	2,809
Total		8,264	7,780	8,213	8,693	7,899

Note:

- The type of greenhouse gas emission from Plant Lioudu and Plant Chungli include scope I and scope II without scope III.
- The installation of natural gas boilers has been completed, replacing the consumption of low-sulfur heavy oil. Scope I emission sources are mainly natural gas boilers, and the calculation method of natural gas greenhouse gas: Natural gas consumption (m<sup>3</sup>) \*0.000033488(TJ)\*56100(CO<sub>2</sub>emission factor)/1000 (tonCo<sub>2</sub> TJ).
- Scope II emission sources are mainly outsourced electricity, calculated based on the electricity emission coefficient 0.502 kgCO<sub>2</sub>e/degree published by the Bureau of Energy on September 27, 2021.
- The energy Administration announced that carbon dioxide emission equivalent coefficient was 0.554 kgCO<sub>2</sub>e/degree in 2017, 0.533 kgCO<sub>2</sub>e/degree in 2018, 0.509 kgCO<sub>2</sub>e/degree in 2019, 0.502 kgCO<sub>2</sub>e/degree in 2020 since data in 2021 has not been announced, it is calculated based on 0.502 kgCO<sub>2</sub>e/degree as 2020.

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

▼ Greenhouse Gas Emission Intensity

Year	2017	2018	2019	2020	2021
<b>Greenhouse Gas Emission (tonCO<sub>2</sub>e)</b>	8,264	7,780	8,213	8,693	7,899
<b>Consolidated Revenue (NTD million)</b>	4,078	4,036	4,466	4,221	4,535
<b>Greenhouse Gas Emission Intensity (tonCO<sub>2</sub>e /NTD million)</b>	2.03	1.93	1.84	2.06	1.74

➤ Management Policy

TTY Biopharm is a leading manufacturer of biopharmaceuticals. With a view to honoring our commitment to Sustainability and Responsible Use of Resources, we plan to adopt the ISO 14064-1 GHG Inventory standards in year 2022. In addition to passing the verification prior to October 31, we plan to formulate a proactive plan for power conservation and carbon reduction and concrete power saving targets (power savings of 1.2% in year 2022 compared to year 2021) prior to October 15. In the future, we will conduct ongoing assessments of green, energy-efficient facility purchases and installations coupled with the establishment of a green supplier management mechanism. We also plan to join climate advocacy organizations or alliances. The ultimate goal lies in the implementation of energy management and environmental protection policies through concrete action in the fields of energy conservation, carbon reduction, and search for alternative energy forms.

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
▼Electricity conservation measures and performance in year 2021				
Sites Items	Lioudu		Chungli	
Plan	<p>The office light fixtures in Building A and Building C will be replaced with LED lights. In addition, The cooling water tower of Building C Oral Factory is equipped with an automatic dosing machine to control the water quality of the cooling water tower and pipeline's structure problems, and to improve the cooling efficiency of the ice water.</p> <ul style="list-style-type: none"> <li>In year 2021, a total of 65,568.85 kWh of electricity was saved, and 32,915.6 kg of CO<sub>2</sub>e greenhouse gas emissions were reduced.</li> </ul>		<p>The cooling water pump of C1 plant is equipped with a frequency converter, additionally, the T8 dust-free lamps were replaced with LED lamps to reduce resource consumption.</p> <ul style="list-style-type: none"> <li>In year 2021, a total of 57,846.667 kWh of electricity was saved, and 29,039.03 kg of CO<sub>2</sub>e greenhouse gas emissions were reduced.</li> </ul>	
Measures	<p>(1) The office light fixtures in Building A were replaced with LED lights.</p> <ul style="list-style-type: none"> <li>Power saving 16,580 kWh</li> <li>Reduction of energy consumption by 59,688 megajoules</li> <li>Emission reduction of 8,323.8 kgCO<sub>2</sub>e</li> </ul> <p>(2) The office light fixtures in Building C were replaced with LED lights.</p> <ul style="list-style-type: none"> <li>Power saving 1,531.25 kWh</li> <li>Reduction in energy consumption by 5,512.5</li> </ul>		<p>(1) The C1 plant cooling water pump is equipped with a frequency converter, and the operating frequency is reduced to 50 HZ. They were recognized for 8 months.</p> <ul style="list-style-type: none"> <li>Power saving 36,880 kWh</li> <li>Reduction in energy consumption by 132,768 megajoules</li> <li>Emission reduction of 18,513.76 kgCO<sub>2</sub>e</li> </ul> <p>(2) Replace the T8 tubes in the C2 &amp; B1 air-conditioning room with LED 20W tubes. They were recognized for 8 months.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>megajoules</p> <ul style="list-style-type: none"> <li>▪ Emission reduction of 768.7 kgCO<sub>2</sub>e</li> </ul> <p>(3) The 900 RT cooling water tower of Building C Oral Factory is equipped with an automatic dosing machine to control the water quality of the cooling water tower and pipeline's structure problems, and to improve the cooling efficiency of the ice water.</p> <ul style="list-style-type: none"> <li>▪ Estimated power saving 47,457.6 kWh</li> <li>▪ Estimated reduction of energy consumption by 170,847.3 megajoules</li> <li>▪ Estimated emission reduction of 23,823.7 kgCO<sub>2</sub>e</li> </ul>	<ul style="list-style-type: none"> <li>▪ Power saving 1,830 degrees</li> <li>▪ Reduction of energy consumption by 6,588 megajoules</li> <li>▪ Emission reduction of 918.66 kgCO<sub>2</sub>e</li> </ul> <p>(3) The 51 T8 dust-free lamps in the B1 factory were replaced with LED lamps. They were recognized for one month.</p> <ul style="list-style-type: none"> <li>▪ Power saving 696.667 kWh</li> <li>▪ Reduction in energy consumption by 2,508 megajoules</li> <li>▪ Emission reduction of 349.73 kgCO<sub>2</sub>e</li> </ul> <p>(4) The ice water pump of C1 plant is equipped with a frequency converter, and the operating frequency is reduced to 50 HZ. They were recognized for 4 months.</p> <ul style="list-style-type: none"> <li>▪ Power saving 18,440 kWh</li> <li>▪ Reduction of energy consumption by 66,384 megajoules.</li> <li>▪ Emission reduction of 9,256.88 kgCO<sub>2</sub>e</li> </ul>

Note:

- a. Calculation: Outsourced electricity 1 kWh =3,600,000 Joule
- b. Since the power emission coefficient data of year 2021 has not been announced, the calculation is based on year 2020 power emission coefficient of 0.502 kgCo<sub>2</sub>e/ kWh announced by the Energy Bureau on Sep. 27 2021.

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

▼ Electricity conservation plan for year 2022

Sites Items	Lioudu	Chungli
Plan	<p>The Lioudu Plant plans to enhance the performance of Plant C cooling tower fan motors and install energy-saving blades, which will generate 20% energy savings.</p> <ul style="list-style-type: none"> <li>In year 2022, a total of 14,892 kWh of electricity is estimated to be saved, and 7,475.78 kg of CO<sub>2</sub>e greenhouse gas emissions will be reduced.</li> </ul>	<p>The Chungli Plant plans to replace the 150RT and 120RT screw chillers in the Plant B which have been in use for over 20 years with magnetic bearing centrifugal chillers, which will decrease the power consumption from 167.2KW to 113KW. In addition, lighting fixtures are replaced, and chilled/cooling water pumps are equipped with frequency converters in the Plant C1 to ensure adequate water amounts and reduce operating electricity by around 5%.</p> <ul style="list-style-type: none"> <li>In year 2022, a total of 570,658 kWh of electricity is estimated to be saved, and 286,470.3 kg of CO<sub>2</sub>e greenhouse gas emissions will be reduced.</li> </ul>
Measure	<p>(1) Improve the energy efficiency of the water cooling tower in Plant C</p> <ul style="list-style-type: none"> <li>Estimated power saving: 14,892 kWh</li> <li>Estimated reduction of energy consumption: 53,611.2 megajoules</li> <li>Estimated emission reduction: 7,475.78 kgCO<sub>2</sub>e</li> </ul>	<p>(1) The Chungli Plant plans to replace screw chillers in the Plant B with magnetic bearing centrifugal chillers,</p> <ul style="list-style-type: none"> <li>Estimated power saving: 474,792 kWh</li> <li>Estimated reduction of energy consumption: 1,709,251 megajoules</li> <li>Estimated emission reduction: 238,345.6 kgCO<sub>2</sub>e</li> </ul> <p>(2) The T8 traditional lamps in the Plant C1 will be replaced with LED lamps.</p> <ul style="list-style-type: none"> <li>Estimated power saving: 9,142 kWh</li> <li>Estimated reduction of energy consumption: 32,911</li> </ul>

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>megajoules</p> <ul style="list-style-type: none"> <li>▪ Estimated emission reduction: 4,589.3 kgCO<sub>2</sub>e</li> </ul> <p>(3) The ice water pump, and cooling water pump of Plant C1 are equipped with a frequency converter.</p> <ul style="list-style-type: none"> <li>▪ Estimated power saving: 86,724kWh</li> <li>▪ Estimated reduction of energy consumption: 312,206 megajoules</li> <li>▪ Estimated emission reduction: 43,535.4 kgCO<sub>2</sub>e</li> </ul>	

Note:

- a. Calculation: Outsourced electricity 1 kWh =3,600,000 Joule
- b. Since the power emission coefficient data of year 2021 has not been announced, the calculation is based on year 2020 power emission coefficient of 0.502 kgCo<sub>2</sub>e/ kWh announced by the Energy Bureau on Sep. 27 2021.

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

② Water consumption

➤ Statistics in recent 5 years

▼ Monitoring Result of Effluent and water quality

Sites	Quality	Unit	Local standards	2017	2018	2019	2020	2021
Lioudu	Effluent	Million Liter		82.056	79.518	68.292	76.961	91.323
	COD	mg/L	600	59.86	68.34	73.42	22.68	72.94
	SS	mg/L	600	10.24	12.69	16.80	6.31	3.15
Chungli	Effluent	Million Liter		25.151	24.165	37.739	23.811	20.086
	COD	mg/L	480	91.75	87.94	77.36	66.58	13.5
	SS	mg/L	320	12.21	5.65	3.53	4.53	3.55
Pharmaceutical RD center	Effluent	Million Liter	N/A	1.571	1.696	1.905	1.943	1.798
<b>Total Effluent</b>		<b>Million Liter</b>		<b>108.778</b>	<b>105.379</b>	<b>107.936</b>	<b>102.715</b>	<b>113.207</b>
<b>Consolidated Revenue</b>		<b>NTD thousand</b>		<b>4,078,760</b>	<b>4,036,196</b>	<b>4,466,308</b>	<b>4,221,836</b>	<b>4,535,610</b>
<b>Effluent Intensity</b>		<b>Million Liter/ NTD thousand</b>		<b>0.0000267</b>	<b>0.0000261</b>	<b>0.0000242</b>	<b>0.0000243</b>	<b>0.0000246</b>

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>➤ Management Policy</p> <p>Relevant data in the Aqueduct Water Risk Atlas published by the World Resources Institute (WRI) reveals that the water risks on the whole island of Taiwan are rated as Low-Medium (1-2), which doesn't conform to the criteria of a water stress region. The main operating sites in Taiwan including the Lioudu and Chungli Plants and the Pharmaceutical Development Center in Neihu (Neihu Plant and Pharmaceutical Development Center) derive all their water resources from the local water plant. We do not use any groundwater and our water intake does not affect any water sources. Our effluents do not contain any highly concentrated chemical substances. Wastewater with chemicals in low concentrations undergoes primary treatment inside the plants before it is channeled to the sewage treatment plant of the local industrial zone for final treatment to ensure compliance with national effluent standards prior to discharge into the receiving water body. In 2021, the combined effluent of the Lioudu and Chungli Plants and the Pharmaceutical Development Center in Neihu amounted to around 113.207 million liters. Due to rising number of OEM orders received by the Lioudu Plant the total effluent from this plant increased slightly by 10.492 million compared to the previous year. In 2021, no leakage or overflow occurred in the discharge of effluents by the Company and all requirements set forth in the Water Pollution Control Act and local government acts and influent water quality standards of sewage treatment plants in industrial zones were met. COD and SS values in effluents discharged by the two major manufacturing bases (Lioudu and Chungli Plants) were significantly lower than the standards set out in local laws and regulations. These effluents therefore had no negative impact on water bodies or biodiversity. In the future, we will persist in our efforts to reinforce our water conservation strategies and adopt systematic water resource management plans. This includes the creation of circulatory systems, recycling and reuse of cooling tower water resources, improvement of cooling procedures, and enhancement of heat recovery rates with the ultimate goal of reducing the demand for water resources. We also reinforce water conservation concepts in our rank-and-file staff and management level to ensure thorough implementation of water conservation initiatives.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

▼ Guidelines and Assessment for year 2021

Items	Effluent Management
Commitment	For the purpose of mitigation of the impact on the environment caused by the production process, the Company has set up wastewater pre-treatment facilities to ensure that the quality of the discharge water not only meets the relevant regulatory requirements, but also exceeds the regulatory management standards.
Target	<p><b><u>Short-term</u></b> The monitoring results of the discharge water quality are all better than the regulatory compliance standards, ensuring that there is no major pollution in the company, and no local environmental impact in the plant area.</p> <p><b><u>Mid-term</u></b> Actively cultivate relevant environmental safety and health personnel, hold environmental sustainability activities, and deeply cultivate personnel's awareness of environmental protection.</p> <p><b><u>Long-term</u></b> Implement water recycling and improve procedures to reduce water demand.</p>
Responsibility and Resource	Develop a systematic water management plan, including creating circulation systems, improving cooling procedures, etc.
Assessment result	<ul style="list-style-type: none"> <li>✓ The COD value contained in the effluent water of Lioudu Plant is 72.94 mg/L, which is 8 times lower than the local regulatory standard of 600 mg/L.</li> <li>✓ The SS value contained in the effluent water of Lioudu Plant is 3.15 mg/L, which is 190 times lower than the local regulatory standard of 600 mg/L.</li> <li>✓ The COD value contained in the effluent water of Chungli Plant is 13.5 mg/L, which is 35 times lower than the local regulatory standard of 480 mg/L.</li> <li>✓ The SS value contained in the effluent water of Chungli Plant is 3.55 mg/L, which is 90 times lower than the local regulatory standard of 320 mg/L.</li> </ul>

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

③ Waste

➤ Statistics in recent 5 years

▼ Waste defined based on composition (Unit: ton)

Items \ Year	2017	2018	2019	2020	2021
<b>Hazardous Industrial Waste</b>	12.64	19.08	15.83	25.18	25.59
<b>Non-hazardous Industrial Waste</b>	10.92	13.04	10.13	13.95	19.43
<b>Total Waste</b>	23.56	32.12	25.96	39.13	45.02

▼ Direct waste disposed based on disposal operation (Unit: ton)

Disposal \ Year		2017	2018	2019	2020	2021
Hazardous Waste	Incineration (with energy recovery)	—	—	—	—	—
	Incineration (without energy recovery)	10.91	17.05	13.75	22.09	22.23
	Landfill	—	—	—	—	—
	Other disposal operations (physical process)	1.73	2.03	2.08	3.09	3.36
	<b>Total</b>	<b>12.64</b>	<b>19.08</b>	<b>15.83</b>	<b>25.18</b>	<b>25.59</b>

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	

Disposal		Year	2017	2018	2019	2020	2021
Non-Hazardous Waste	Incineration (with energy recovery)		—	—	—	—	—
	Incineration (without energy recovery)		0.87	0.79	1.01	No disposal	4.27
	Landfill		—	—	—	—	—
	Other disposal operations (physical process)		10.05	12.25	9.12	13.95	15.16
	<b>Total</b>		<b>10.92</b>	<b>13.04</b>	<b>10.13</b>	<b>13.95</b>	<b>19.43</b>

➤ Management Policy

With a view to realizing our goals of eco-friendliness and sustainable government, we not only employ professional technical personnel pursuant to the provisions set forth in Article 28, Paragraph 2 of the Waste Disposal Act but also take the initiative in training dedicated personnel. In 2021, 5 professional technicians (2 in the Lioudu Plant, 2 in the Chungli Plant, and 1 in the Neihu Plant) were exclusively responsible for waste treatment. Waste disposal plans are submitted according to the law and implemented upon review and approval by agencies commissioned by competent authorities of special municipality/county/city governments or the central government. We conclude contracts with qualified waste collection and treatment organizations to ensure proper disposal and treatment of industrial and domestic waste as required by the law.

In addition, waste collection and tracking management guidelines have been formulated pursuant to the norms and standards set forth in Article 14, Paragraph 2 of the Regulations Governing Disposal and Treatment by the Public and Private Sector. Waste contractors are required to report

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons			
	Y	N	Summary and Description				
			<p>waste collection and disposal equipment for approval. All vehicles utilized by the Company for removal and transportation of industrial waste must be equipped with a GPS (global positioning) system and vehicle trajectory reporting rates must reach 90% to facilitate real-time monitoring by competent authorities and the Company.</p> <p>With a view to maintaining a firm grasp of waste flows and reinforcing audits of waste disposal businesses, we submit relevant documents for assessment and abnormal GPS tracking records for collection and disposal vehicles. Monthly tracking and assessment of businesses responsible for waste treatment is implemented. We also have an annual on-site inspection mechanism in place to confirm output and flow directions after treatment. Furthermore, we carry out vehicle tracking audits on a non-periodic basis to ensure that waste collection and treatment businesses perform their operations according to the law. In 2021, our total solid waste amount reached around 45.02 metric tons. All generated waste was collected and treated off-site by qualified businesses. Weekly and monthly assessment completion rates in the Chungli and Liudu Plants reached 100%. No violations of provisions set forth in the Waste Disposal Act or environmental impacts in the vicinity of plant areas occurred in 2021.</p> <p>▼ Guideline and Assessment for Year 2021</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Waste Disposal</th> </tr> </thead> <tbody> <tr> <td><b>Target</b></td> <td> <p><b><u>Short-term</u></b> The monitoring results of the water quality of the discharge water are all better than the legal management standards; the waste collection and disposal vehicles are accurately tracked and checked on a weekly and monthly basis to ensure that the Company does not violate the "Waste Disposal Act" or cause major pollution, nor does it Cause environmental impact on the local area of the plant.</p> <p><b><u>Mid-term</u></b></p> <ul style="list-style-type: none"> <li>✓ Proactively cultivate relevant environmental safety and health personnel, hold environmental sustainability activities, and deeply cultivate personnel's awareness of environmental protection.</li> <li>✓ Evaluate the adoption of environmentally friendly packaging materials and increase purchasing of equipment and products with environmental protection labels to reduce waste.</li> <li>✓ Promote the recycling of waste (3 tons in total), and implement the mechanism for the management and recovery of</li> </ul> </td> </tr> </tbody> </table>	Items	Waste Disposal	<b>Target</b>	<p><b><u>Short-term</u></b> The monitoring results of the water quality of the discharge water are all better than the legal management standards; the waste collection and disposal vehicles are accurately tracked and checked on a weekly and monthly basis to ensure that the Company does not violate the "Waste Disposal Act" or cause major pollution, nor does it Cause environmental impact on the local area of the plant.</p> <p><b><u>Mid-term</u></b></p> <ul style="list-style-type: none"> <li>✓ Proactively cultivate relevant environmental safety and health personnel, hold environmental sustainability activities, and deeply cultivate personnel's awareness of environmental protection.</li> <li>✓ Evaluate the adoption of environmentally friendly packaging materials and increase purchasing of equipment and products with environmental protection labels to reduce waste.</li> <li>✓ Promote the recycling of waste (3 tons in total), and implement the mechanism for the management and recovery of</li> </ul>
Items	Waste Disposal						
<b>Target</b>	<p><b><u>Short-term</u></b> The monitoring results of the water quality of the discharge water are all better than the legal management standards; the waste collection and disposal vehicles are accurately tracked and checked on a weekly and monthly basis to ensure that the Company does not violate the "Waste Disposal Act" or cause major pollution, nor does it Cause environmental impact on the local area of the plant.</p> <p><b><u>Mid-term</u></b></p> <ul style="list-style-type: none"> <li>✓ Proactively cultivate relevant environmental safety and health personnel, hold environmental sustainability activities, and deeply cultivate personnel's awareness of environmental protection.</li> <li>✓ Evaluate the adoption of environmentally friendly packaging materials and increase purchasing of equipment and products with environmental protection labels to reduce waste.</li> <li>✓ Promote the recycling of waste (3 tons in total), and implement the mechanism for the management and recovery of</li> </ul>						

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			toxic substances	
			<p><b>Long-term</b></p> <ul style="list-style-type: none"> <li>✓ Paperless Office.</li> <li>✓ Establish a “Green” supplier management mechanism and integrate environmental actions with suppliers .</li> </ul>	
<b>Responsibility and resources</b>			Waste professional and technical personnel to deal with and submit waste disposal plans. Vehicles that dispose and transport waste are equipped with GPS positioning systems to track the processing status and check the process every month.	
<b>Assessment result</b>			<ul style="list-style-type: none"> <li>✓ The total amount of waste is about 45.02 metric tons, including 25.59 metric tons of hazardous waste and 19.43 metric tons of non-hazardous waste. The Company has commissioned to qualified vendors to dispose and transport these wastes.</li> <li>✓ The completion rate of weekly and monthly inspections at Chungli Plant and Lioudu Plant reached 100%.</li> <li>✓ There is no violation of the "Waste Disposal Act" and related regulations.</li> </ul>	
▼Check for the vendors responsible for waste disposal in Year 2021				
<b>Sites</b>	<b>Weekly achievement</b>	<b>Monthly achievement</b>	<b>On-site check</b>	<b>Non-periodic GPS check</b>
<b>Chungli</b>	100%	100%	1	1
<b>Lioudu</b>	100%	100%	2	3

**(7) Performance status for Ethical Management operation and its differing from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, and the reasons**

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
<p>1. Develop ethical management policy and program</p> <p>(1) Has the Company established Ethical Management Policy which was approved by Board of Directors, and expressively stated policy, measures as well as Board of Directors and senior management’s commitments to aggressively fulfill operation policy for Ethical Management in Articles of Incorporation and external documents?</p>	✓		<p>(1) For the purpose of building up ethical management corporate culture and establishing reference structure for excellent business practices, the Company established, through approval from Board of Directors’ resolution, “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” on December 29th, 2016 and March 29th, 2018 respectively. They have specifically prescribed attention matters for employees during their execution of business, and expressively stipulated prevention measures for various unethical behavior. Director, manager and employees are strictly prohibited to be engaged in any offering or accepting of bribe or illegal behavior. Through rigorous management mechanisms and effective controls, risks of ethic violation are therefore minimized accordingly.</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established assessment mechanisms for unethical behavior, conducted regular analysis and assessment over business activities of higher unethical behavior risks within scope of business and established accordingly programs to prevent unethical behavior which at least covers preventions measures for various behaviors prescribed in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(2) To prevent unethical behavior, the Company has established unethical behavior risk assessment mechanism. “Ethical Management Promotion Center” shall interview units with higher unethical behavior risks within their business scope, assess risk levels of their business activities and enhance related internal control systems accordingly. Furthermore, all of the Company’s senior management (General Manager and Vice General Manager) signed “Statement of Compliance with the Ethical Management Policy” which declares rigorous compliance with the Company’s Ethical Management Policy. The Company’s “Procedures for Ethical Management and Guidelines for Conduct” has specifically prescribed attention matters for the Company’s employees during their execution of business as well as punishment for violation and appeal system. This Procedures for Ethical Management and Guidelines for Conduct has expressively prescribed prevention measures for various unethical behaviors. Director, manager and employee are strictly prohibited to be engaged in any offering or receiving bribe or illegal behavior.	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Has the Company expressively established operation procedures, behavior guidelines, violation punishment and appeal system in unethical behavior prevention program, implement this program rigorously and regularly review and amend the aforementioned program?	✓		<p>Measures of punishment, employment suspension or employment termination will be imposed accordingly depending on actual situations upon engagement of activities violating requirements.</p> <p>(3) The Company's "Procedures for Ethical Management and Guidelines for Conduct" expressively prescribes prevention measures for dishonest behavior. Management and employees are strictly prohibited to be engaged in any offering/receiving of bribe or illegal behavior. With respect to all activities violating requirements, punishment, suspension of duty or termination of employment will be imposed accordingly based on actual circumstances.</p> <p>This Procedures for Ethical Management and Guidelines for Conduct has been amended on October 7<sup>th</sup>, 2019 and March 16<sup>th</sup>, 2020 respectively after it was established on March 29<sup>th</sup>, 2018.</p>	No discrepancies
<p>2. Implementation ethical management</p> <p>(1) Does the company evaluate the ethical records of transacting targets and specify the ethical behavior clauses in the contract signed with the transacting targets?</p>	✓		<p>(1) The Company's "Procedures for Ethical Management and Guidelines for Conduct" expressively prescribes that, when entering agreements with others, counterparty's ethical</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established an unit which reports to Board of Directors and which is responsible for promoting corporate ethical management, and reported regularly (at least once a year) its ethical management policy and unethical behavior prevention program as well as its supervision and execution situations?	✓		<p>management status shall be fully understood, and shall establish related requirements on unethical behavior prevention in transaction agreements of distribution, supply and commissioned service.</p> <p>(2) The Company drafted “Procedures for Ethical Management and Guidelines for Conduct” and established “Ethical Operation Promotion Center” under “Sustainable Development Committee”. General Manager assumes the post of convener for “Ethical Operation Promotion Center”. The Ethical Management Promotion Center includes administrative team and investigation team. The Finance Department is in charge of administrative task, and its main responsibilities are to formulate and revise the ethical-related regulations such as “ethical management procedures and behavior guidelines”, to conduct internal training of ethical management, to propose the reporting mechanism, to process if illegal benefit received by the colleagues and to collect the ethical operational-related activities. This operation result will report to the Sustainable Development Committee and the</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>Board of Directors on an annual basis. The head of the Organization Development &amp; Human Resource Department is responsible for the receipt of e-mails sent to the reporting mailbox. Reports on the receipt of reporting emails by the Sustainable Development Committee are submitted on a quarterly basis. When incidents are reported through this channel, the Processing &amp; Investigation Division springs into action immediately and the heads of relevant units form investigation task forces that conduct inquiries as required based on the identity of the accused. The Auditing Office conducts annual audits regarding receipt of reports in the reporting mailbox and ethical management conditions. Ethical Management Promotion Center will report the performance to the Sustainable Development Committee and the Board of Directors. On March 09, 2022, the Center reported the performance of year 2021,</p> <p>① Training The Company has conducted online courses (including quizzes) of “The promotion of ethical management” and “The principles of prevention of</p>	

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company develop conflict of interest policy, provide proper petition channel and implement the execution?	✓		<p>inside trading and major commercial cases”, and 100% of total 542 employees completed the courses and passed the quizzes.</p> <p>② Summary of Reporting A total of 256 letters were received in year 2021. Most of the mails were advertisements. The Company has received a report and has completed investigation in year 2021.</p> <p>(3) On March 29th, 2018, the Company drafted “Procedures for Ethical Management and Guidelines for Conduct” which explicitly prescribes conflict of interest policy. The Company has established appropriate channels that allow a detailed description of potential conflicts of interests with the Company or the absence thereof by directors, the management level, and all staff members.</p>	No discrepancies
(4) Has the Company already established effective accounting system and internal control system in order to fulfill Ethical Management, and reached risk assessment result on unethical behavior conducted by internal audit unit, and established related audit plans	✓		<p>(4) The Company establishes accounting system and internal control system in accordance with related laws and regulations. In addition to ethical management status inspected by heads of respective units inside the Company, audit personnel also</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
<p>which have been utilized accordingly to verify situations of compliance with unethical behavior prevention program, or commissioned accountants to conduct inspection accordingly?</p> <p>(5) Does the company routinely hold domestic and external educational training for ethical management?</p>	✓		<p>conducts inspections on related unethical behavior prevention for the purpose of insider trading prevention in accordance with annual audit plan.</p> <p>(5) The Company announces its “Procedures for Ethical Management and Guidelines for Conduct” all employees through emails, and discloses accordingly on internal website. Additionally, the Company announced the ethical management policy via internal notification and also introduces the regulations of prevention of unethical behavior to new members of TTY Biopharm. In addition to arrange online courses such as ethical management, prevention of insider trading, business secrets and drug safety monitoring and information security and require all employees fully complete these courses, the Company also arrange physical courses irregularly to ensure employees understand and comply with the regulations. In terms of the course of “ethical operation introduction”, the main topic include identification the type of benefits and the type of unethical behavior, and emphasis on the</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>reporting mechanism and the regulations about reward and punishment. The course session was 14 minutes and in year 2021 total 542 employees completed the online course (including reading and quiz), and total training hours was 316 hours.</p> <p>We educate our directors, managers, and rank &amp; file staff on applicable laws governing the prevention of insider trading at least on annual basis. On August 5, 2021, the board of directors delivered a report on insider trading-related laws and case analysis results. We also offer an E-Learning course titled “Prevention of Insider Trading and Principles for the Handling of Major Commercial Cases” to educate all staff members on these issues. All 542 staff members (as of 2021) have completed this 15 minutes E-Learning course and passed the final test, and total training hours was 338 hours.</p>	
<p>3. Operations of company reporting system</p> <p>(1) Does the company develop specific reporting and incentive system and establishing convenient reporting channel in addition to assigning proper handling specialist for the target reported?</p>	✓		<p>(1) The Company’s “Procedures for Ethical Management and Guidelines for Conduct” explicitly prescribes specific reporting and rewarding system. Report channels are also established on corporate official website and internal employee website, with</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established investigation standard operation procedures for accepted report matters as well as subsequent measures and related confidentiality mechanisms after investigation is completed?	✓		<p>“Ethical Operation Promotion Center” designated personnel responsible for receiving cases reported.</p> <p>(2) “Ethical Operation Promotion Center Operation Rules” is drafted under the Company’s “Procedures for Ethical Management and Guidelines for Conduct.” These operation rules explicitly prescribe investigation standard operation procedures, subsequent measures after investigation and confidentiality mechanism for receiving matters reported.</p>	No discrepancies
(3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?	✓		<p>(3) The Company’s “Procedures for Ethical Management and Guidelines for Conduct” and “Ethical Operation Promotion Center Operation Rules” explicitly prescribe measures protecting report person from inappropriate treatment because of such report. Internal disciplinary rules also explicitly prescribe that staff disclosing identity of report person and contents shall be severely disciplined.</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
4. Strengthen information disclosure Does the company disclose the content of ethical management practice developed and promote the effectiveness on the company website and Market Observation Post System?	✓		The Company has already disclosed its Ethical Corporate Management Best Practice Principles and Procedures for Ethical Corporate Management and Guidelines for Conduct on its corporate website and on the Market Observation Post System. Implementation results are also posted on the website.	No discrepancies
5. If the company has instituted ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please describe its operation differing from the Principles: The Company drafted “Ethical Corporate Management Best Practice Principles,” under which the “Procedures for Ethical Management and Guidelines for Conduct” was drafted accordingly for the purpose of fulfilling integrity operation policy and preventing dishonest behavior aggressively.				
6. Other helpful information for better understanding the Company’s operation of the Ethical Corporate Management Best Practice Principles(such as, the Company’s declaring its determination for ethical corporate management to the associated vendors, policies, inviting them to participate in education and training, and reviewing and amending the Company’s Ethical Corporate Management Best Practice Principles): The Company upholds a corporate culture of integrity and has earned the trust of its suppliers and clients in major medical institutions with a firm commitment to the goal of sustainable operations.				

**(8) If Corporate Governance Best-Practice Principles and Related Bylaws Are Adopted By the Company, the Company Should Disclose the Inquiry Methods:**

The Company has formed “Governance Best Practice Principles,” “Ethical Management Principles,” “Procedures for Ethical Management and Guidelines for Conduct” and “Sustainable Development Practice Guidelines.” These principles are fully disclosed in the unit of “investors/corporate governance/major corporate policies” on the Company’s website.

**(9) Any Other Material Information That Would Afford a Better Understanding of the Status of the Company's Implementation of Corporate Governance May Also Be Disclosed :**

- (i) To enhance corporate governance the Company established the Audit Committee in composition of 3 independent directors starting June, 2016.
- (ii) To conduct risk management against uncertain factors that may threaten the company's business operations, the company established a risk management center on December 28, 2020, which is subordinate to Sustainable Department Committee, and the "Risk Management Policies and Procedures" approved by board of directors, Clearly stipulate that the company's "risk management policy" defines various risks in accordance with the overall operating policy and strategy, and establishes a management mechanism for identifying, evaluating, handling risks, and effective supervision and review to avoid or reduce the impact of company's operations and to ensure the sustainable development of the enterprise.
- (iii) To enable investors to understand the Company's financial and business status, the Company was invited to participate in 4 investor seminars in year 2021.
- (iv) The company disclosed comprehensive corporate governance status on official website. Corporate governance related requirements and systems are disclosed on the Market Observation Post system.

## **(10)Internal Control System Execution Status**

### **1 Statement of Internal Control System**

#### **TTY Biopharm Company Limited Statement of Internal Control System**

March 09, 2022

TTY Biopharm Company Limited has conducted a self-check of internal control for the year of 2021. The results are as follows: :

1. The Company acknowledges that the Board of Directors and managerial officers are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established. The purposes of the Internal Control System are to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance, safeguard of assets, etc.), the reliability of financial reports, and the compliance with applicable laws and regulations.
2. The Company also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three goals referred to above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The Company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the "Guidelines for the Establishment of Internal Control System by Public Companies" (referred to as the "Guidelines" hereinafter). The evaluation of the internal control system adopted by the said Guidelines has the internal control system divided into the following five factors based on the process of the management control: 1. Environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each component comprises certain factors. Please refer to the Guidelines for preceding items.
4. The Company has assessed and evaluated the effectiveness of the internal control system design and implementation in accordance with the internal control system criteria referred to above.
5. Based on the evaluation of the aforementioned system, the Company considered the Internal Control System as of December 31, 2021 (including supervision and management of subsidiaries), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and obeying the related internal control system of the relevant laws, are all effective, and it can ensure that the aforementioned goals to be reasonably reached.
6. This Statement of Internal Control System is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts like pretense and concealment involved in the above-mentioned statement, the Company will assume the legal responsibilities according to Article 20, 32, 171, and 174 of the Securities Exchange Act.
7. This Statement of Internal Control System had been approved by the Board of Directors at the meeting of March 09, 2022 with 9 directors presented at the meeting and none disagreeing with this Statement of Internal Control System.

TTY Biopharm Company Limited  
Chairman : Lin, Chuan  
General Manager : Lin, Chuan

- 2 If the internal control system is audited by the commissioned independent auditor, the Independent Auditor’s Report Should Be Disclosed: None.

**(11) In the most recent year and up to the printing date of the annual report, if the Company and its internal personnel were punished according to law, or if the Company punished its internal personnel for violating the provisions of the internal control system, and the results of such punishment may have a significant impact on shareholders’ equity or securities prices, the punishment content, major defects, and improvement status shall be specified: None.**

**(12) Major Resolutions Made In Shareholders’ Meeting and Board Meetings:**

Date and Types of Meetings	Important Resolutions
Board of directors Feb 5, 2021	<ol style="list-style-type: none"> <li>1. The Re-election of the Company’s directors and independent directors.</li> <li>2. Date, venue, and agenda for the year 2021 Annual General Meeting.</li> <li>3. Planned to sign Licensing Agreement with Partners.</li> <li>4. Planned to Co-develop European Market of Pegylipo with Germany Pharmaceutical Company.</li> </ol>
Board of directors Mar 19, 2021	<ol style="list-style-type: none"> <li>1. Proposal of Upgrade of Injection Facility in ChungLi Plant.</li> <li>2. Proposal of Improvement of Microsphere Facility in Liudu Plant.</li> <li>3. The Employees’ Compensation of the Company in 2020.</li> <li>4. The Directors’ Compensation of the Company in 2020.</li> <li>5. Year 2020 Business Report and Financial Report</li> <li>6. Year 2020 Earnings Distribution Proposal.</li> <li>7. Year 2021 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.</li> <li>8. Formulation of the year 2021 Internal Control Statement.</li> <li>9. Planned Amendment of the Company’s “Regulation of election of directors”</li> <li>10. Planned Amendment of the Company’s “Organization Regulations for Sustainable Development Committee”</li> <li>11. Proposal of Change of Acting Spokesperson.</li> <li>12. Proposal of Change and Designation of the Custodian of the Company’s Seal Registered in the Ministry of Economic Affairs.</li> <li>13. Planned Commissioning of the Company by a Subsidiary to Provide Logistics Management Service.</li> <li>14. Proposal of Renewal of Professional Medical Information Provided by IQVIA AG and the Expense Shared by the Re-invested Company.</li> <li>15. 2021 Pay Raise Strategy.</li> <li>16. Discussion of Fixed Remuneration for the Company’s General Manager.</li> <li>17. Discussion of Fixed Remuneration for the Company’s Chairman.</li> </ol>
Board of directors Apr 23, 2021	<ol style="list-style-type: none"> <li>1. Commissioning of the Company by a Subsidiary to Provide Legal Service.</li> </ol>

Date and Types of Meetings	Important Resolutions
	<ol style="list-style-type: none"> <li>2. Proposal of Adding Appropriation of Special Surplus Reserve in accordance with the Regulation of Financial Supervisory Commission.</li> <li>3. Planned Nomination of the list of Directors (including Independent Directors) for the 2021 Election of Directors.</li> <li>4. The Release of non-compete restrictions for new-elected director and its representative.</li> </ol>
Board of directors May 06, 2021	<ol style="list-style-type: none"> <li>1. The Consolidated Report for the first quarter of year 2021.</li> <li>2. Planned Amendment of the Company's "Best Practices of Corporate Social Responsibility"</li> <li>3. Commissioning of the Company by a Subsidiary to Provide Human Resource Service.</li> <li>4. The Budget for the Company's Product Development.</li> </ol>
Board of directors Aug 05, 2021	<ol style="list-style-type: none"> <li>1. The Consolidated Report for the second quarter of year 2021.</li> <li>2. Planned Amendments over the Company's "Internal Approval Authority Table".</li> <li>3. Planned to Re-schedule the Date and Venue of the year 2021 Annual General Meeting</li> <li>4. Planned to develop generic drug X and establish its production line.</li> <li>5. Proposal of subsidiary's intention to commission the Company in new drug development.</li> <li>6. Planned to conduct royalties payment for API (Active Pharmaceutical Ingredients)</li> <li>7. Commissioning of the Company by an invested company to manufacture investigational drugs, conduct necessary trials and validation, and the Company also out-licensing the distribution of the products.</li> <li>8. Planned to change the certain transaction terms for a subsidiary's distributed products under the Company's authorization.</li> <li>9. Discussion over year 2020 Managerial Officers's Remuneration Distribution.</li> <li>10. Intention to distribute compensation to the Company's subsidiary director representative upon performance of the year 2020 director duty.</li> </ol>
Board of directors Aug 25, 2021	<ol style="list-style-type: none"> <li>1. Chairman and vice chairman recommended by directors.</li> <li>2. Appointment of members for the 3<sup>rd</sup> session of Auditing Committee of the Company and Appointment the convener of the 1<sup>st</sup> meeting for current session.</li> <li>3. Appointment of the members of the 5<sup>th</sup> session of Remuneration Committee of the Company and Appointment the convener of t1st meeting for current session.</li> <li>4. Appointment of the members of the 2<sup>nd</sup> session of Sustainable Development Committee of the Company and Appointment the convener of t1st meeting for current session.</li> <li>5. Set up Ex-dividend Date and Payment Date.</li> </ol>
Board of directors Oct 18, 2021	<ol style="list-style-type: none"> <li>1. Planned to Dismiss Mr. Shih, Chun-Liang as the Company's General Manager.</li> <li>2. Planned Hiring Chairman Lin, Chuan as the Company's General Manager.</li> </ol>

Date and Types of Meetings	Important Resolutions
	<ol style="list-style-type: none"> <li>3. Planned to Dismiss Mr. Qu, Zhi-Yuan as the Company’s Vice President.</li> <li>4. Proposed to change the designation of the custodian of the Company seal registered in the Ministry of Economic Affairs.</li> </ol>
Board of directors Nov 04, 2021	<ol style="list-style-type: none"> <li>1. The Consolidated Report for the third quarter of year 2021.</li> <li>2. Planned to increase budget of developing generic drug X.</li> <li>3. Proposal of change of transfer price for Invested Company’s distribution agency products under the Company’s authorization.</li> <li>4. Commissioning of the Company by the invested Company to Provide Product Marketing Research and Investigate Consulting Services and Professional Product Operating Management Services.</li> <li>5. Planned amendment of “Accounting rules” of the Company.</li> <li>6. Planned revision of “Other management- Process of Financial Statement Preparation” under internal control system.</li> <li>7. Planned formulation of “Procedures of Communications between Audit Committee and Auditing CPA”</li> <li>8. Planned formulation of “Procedure s of Communications between Audit Committee and Internal Auditing Unit”</li> <li>9. Intention to distribute compensation to the Company’s re-invested company director representative upon performance of the year 2020 director duty.</li> <li>10. Intended Amendment of the title on “The Salary Structure of Managers”.</li> <li>11. Intended Adjustment of the hiring list of the Company’s managerial officers.</li> </ol>
Board of directors Dec 03, 2021	<ol style="list-style-type: none"> <li>1. Lifting of non-compete restrictions for the management.</li> <li>2. Proposed to transfer intangible assets – drug license to other company and to sign a manufacturing contract.</li> </ol>
Board of directors Dec 24, 2021	<ol style="list-style-type: none"> <li>1. Establishment of the Company’s year 2022 Operation Plan &amp; Budget Proposal.</li> <li>2. Intended to increase budget for the re-construction of Lioudu Plant.</li> <li>3. Propose to derecognize the overdue accounts receivables and related commissions payable for the Company’s oversea client from accounting.</li> <li>4. Planned amendment by a subsidiary about the leased office and adjustment of rental area from the Company.</li> <li>5. Planned formulation of the year 2022 Audit Plan.</li> <li>6. Planned amendment of the Company’s “Guidelines for Corporate Governance”</li> <li>7. Planned amendment of the Company’s “Guidelines for Corporate Social Responsibility Practices”</li> <li>8. Planned amendment of the Company’s “Operating Procedures for the Processing of Material Internal Information”</li> <li>9. Planned amendment of the Company’s “Other management system- Management of prevention of insider trading”</li> </ol>
Board of directors Mar 09, 2022	<ol style="list-style-type: none"> <li>1. Planned to subscribe Company X’s cash capital increase.</li> <li>2. Planned to change the distribution and transfer price of product X in Thailand.</li> <li>3. Planned amendment of the Company’s “Article of Incorporation”</li> </ol>

Date and Types of Meetings	Important Resolutions
	<ol style="list-style-type: none"> <li>4. Planned amendment of the Company’s “Operation Procedure of Acquisition and Disposal of Assets”</li> <li>5. Intended to adjust the organization’s name and the title of salary structure table.</li> <li>6. Planned amendment of the Company’s “Organization Regulations”.</li> <li>7. Proposal of changes in the Company’s General Manager</li> <li>8. Proposal of changes in the Company’s managerial officers.</li> <li>9. The Employees’ Compensation of the Company in 2021.</li> <li>10. The Directors’ Compensation of the Company in 2021.</li> <li>11. Year 2021 Business Report and Financial Report</li> <li>12. Year 2021 Earnings Distribution Proposal.</li> <li>13. Date, venue, and agenda for the year 2022 Annual General Meeting.</li> <li>14. Formulation of the year 2021 Internal Control Statement.</li> <li>15. Year 2022 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.</li> <li>16. 2022 Pay Raise Strategy.</li> <li>17. Discussion of Fixed Remuneration for the Company’s Chairman.</li> </ol>
<p>Annual General Meeting Aug 25, 2021</p>	<ol style="list-style-type: none"> <li>1. Year 2020 Business Report and financial statements</li> <li>2. Year 2020 Profit Distribution Execution Status: Ex-dividend date is Sep. 20, 2021, and cash dividend of NTD 994,599,836 dollars (with NTD 4.0 dollars for each share) were distributed to shareholders. Cash dividend was distributed on October 15<sup>th</sup>, 2021.</li> <li>3. The Amendment of “Regulations for Election of Directors” Execution Status: Executed in accordance with the amended “Regulations for Election of Directors”</li> <li>4. Re-election of member of Board of Directors. Execution Status: The elected directors: Lin, Chuan/ Chang, Wen-Hwa/Dawan Technology Co., Ltd. Representative, Carl Hsiao/ Yang, Tze-Kaing/ Chang, Hsiu-Chi/ Liao, Ying-Ying/ Tsai, Duei (NED)/ Hsueh, Ming-Ling (NED)/ Lin, Tien-Fu (NED) On August 25, 2021, the Board of Directors elected Mr. Lin, Chuan as Chairman and Ms. Chang Wen-Hwa as Vice Chairman. The re-elected board of directors have been registered and approved the Ministry of Economic Affairs on September 10, 2021.</li> <li>5. Release of non-competitive restriction for Directors.</li> </ol>

**(13) The Objections Of The Directors Or Supervisors Against The Major Resolutions Reached In The Board Meeting Recorded Or Documented In Writing In The Most Recent Year And As Of The Publication Date Of The Annual Report: None.**

**(14) Table Of Resignation And Dismissal Of The Chairman, President, Accounting Officer, Finance Officer, Internal Chief Auditor, Corporate Governance Head and R&D Director In The Most Recent Year And As Of The Publication Date Of The Annual Report:**

**Summary of Resignation/Discharge Over Company Stakeholders**

Apr 30, 2022

Title	Name	Date Of Employment	Date Of Discharge	Reason For Resignation / Discharge
General Manager	Shih, Chun-Liang	2020.06.30	2021.10.18	Approval by the Board of Directors
General Manager	Lin, Chuan	2021.10.18	2022.04.18	Owing to operation needs and the clear division between duty and responsibility, Ms. Hou, Ching-Lan is appointed to assume as General Manager.

Note: The Company's related person means the chairman, president, accounting officer, finance officer, internal chief auditor, corporate governance head and R&D director.

**4. Information on Certified CPAs' Fees**

**(1) Information on Certified CPAs' Fees:**

Unit: NT\$ Thousand

CPA Firm Name	Name of CPAs	Auditing period	Auditing fee	Non-Auditing fee	Total	Remark
KPMG Taiwan	Han, Yi-Lien, and Chang, Shu-Ying	2021/01/01   2021/12/31	2,690	890	3,580	Non-Audit Expense: Tax \$ 460 Transfer pricing \$ 430

**(2) If The Auditing Fee Paid In the Year of Changing To another CPA Firm Is Less Than the Auditing Fee Paid In the Prior Year, Shall State the Amount of Reduction, Ratio, and Reasons: Not applicable.**

**(3) When The Auditing Fee Is Decreased By Over 10% from the Prior Year, Shall State the Amount of Auditing Fee Reduced, Ratio, And Reasons: Not applicable.**

## 5. Alternation of CPA

### (1) Information Regarding Previous Accountants

Date of Change	Approval by Board of Directors on March 19 <sup>th</sup> , 2021		
Reasons & Explanations for Replacement	KPMG International, Taiwan's Adjustments on Internal Operations and Personnel; Since the 1 <sup>st</sup> quarter of year 2021, the CPAs were replaced from Tseng, Kuo-Yang and Han, Yi-Lien to Han, Yi-Lien and Chang, Shu-Ying.		
Explanation is that either principal or accountant terminated or refused to accept mandate.	Party	Accountant	Principal
	Circumstance	Not applicable	
	Active Termination of Mandate		
No More Acceptance of (Continued) Mandate			
Comments and Reasons for Issuance of An Audit Report Containing Opinions Other Than Unqualified Opinions in Last Two Years	None		
Any Different Opinions with Issuer's Opinions	Yes		Accounting Principles or Practices
			Disclosure of Financial Statement
			Scope or Step of Audit
			Others
	No	✓	
	Explanation		
Other Disclosure Matters (Matters shall be disclosed in accordance with point 1-4 to 1-7, clause 6, Article 10 of Guidelines hereto)	None		

(2) Information Regarding Succeeding Accountants

Name of Accounting Firm	KPMG International, Taiwan
Names of Accountants	Han, Yi-Lien, Chang, Shu-Ying
Date of Retainment	Approval by Board of Directors on March 19 <sup>th</sup> , 2021
Prior to engagement, consultation matters and results on opinions might be rendered on accounting processing measures or accounting principles of specific transactions and financial statement.	Not applicable
Succeeding Accountant's Written Opinion on Former Accountant's Matters of Different Opinion	Not applicable

- (3) Former accountant's response through mail regarding matters prescribed in point 1 and point 2-3, clause 6, article 10 of guidelines hereto: Not applicable.

**6. The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its CPA or at an Affiliated Enterprise: None.**

## 7. Transfer & Pledge of Stock Equity by Directors, Managerial

### Officers and Holders Of 10% or More of Company Shares

#### Changes in Shareholding of the Directors, Managers, and Major Shareholders

Title	Name	2021		Up to March 28 of the year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Chairman	Lin, Chuan	0	0	0	0
Vice Chairman	Chang, Wen-Hwa	0	0	0	0
Director	Dawan Technology Company Limited.	936,000	0	0	0
	Representative: Carl Hsiao	0	0	0	0
Director	Yang, Tze-Kaing	0	0	0	0
Director	Chang, Hsiu-Chi	(1,000)	0	0	0
Director	Liao, Ying-Ying	0	0	0	0
Independent Director	Tsai, Duei	0	0	0	0
Independent Director	Hsueh, Ming-Ling	0	0	0	0
Independent Director	Lin, Tien-Fu	0	0	0	0
General Manager	Lin, Chuan	0	0	0	0
Senior Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	0	0	0	0
Vice General Manager, Healthcare Unit	Wu, Yong-Liang	0	0	0	0
Senior Assist Vice President, Intensive Care Business Unit	Lai, Chi-Hsiang	0	0	0	0
Senior Assist Vice President, Manufacturing Center	Lin, Shih-Chuan	0	0	0	0
Assist Vice President, Oncology Business Unit	Hung, Hsiang-Ju	0	0	0	0
Senior Assist Vice President, Administration Center	Liu, Nai-Wei	11,000	0	0	0
Senior Manager, Business Development Division	Huang, Wen-Po	0	0	0	0
Chief Financial Officer	Chang, Kuo-Chiang	0	0	0	0
Chief Legal and Compliance Officer	Lin, Jin-Rong	0	0	0	0
Chief Human Resource Officer	Chang, Jen-Yang	0	0	0	0
Chief Audit Executive	Kao, Jung-Liang	0	0	0	0
Accounting Officer	Wang, Shu-Wen	0	0	0	0

Note 1: Shareholders holding more than 10% of the Company's total shares: None.

Note 2: Stakeholders as counterparties in equity transfer or pledge: None.

Note 3: Chairman Lin, Chuan was appointed to act as General Manager since Oct. 18, 2021. Ms. Hou, Ching-Lan was assumed as this position since Apr. 18, 2022 after approval of Board of Directors dated on Mar. 09, 2022.

## 8. Information on the Top-10 Shareholders Who Are Affiliates or Related as Spouse or Second Cousins:

### Information on the top-10 shareholders who are affiliates or related

Mar. 28, 2022

Name ( Note1 )	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	23,526,732 4,985,524	9.46 2.01	- -	- -	- -	- -	Hsiao, Ying-Chun	Chairman	
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming-Hsing	9,310,000	3.74	-	-	-	-	None	None	
Nan Shan Life Insurance Co., Ltd Representative: Chen, Tang	6,848,000	2.75	-	-	-	-	None	None	
Chang, Wen-I	6,080,831	2.45	970,320	0.39	-	-	Chang, Chun-Jen	Second-degree relative	
							Chang, Wen-Hwa	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	
Hsiao, Ying-Chun	4,985,524	2.01	-	-	-	-	Dawan Technology Company Limited.	Chairman	
Chang, Wen-Hwa	4,409,800	1.77	-	-	-	-	Chang, Chun-Jen	Second-degree relative	
							Chang, Wen-I	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	
Chang, Wen-Ling	4,351,960	1.75	-	-	-	-	Chang, Wen-Hwa	Second-degree relative	
							Chang, Chun-Jen	Second-degree relative	
							Chang, Wen-I	Second-degree relative	
Chang, Chun-Jen	3,993,420	1.61	2,582,207	1.04	-	-	Chang, Wen-Hwa	Second-degree relative	
							Chang, Wen-I	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	3,065,160	1.23	-	-	-	-	None	None	
Chunghwa Post Co., Ltd. Representative: Wu, Hong-Mou	2,955,843	1.19	-	-	-	-	None	None	

Note 1: Name of the top-10 shareholders must be listed respectively. For institutional shareholders, the title of such institutional shareholder and the name of the representative(s) shall be listed respectively.

Note 2: The percentage of shareholding shall be calculated by taking into account the shares held by the shareholder, his/her spouse, children of minor age, and other persons holding shares in his/her name.

Note 3: For the shareholders referred to above including legal person and natural person, shall have the relationship disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms

**9. The Number of Shares Held by The Company, The Company's  
Directors, Managers and Its Directly or Indirectly Controlled  
Business Toward the Same Investment Businesses, as well as the  
Combined Calculated Shareholding Percentage**

Unit: Share

Reinvested Companies (Note)	Investment of the Company		Investment of the directors, supervisors, managers, and companies that are directly or indirectly controlled by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Xudonghaipu International Company Limited (Cayman)	25,000,000	100.00%	0	0	25,000,000	100.00%
American Taiwan Biopharm Company Limited	380,000	40.00%	142,500	15.00%	522,500	55.00%
PharmaEngine, Inc.	25,866,808	18.01%	0	0	25,866,808	18.01%
American Taiwan Biopharma Philippines Inc.	481,169	87.00%	0	0	481,169	87.00%
Worldco International Limited (HK)	39,600,000	100.00%	0	0	39,600,000	100.00%
Gligio International Limited (HK)	620,427	40.00%	0	0	620,427	40.00%
TSH Biopharm Company Limited	21,687,177	56.48%	882,059	2.30%	22,569,236	58.78%
EnhanX Biopharm Inc.	5,000,000	20.83%	7,000,000	29.17%	12,000,000	50.00%
CY Biotech Company Limited	16,645,697	49.05%	1,319,808	3.89%	17,965,505	52.94%
TTY Biopharm Turkey Sağlık Urunleri Sanayi ve Ticaret Limited Şirketi	240,000	100.00%	0	0	240,000	100.00%

Note: The listed ones are investments recognized via equity method on standalone basis.

## IV. Company Shares And Fund Raising

### 1. Company Capital and Shares

#### (1) Source of Paid-in Capital

Unit: Thousand Shares; NT\$ Thousand

Year Month	Par Value (NTD/sahre)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other
1998.07	10	23,990	239,900	23,990	239,900	Capital Increase by Cash	None	Note 1
2001.07	10	38,000	380,000	27,643	276,434	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 2
2002.07	10	50,000	500,000	36,486	364,864	Surplus Transferred to Common Share	None	Note 3
2002.10	10	50,000	500,000	37,087	370,870	New Shares from Conversion of Convertible Bond	None	Note 4
2003.03	10	50,000	500,000	37,644	376,440	New Shares from Conversion of Convertible Bond	None	Note 5
2003.06	10	50,000	500,000	37,721	377,212	New Shares from Conversion of Convertible Bond	None	Note 6
2003.07	10	80,000	800,000	49,980	499,795	Surplus Transferred to Common Share	None	Note 7
2003.11	10	80,000	800,000	50,371	503,706	New Shares from Conversion of Convertible Bond	None	Note 8
2004.01	10	80,000	800,000	50,782	507,817	New Shares from Conversion of Convertible Bond	None	Note 9
2004.04	10	80,000	800,000	51,086	510,861	New Shares from Conversion of Convertible Bond	None	Note 10
2004.07	10	57,500	575,000	51,404	514,039	New Shares from Conversion of Convertible Bond	None	Note 11

Year Month	Par Value (NTD/sahre)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other
2004.09	10	95,000	950,000	62,359	623,591	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 12
2004.10	10	95,000	950,000	63,108	631,083	New Shares from Conversion of Convertible Bond	None	Note 13
2005.01	10	95,000	950,000	63,154	631,540	New Shares from Conversion of Convertible Bond	None	Note 14
2005.04	10	95,000	950,000	65,921	659,208	New Shares from Conversion of Convertible Bond	None	Note 15
2005.07	10	95,000	950,000	67,421	674,208	New Shares from Conversion of Convertible Bond	None	Note 16
2005.09	10	95,000	950,000	70,565	705,653	Surplus Transferred to Common Share	None	Note 17
2005.10	10	95,000	950,000	71,130	711,298	New Shares from Conversion of Convertible Bond	None	Note 18
2006.01	10	95,000	950,000	71,400	713,996	New Shares from Conversion of Convertible Bond	None	Note 19
2006.04	10	95,000	950,000	71,412	714,120	New Shares from Conversion of Convertible Bond	None	Note 20
2006.09	10	95,000	950,000	78,191	781,907	Capital Surplus Transferred to Common Share	None	Note 21
2007.07	10	95,000	950,000	81,964	819,643	New Shares from Conversion of Convertible Bond	None	Note 22
2007.09	10	95,000	950,000	89,421	894,209	Capital Surplus Transferred to Common Share	None	Note 23
2007.10	10	95,000	950,000	93,792	937,919	New Shares from Conversion of Convertible Bond	None	Note 24
2007.11	10	95,000	950,000	92,932	929,319	Decrease in Treasury Stock	None	Note 25

Year Month	Par Value (NTD/sahre)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other
2008.09	10	135,000	1,350,000	109,660	1,096,597	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 26
2009.09	10	135,000	1,350,000	128,302	1,283,018	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 27
2010.10	10	200,000	2,000,000	139,849	1,398,490	Capital Surplus Transferred to Common Share	None	Note 28
2011.09	10	200,000	2,000,000	172,574	1,725,736	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 29
2012.09	10	350,000	3,500,000	213,991	2,139,913	Surplus Transferred to Common Share	None	Note 30
2013.09	10	350,000	3,500,000	233,037	2,330,365	Surplus Transferred to Common Share	None	Note 31
2014.09	10	350,000	3,500,000	248,650	2,486,500	Surplus Transferred to Common Share	None	Note 32
2020.07	10	500,000	5,000,000	248,650	2,486,500	Increase of Authorized Capital	None	Note 33

Note 1: Approved by (87) Tai-Cai-Zheng Yi Tze No. 59490 dated July 21, 1998.  
Note 2: Approved by (90) Tai-Cai-Zheng Yi Tze No. 142192 dated July 2, 2001.  
Note 3: Approved by (91) Tai-Cai-Zheng Yi Tze No. 0910134566 dated June 25, 2002.  
Note 4: Approved by Jin Shou Shang Tze No. 09101426020 dated October 29, 2002.  
Note 5: Approved by Jin Shou Shang Tze No. 09201030710 dated January 30, 2003.  
Note 6: Approved by Jin Shou Shang Tze No. 09212978710 dated July 28, 2003.  
Note 7: Approved by Tai-Cai-Zheng Yi Tze No. 0920124705 dated June 9, 2003.  
Note 8: Approved by Jin Shou Shang Tze No. 09201323550 dated November 26, 2003.  
Note 9: Approved by Jin Shou Shang Tze No. 09301009960 dated January 20, 2004.  
Note 10: Approved by Jin Shou Shang Tze No. 09301086530 dated May 20, 2004.  
Note 11: Approved by Jin Shou Shang Tze No. 09301131330 dated July 29, 2004.  
Note 12: Approved by Jin Shou Shang Tze No. 09301181990 dated September 22, 2004.  
Note 13: Approved by Jin Shou Shang Tze No. 09301199330 dated October 27, 2004.  
Note 14: Approved by Jin Shou Shang Tze No. 09401009920 dated January 19, 2005.  
Note 15: Approved by Jin Shou Shang Tze No. 09401066540 dated April 28, 2005.  
Note 16: Approved by Jin Shou Shang Tze No. 09401138890 dated July 22, 2005.  
Note 17: Approved by Jin Shou Shang Tze No. 09401181080 dated September 13, 2005.  
Note 18: Approved by Jin Shou Shang Tze No. 09401206980 dated October 20, 2005.  
Note 19: Approved by Jin Shou Shang Tze No. 09501010730 dated January 28, 2006.  
Note 20: Approved by Jin Shou Shang Tze No. 0950107550 dated April 26, 2006.

Year Month	Par Value (NTD/sahre)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other
Note 21: Approved by Jin Shou Shang Tze No. 09501199130 dated September 8 2006. Note 22: Approved by Jin Shou Shang Tze No. 09601173790 dated July 20, 2007. Note 23: Approved by Jin Shou Shang Tze No. 09601234620 dated September 29, 2007. Note 24: Approved by Jin Shou Shang Tze No. 09601263450 dated October 26, 2007. Note 25: Approved by Jin Shou Shang Tze No. 09601280570 dated November 16, 2007. Note 26: Approved by Jin Shou Shang Tze No. 09701244740 dated September 22, 2008. Note 27: Approved by Jin Shou Shang Tze No. 09801199890 dated September 1, 2009. Note 28: Approved by Jin Shou Shang Tze No. 09901230540 dated October 14, 2010. Note 29: Approved by Jin Shou Shang Tze No. 10001205420 dated September 6, 2011. Note 30: Approved by Jin Shou Shang Tze No. 10101189490 dated September 17, 2012. Note 31: Approved by Jin Shou Shang Tze No. 10201185540 dated September 10, 2013. Note 32: Approved by Jin Shou Shang Tze No. 10301181010 dated September 5, 2014. Note 33: Approved by Jin Shou Shang Tze No. 10901115360 dated July 2, 2020.								

Unit: Share

Category of Share	Authorized Capital Stock		
	Outstanding Shares (Note 1)	Unissued Shares	Total
Registered Common Share	248,649,959	251,350,041	500,000,000

Note 1: Over-the-Counter Company Stock

Note 2: Shelf Registration Form Related Information: None.

## (2) Structure of Shareholders

March 28, 2022(Unit: Number; Share)

Structure of Shareholders	Governmental Institution	Financial Institution	Other Institutions	Foreign Institutions and Foreign Individuals	Individuals	Total
Number of Persons	2	8	270	178	45,274	45,732
Shareholding (shares)	1,378,000	21,784,000	31,809,870	33,469,782	160,208,307	248,649,959
Shareholding Ratio (%)	0.56%	8.76%	12.79%	13.46%	64.43%	100.00%

## (3) Status of Ownership Dispersion

March 28, 2022

Shareholding class	Number of Shareholders	Shareholding (shares)	Shareholding Ratio (%)
1 to 999	20,731	1,233,686	0.50
1,000 to 5,000	20,293	40,471,008	16.28
5,001 to 10,000	2,577	20,254,849	8.15
10,001 to 15,000	755	9,643,410	3.88
15,001 to 20,000	444	8,158,381	3.28
20,001 to 30,000	354	8,972,479	3.61
30,001 to 40,000	186	6,670,632	2.68
40,001 to 50,000	89	4,138,694	1.66
50,001 to 100,000	151	10,480,986	4.22
100,001 to 200,000	63	9,110,452	3.66
200,001 to 400,000	31	8,636,542	3.47
400,001 to 600,000	14	6,785,029	2.73
600,001 to 800,000	9	6,441,092	2.59
800,001 to 1,000,000	10	9,149,756	3.68
More than 1,000,001	25	98,502,963	39.61
Total	45,732	248,649,959	100.00

Note: No preferred share issued.

#### (4) List of Major Shareholders

March 28, 2022

Major Shareholders	Shareholding (shares)	Shareholding Ratio (%)
Dawan Technology Company Limited	23,526,732	9.46
Fubon Life Insurance Co., Ltd.	9,310,000	3.74
Nan Shan Life Insurance Co., Ltd.	6,848,000	2.75
Chang, Wen-I	6,080,831	2.45
Hsiao, Ying-Chun	4,985,524	2.01
Chang, Wen-Hwa	4,409,800	1.77
Chang, Wen-Ling	4,351,960	1.75
Chang, Chun-Jen	3,993,420	1.61
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	3,065,160	1.23
Chunghwa Post Co., Ltd.	2,955,843	1.19

#### (5) Information on Market Price, Book Value, Earnings, and Dividend per Share for the Last Two Years

Unit: NT\$; share

Item		2020	2021	1Q 2022 (Note 2)	
Market Price Per Share	Highest	90.3	97.5	69.9	
	Lowest	54.2	60.8	66.7	
	Average	75.92	81.84	68.51	
Book Value Per Share	Before Distribution	21.92	20.78	—	
	After Distribution	17.92	—	—	
EPS (Earning Per Share)	Weighted Average Number Of Shares	248,650	248,650	—	
	EPS (Earning Per Share)	3.72	3.35	—	
Dividend Per Share	Cash Dividend	4	3 (Note 1)	—	
	Stock Dividend	Stock Dividend from Retained Earnings	0	0	—
		Stock Dividend from Capital Surpluse	0	0	—
	Cumulative Un-paid Dividend	None	None	—	
Analysis of Return on Investment	Price-Earnings (P/E) Ratio	20.41	24.43	—	
	Price-Dividend Ratio	18.98	27.28	—	
	Cash Dividend Yield (%)	5.27	3.67	—	

Note:

1. According to Article 30 of the Articles of Incorporation of the Company, the profit distribution proposal must be submitted to and resolved in the annual general meeting, and the cash dividend for year 2021 has not yet been resolved in annual general meeting.
2. There is no financial information for the 1<sup>st</sup> quarter of year 2022 that has been reviewed by the CPA as of the publication date of the annual report.

## (6) Dividend Policy and Execution Status

### ① The Company's Dividend Policy

The Company's dividend policy is implemented in accordance with Company Act the Company's Articles of Incorporation for the purpose to ensure the Company's normal operation as well as maintaining investors' rights. Under the Company's Articles of Incorporation:

- (i) In the event of surplus after annual final closed account, the Company shall, in accordance with laws, first pay taxes and compensate for losses incurred from previous years before appropriating 10% to serve as legal reserve. However, the Company is not bound by this restriction if the Company's legal reserve has already reached its paid-in capital amount. Furthermore, special surplus reserve shall be appropriated subject to operation demand and regulations by laws. In the event of surplus after aforementioned measures, the Board of Directors shall propose a surplus distribution over such surplus and undistributed surplus from the beginning of the period and submit the proposal to annual general meeting for distribution resolution.
- (ii) With respect to dividend distribution process, the Board of Directors shall, at the end of each business year, consider such factors as the Company's profitability status, capital and finance structure, future operation needs, accumulated surplus and legal reserve as well as market competition and propose a surplus distribution and submit the proposal to annual general meeting for resolution before implementing the proposal.
- (iii) For the purpose of enhancing the Company's financial structure as well as taking care of investors' rights, the Company adopts a dividend balance policy which, in principle, distributes surplus not less than 50% of distributable earnings of that year while distributing more than 70% of dividend distributed of that year in cash .

### ② The proposal to this Annual General Meeting for dividend distribution is as follows:

Proposed Dividend Distribution to the Company's Annual General Meeting in year 2022 (Proposed by the Board of Directors dated March 09, 2022)

Type of Dividend	Dividend Per Share (NTD)	Source
Cash Dividend	3.0	Undistributed Earnings

**(7) The Impact of the Distribution of Stock Dividend as Proposed in This Annual General Meeting On Operation Performance and Earning Per Share: N/A**

**(8) Employee, Directors and Supervisors Remuneration**

- ① The percentage or range for employee, directors and supervisors remuneration set forth in the Articles of Incorporation:

As per the Company's Articles of Incorporation, 0.5% to 10% of profits shall be appropriated as employee remuneration and not higher than 2% of profits shall be appropriated as directors remuneration in the event of profits incurred for the fiscal year. Nevertheless, accumulated losses shall be offset in advance.

- ② For current period, estimate basis for estimated employee, directors and supervisors remuneration, share calculation basis for distributed share bonus as well as accounting processing for discrepancy, if any, between actual distributed amount and estimated amount:

(i) On March 09<sup>th</sup>, 2022, the Company's Board of Directors approved that estimated basis for distribution of the Company's year 2021 employees and directors remuneration will be the Company's pre-tax Income for the period deducted by employee and director pre-remuneration amounts before being multiplied by employee, directors remuneration distribution percentages prescribed in the Company's Articles of Incorporation. Such distribution will be listed as year 2021 operating expense. There was no difference between the amount approved by the Board of Directors meeting and the amount recognized in the financial statements.

(ii) The Company does not plan to distribute employees share bonus for current period. As such, estimate for related amounts has not been estimated.

- ③ Distribution of remuneration Approved by the Board of Directors:

(i) Employee and director compensations will be distributed in cash or stock. In the event of discrepancy between distributed compensation and appropriated expense of annual estimated amount, discrepancy amount, reason and processing status shall be disclosed accordingly:

On March 09<sup>th</sup>, 2022, the Company's Board of Directors approved distribution of the Company's 2021 employee and directors remuneration NTD 23.195 million and NTD14.95 million respectively, both of which are distributed in cash. There is no discrepancy between distributed amounts and appropriated expense of annual estimated amount.

(ii) Employee bonus amount to be distributed in stock, and percentage of such amount as opposed to the sum of current individual entity or respective financial statement after tax net profit and employee compensation total

amount.

This is not applicable because the Company did not plan to distribute employee share bonus in 2021.

- ④ The actual distribution of employees and directors' compensation in the previous year (including the number of shares, amount and stock price), and the difference between the recognition of employees and directors' compensation shall state the difference, cause and treatment:

For year 2020, the Company's actual distributed amount for employee bonus is NTD 23.195 million, and actual distributed amount for directors compensation is NTD 14.95 millino. There is no discrepancy between actual distribution amounts for employee bonus and directors compensations and estimated amounts on the Company's year 2020 financial statement.

**(9) Cases of the Company's buy-back of the Company's shares: None.**

## **2. Section on Corporate Bonds, Preferred Shares, Global Depository Receipts, Subscription of Warrants for Employees and Subscription of New Shares for Employee Restricted Stocks**

**(1) Corporate Bonds issued : None.**

**(2) Preferred Stock issued : None.**

**(3) Global depository receipts issued : None.**

**(4) Subscription of warrants for employees : None.**

**(5) Subscription of new shares for employee restricted stocks : None.**

## **3. Issuance of New Shares for Merging and Transferring the Stocks of Other Companies: None.**

## **4. Implementation of Fund Usage Plan**

This is not applicable because, as of the quarter prior to the publication date of annual report, the Company does not have any incompleteness of previous respective securities issuance or private placement, or cases of no significant plan benefits for those already completed within last 3 years.

## V. Operational Highlights

### 1. Business Activities

#### (1) Business Scope

##### ① Major Business

- (i) C801010 Basic Industrial Chemical Manufacturing
- (ii) C802041 Drugs and Medicines Manufacturing
- (iii) F108021 Wholesale of Drugs and Medicines ◦
- (iv) F208021 Retail Sale of Drugs and Medicines
- (v) F108031 Wholesale of Drugs, Medical Goods ◦
- (vi) F208031 Retail sale of Medical Equipment
- (vii) C802060 Animal Use Medicine Manufacturing
- (viii) C802070 Herbicides Manufacturing ◦
- (ix) C802080 Pesticides Manufacturing
- (x) C802100 Cosmetics Manufacturing
- (xi) C804020 Industrial Rubber Products Manufacturing
- (xii) C804990 Other Rubber Products Manufacturing
- (xiii) C901020 Glass and glass made products manufacturing
- (xiv) CF01011 Medical Materials and Equipment Manufacturing
- (xv) F102170 Wholesale of Food and Grocery
- (xvi) F203010 Retail sale of Food and Grocery
- (xvii) IG01010 Biotechnology Services
- (xviii) ZZ99999 All business items that are not prohibited or restricted by law

##### ② Business Breakdown and Percentage (Year 2021)

Unit: NT\$ Thousand

Major Source of Revenue	Sales Revenue	Percentage (%)
Medical and healthcare products	4,424,188	98
Service revenue and royalties	111,422	2
Total	4,535,610	100

##### ③ Current Products and Services

The company's business includes pharmaceutical manufacturing, marketing and diversified commissioning services.

##### (i) Major Products

Type	Function	Key products
Oncology	Drugs for anti cancer and supplementary treatment	Lipo-Dox 、Lonsurf 、UFUR 、TS-1 、Pexeda 、Gemmis 、Oxalip 、Irino 、Epicin 、Tynen 、Anazo 、Folina 、Thado 、Andason 、Ivic 、Asadin 、Leavdo 、Painkyl 、Megest 、Episil 、Otril 、Zobonic 、Yondelis 、Pemazyre

Type	Function	Key products
Anti-infection	Drugs for second line anti infection and vaccine for flu	Brosym 、Colimycin 、Cubicin 、Lipo-AB 、Agrippal 、Cepiro 、Flusine 、Maxtam 、Metacin 、Flucelvax
Healthcare	Health care for digest system, osteoporosis, Metabolism	Algitab 、Alginos 、Alginos Fresh 、Bio-Cal Plus 、Sulfin

Please refer to the company website for the company's product introduction.

(ii) Contract Development and Manufacturing Organization Service

“CDMO” provides “manufacturing” related total solutions of the pharmaceutical industrial value chain, such as R&D formulation, scale-up batch product, establish analysis method and validation and even customized design for equipment or factory as well as subsequent commercial production.

(iii) CRO Service

The Company comes with abundant experiences in bioassay development and animal experiment, and is capable of using professional project management model to speed up pre-clinical drug development. It provides clients with the most appropriate and efficient R&D energy to satisfy the needs for in-vitro or animal tests from both domestic and offshore respective parties while supplementing early-stage bio-research industry chain gap and enhancing industry efficiency. The Company shall continue to build up its energy on related laboratory procedures of cell therapy, and shall master itself with application of the most cutting-edge medical treatment technology.

(iv) PIC/S GMP Business Service

- Contract Manufacturing

TTY manufactures cytotoxicity injection and capsule as well as non-cytotoxicity lyophilized injection, tablet and capsule. It is able to provide stable and high-quality manufacture performance, implementation of manufacturing technology transfer based on client's requirements, batch product scale-up planning as well as execution of relevant validation operations and quality control in order to achieve purpose of product commercialization manufacturing, which complies with regulations of our customers' target markets/countries.

- GMP Tutoring

In addition to passing Taiwan health authority's PIC/S GMP inspection, TTY also passed official GMP factory inspections conducted by numerous countries of Europe, U.S. and Japan. TTY is equipped with complete and qualified quality management system and teams which are able to assist and tutor preparation for domestic or offshore GMP factory inspection as well as establishment of quality management system, and is also an indispensable partner for products export.

- Contract Laboratory

TTY's QC laboratory is not only installs complete microbiology and sterility analysis laboratory but it is also equipped with analysis capability for special preparations of liposome, lyophilized liposome and microspheres. This laboratory complies with relevant analysis method, validation and facilities

which are continuously updated in pharmacopoeias by advanced countries in Europe, U.S. and Japan. The laboratory is equipped with the capability of analysis method development, technology transfer and validation. Services of contracted chemical and microbiology tests as well as test method development and test method are accepted.

#### ④ New Product (Service) Development Projects

- (i) To specialize in new drug development in the anti-cancer, anti-infection, cell therapy and other healthcare sector.
- (ii) Continuous research and development of micro-liposomes or special products coated with microspheres, with high efficiency, targeted drug with delivering characteristics, improve curative effect and minimize side effects.
- (iii) Continuous updating of chemical drug manufacturing technology, quality validation documents and optimizing the procedure of productions scaling up in line with international market regulations.

## (2) Industry Profile

### ① Current Status and Development

Pharmaceutical industry is one of the high-tech sectors, which is high value-added, environmental friendly and low energy consuming with the characteristics of long product development period, long product life cycle and highly regulated. Products are mainly utilized in treating or alleviating human diseases and they are closely related to healthiness of nationals' lives and their life quality. Therefore, their safety and efficacy are specifically emphasized. It can also be seen that the country with higher GNP is well developed in its pharmaceutical industry, such as US, Europe and Japan.

Global pharmaceutical industry outlook:

- (i) To comply with basic requirements for drug safety, drug-manufacturing regulations have become more stringent and detailed on drug development and manufacturing requirements. This leads to continuous investments in new drug and generic drug development, prolonged development time, lowered development productivity, dramatic increase in development expense and, as a result, slower and reduced generation of development results.
- (ii) Under the pressure of competition, more pharmaceutical companies choose to adopt the strategy of developing niche drugs in order to sell niche goods in relatively small market or concentrate on the research and development of drugs in specific disease areas, in order to grasp the market dynamics of diseases, enhance the value of drugs or the chance of successful marketing.
- (iii) The competitive trend of pharmaceutical industry globalization has gradually formed a globalization from raw material supply chain, manufacturing, regulation to marketing promotion, and developed into a pharmaceutical industry network divided by different professional groups. Developments of protein drug and cell therapy in clinical medical field in recent years have promoted more diversification and specialization in drug categorization and division of labor. Therefore, how to choose a suitable professional partner strategy to enter the target regional market will affect the future positioning and development of manufacturers in the pharmaceutical industry.

### ② Industry's Value Chain

Upstream and midstream are the preparation and manufacturing of raw materials (Active Pharmaceutical Ingredients, or API). ; Downstream: Drug manufacturing and marketing.

- **Upstream:** The raw materials of western medicine include general chemicals, natural plants, animals, minerals, microbial strains, biosimilar and related biological derivatives, among which general chemicals are the main raw materials. At present, the quality requirements of raw materials must conform to the standard of Good Manufacturing Practice (GMP), and obtain the approval of the competent authority for the inspection and registration of raw materials and drugs. For conventional medicine, synthetic chemical is the major source of raw material, and for herbal medicine, animal and botanical extract are the major source, and due to the breakthrough in transgene technology, genetically modified animal and plant will become the popular source of raw material in the future.
- **Midstream:** Two main sectors are API manufacture and botanical ingredient processor companies. API manufacture includes organic synthesis, natural product extraction, microbial fermentation or synthesis post fermentation as well genetic engineering which generates purification and concentration from modified cell fermentation.
- **Downstream:** Pharmaceutical companies are mainly responsible for the manufacturing of easy-to-use end tablets by using API together with pharmaceutical adjuvant such as excipients, disintegrating agents, adhesive and lubricant. Production in this phase needs to comply with cGMP (PIC/S GMP , The Pharmaceutical Inspection Convention and Co-operation Scheme and Good Manufacturing Practice) requirements. End products are then distributed through hospitals, clinics and drugstores to meet with patients' needs.

Pharmaceutical companies in our country can be simply categorized into (a) companies of original products; (b) import agents and companies producing Non-BE generics; and (c) companies producing BE generic drug. Though most of the pharmaceutical companies in Taiwan focus on Generics manufacturing, more and more companies are starting to invest in new drug development. Although risks for developing new drug are high, there are already presentations of initial results.

### ③ Industry Outlook

According to the IQVIA report, the global drug expenditure in year 2021 is estimated to be more than USD \$1.5 trillion, including Covid-19 related drugs and vaccines of USD \$97 billion, and it is estimated to reach USD \$1.59 trillion in year 2023. By the year of 2023, new drugs such as for cancer treatment, autoimmunity, gene therapy and cell therapy can be expected to continue to enter the markets of developed countries. With the growth of drug demand in emerging countries, the global drug expenditure in the next five years will grow by 3%-6% annually. Over the past five years, the average annual growth rate of the US market was 3.5%, and that in the developed countries was 4.3%; in next 5 years, the average growth rate is estimated to be 2%~5% in developed countries and 3%~6% in emerging countries. This is mainly due to the economic development and income increase of these countries, the price control through various policies or methods, coupled with the improvement of medical diagnostic technology, the expansion of the population receiving medical treatment, The growth of drug expenditure in developed countries is mainly attributed to the original drug development, but it is also reduced by the expiration of patents for the original drug development. China has become the world's second largest drug consumer market since year 2012, after the United States, with an estimated US\$137 billion in year 2018. The annual growth rate in the past five years is 6.1%. Drug policies of the nation have changed dramatically during the last two years. Review system is now moving towards standards from advanced nations' regulations, while drug procurement is now developing towards the model of quantity-based price negotiation by central government. Growth rates for the future 5 years are expected to be 2.5%~5.5% and extent of growth will also slow down.

Analysis highlights:

- (i) With congregation of global population in cities, urban lifestyles, delicate diets, and aggravation of environment quality as well as dramatic increase in global elder population, diseases of hyper tension, high cholesterol, diabetes, depressions, autoimmune disorder and cancer have increased dramatically. This has also stimulated market's demands on chronic disease, mental disorder, autoimmune disorder, cancer drug and biologics.
- (ii) Under the trend of globalization, the threat of pandemic influenza, such as COVID-19, Avian flu, Ebola, ZIKV has become a great concern globally, and more research and development in anti-infection drugs or vaccines will be seen in the coming years.
- (iii) Research on gene therapy, cell therapy and protein drugs is still the focus of competition in the R&D departments of pharmaceutical companies. Its significant impact on disease treatment in drug development is becoming more and more complete. In addition, the application of artificial intelligence in medical research and clinical application is expected to bring considerable profits to the pharmaceutical industry, and to have significant impact on future development of the industry.
- (iv) In recent years, major pharmaceutical companies explore treatments on Asia specific disease such as viral hepatitis or development of botanic drug's treatment on specific diseases. Additionally, there are also continuous developments on exploration of Central Nervous System disease, personalized precision medical care as well as current drug's new mechanisms on indications.
- (v) Due to the growth of economy and health care related regulation change, a huge increase of drug demand will occur in phareming markets, like China, Brazil, India, Russia, Turkey, Pakistan, Korea, etc..

#### ④ Competitive Environment

The impact of implementing PIC/S GMP and imposing new drug regulations to meet developed countries' standards have increased the manufacturing cost, lowered drug prices in Taiwan, and bidding competition of hospitals, which in turn, makes Taiwan become one of the countries with the lowest drug prices in the world. In addition, due to the policy of patent linkage, the original drugs, being registered and valid in Taiwan's drug licensing authority, are prohibited to export to the market where the patents have been expired.

With overall difficult operation environment and insufficient economies of scale in the market, Taiwan pharmaceutical industry will face globalization if it wants to be engaged in new drug development, and globalization must challenge "Standard treatment" with completion of clinical trial under regulations to fulfill inspection and registration of major markets as well as invest in high expenses, manpower, and comprehensive patent protection design is also needed to create business opportunities. Only new-formulation drug with pharmacoeconomics can compete with the global pharmaceutical company in the new-formulation drug market.

All TTY's oncology drugs are manufactured under conditions that comply with PIC/S GMP; and remain competitive in the market, many applications of drug licenses in different countries have been filed for marketing authorization. Furthermore, many TTY's technology platforms have maturely developed, such as injectable liposomal formulation, lyophilization processing and drug encapsulation system. Our factories are built with exceptional qualities in compliance with PIC/S GMP and have been inspected by numerous regulatory agencies including the US FDA, EU EMA, Japan PMDA, Arabian officials, German officials, ANVISA (Brazil)

and Taiwan FDA. Our expertise ensures products manufactured here adhere to the highest standards of quality and safety. Our unparalleled experience and well-established reputation in the field of liposomes has been proven by our partnerships with several of the world's leading pharmaceutical companies.

TTY will continue our effort in new drug development. To continuously improve the health of patients in Taiwan and to maintain substantial revenue for the company, several new niche buster drugs have been launched into the market. Furthermore, to strengthen our new drug portfolio, TTY continuously in-license either completed or ongoing phase 3 trial drugs to encompass all major therapeutic areas.

### (3) Research & Development Status

#### ① R&D Expense Disbursement for year 2021 and 1<sup>st</sup> Quarter of year 2022

Unit: NT\$ Thousand

Item	2021	1Q 2022 (Note)
Research & Development Expense	287,595	74,247

Note: The number for the 1<sup>st</sup> quarter of year 2022 was unaudited.

#### ② Technology or Product Successfully Developed

In addition to continuous improvement in liposome technologies and long-acting depo-provera injection technologies, this company also conducts researches on new compound medicines as well as new indications for existing products. Important products successfully developed are as follows:

Product Name	Indications
Lipo-Dox	Metastatic breast cancer, AIDS-induced Kaposi's sarcoma, multiple myeloma, ovarian cancer
UFUR	Gastric cancer, colorectal (colon) cancer, breast cancer, Cisplatin combined treatment of metastatic and advanced lung cancer, head and neck cancer, for the first stage of pathological stage T2 B lung adenocarcinoma patients after surgery adjuvant therapy
Thado	Multiple myeloma, leprosy nodular erythema
Lipo-AB	Nephrotoxicity complication with invasive fungal infection after bone marrow transplant; treatment of bacteria infections from Aspergillus spp., Candida spp., or Cryptococcus spp.; Leishmaniasis (kala-azar); empirical therapy for severe neutropenia patient who have fever and might be affected with mycoses; AIDS patients with meningitis; bacteria infections from insufficient renal function.
Brosym C+S	Treatment of the following infections caused by susceptible bacteria: upper and lower respiratory tract infections, upper and lower urinary tract infections, peritonitis, cholecystitis, cholangitis and other intraperitoneal infections, pelvic inflammatory disease, endometritis and other genital tract infections, and Traumatic burns, secondary infection after surgery.
Alginos Fresh	Relieve pain caused by gastric acid and bile's reflux into esophagus

#### **(4) Business Objective: Long-term & Short-term**

##### **① Short-term**

###### **(i) Marketing**

Continue to search for suitable drugs to meet the clinical needs of medical treatment, provide clinicians with more complete medical solutions, and act as physicians' best clinical treatment partner.

Become a global specialty pharmaceutical company and the best CRO/CMO/CDMO strategic partner (Key service concepts : Commercialization and Value chain integration).

###### **(ii) R&D**

a. Ensuring that core products are listed on target market on time and reaching short-term profit target can also increase the productivity utilization rate and stabilize the productivity for factories.

b. Complete economic scale of commercialization by establishing the development of specialty drug portfolio on the basis of TTY's high barrier-product platform.

c. Carefully select new drug development targets and develop them with international marketing companies to license and retain market rights of some target countries at the appropriate time in order to increase the number of potential direct marketing products with a long life cycle; in addition to balance R&D costs to be borne by oneself, it can also obtain licensing funds and sales profits.

###### **(iii) Manufacture**

a. Continuous learning and updating of pharmaceutical manufacturing laws and regulations, implementation and through factory inspection at home and abroad, to maintain a stable high-quality production base.

b. Ensure that the organization has enough capacity to meet all demands through adequate product-line planning and supply management.

c. Grasp the autonomy of raw materials, functional excipients and special packaging materials, and set up suppliers with appropriate quality standards in order to rationally manage costs and stabilize supply sources.

###### **(iv) Management**

a. Income from existing sales in Taiwan and mature overseas markets should support future product development and expansion of new bases.

b. Sustain and grow manufacturing capacity through CMO model in specialty drug area for international companies.

c. Create positive cash flow by out-licensing TTY's products to global market and investing in R&D or new subsidiaries for the future.

d. Maximize revenue and seize mid-term and long-term growth opportunities by observing global health care market and the investment opportunities.

e. Acquire and cultivate talents with entrepreneurship comprehensively by fostering his/her knowledge in science, RA and management, and prepare each department with enough resources for globalization.

##### **② Long-term**

###### **(i) Marketing**

a. Focus on product life cycle management through market segmentation and product localization in our targeted markets.

b. Enhance TTY's international marketing through the stable CDMO business model in the area of self-developed and co-developed specialty drugs.

c. Increase mid to long-term revenue and the rate of globalization of the business through proper distributor management and raising the number of foreign

subsidiaries.

- (ii) Manufacture
  - a. Master, update and maintain pharmaceutical manufacturing bases that meet the quality requirements of international drug laws and regulations.
  - b. Achieve international scale of mass production and lower cost advantage through improving process manufacturing and productivity.
  - c. Amplify manufacturing capacity and manage supply chain for R&D through M&A and strategic partnership.
- (iii) R&D
  - a. Improve product portfolio (specialty drugs, generic drugs and new drugs) by carefully evaluating drug development projects and manufacturing capacity.
  - b. Collaborate with international partners to develop high barrier and high profitable specialty pharma and new medical entities to meet the unmet needs of the market.
- (iv) Management
  - Vision: To improve the quality of human life with scientific innovation.
  - Mission:
    - a. Commit to development and manufacture Specialty pharma (patentable or high-barrier products), Biologics, new Medical Technology and new Medical Entities
    - b. Professional in anti-cancer, intensive care and anti-infection, development and manufacture of specialty and international development.
    - c. Be one of the world's most innovative biopharmaceutical companies
    - d. Be best partner for globally innovative pharmaceutical companies to develop and market drug portfolios internationally

## **2. Production and Sales Status**

### **(1) Market Analysis**

- ① Markets for our major products

TTY's major sales comes from domestic market, which accounts for 94% of the net sales, and export sales majorly comes from the Southeast Asian market; Major distribution channels are hospitals and clinics, which accounts for more than 71% of the total net sales.
- ② Outlook

Due to the growing population and aging structure, and the increasing demand for health alertness and treatment, the use of drugs has increased. Therefore, the global pharmaceutical industry will continue to maintain an increase in demand and sustained and stable development in the future. According to IQVIA, global drug spending is going to hit USD1.59 trillion in year 2023, a 19% increase comparing to the number in year 2019.
- ③ Competitive niche
  - (i) In terms of TTY's core competitiveness
    - a. Precise market positioning
    - b. Integrated value chain
    - c. Continuously developing competitive products
    - d. Pharmaceutical factory inspections by competent authorities in respective major countries shall be passed continuously.
    - e. Accumulated comprehensive customer's relationships and rich experiences of patient health and care in target therapy field.

- (ii) In terms of TTY's competitiveness in Asian market
  - a. Knowledge and understanding of Chinese cancer types
  - b. Advantage in clinical study and marketing in the Chinese market

④ SWOT analysis/Measure

(i) Opportunity/Strength

- a. Opportunities for Taiwan pharmaceutical industry
  - New policy favoring new drug development
  - Up-to-date industry knowledge and the growing number of cross functional talents
  - Abundant clinical trials have been conducted by core hospitals and approved by major authorities.
  - Improving assessment system of regulatory affairs in TFDA, which will benefit and encourage more new drug developments

b. Excellent R&D and integration capability

The company is committed to fostering talents and investing in research and development. From prescription development, pre-clinical trials, drafting of human test plans to implementation of human test plans, completion of test summary reports and application for new drugs to market, it has the ability to carry out and accumulate experience continuously. It also has the ability to complete chemical technology and manufacturing documents from R&D to production as well as the quality validation documents that meet regulatory requirements. The rare integrated pharmaceutical development capability in the domestic industry is also the driving force for the company to continuously improve its competitiveness.

(ii) Threat and measures

a. Drug reimbursement policy change

Global Budget System was implemented in Taiwan. Up until now, drug prices have been adjusted multiple times. Domestic drug prices and quantities have been under control or limitation through Global Budget System. As such, prices and sales of certain drugs have been affected and product offshore sale prices have also been affected. This has resulted in the squeeze of pharmaceutical companies' revenue and profits.

Measures:

In addition to the establishment of a complete sales network throughout the province, the company can provide immediate services to hospitals and clinics and increase the coverage of sales. At the same time, it can enhance the effectiveness of the company's resource utilization, strengthen its strategic cooperation for drugs with certain market size and value, and continuously enhance the health care of hospitals and physicians by cooperating with clinical medical experts and continuously enhance confidence in medicines to increase the chances of rational prescription use. By authorizing the introduction of new drugs in target therapy field in late clinical stage, cooperating with advanced countries to collect evidence, shortening domestic evidence collection time, cooperating with superior marketing teams and resources, and creating the best revenue of products, we can avoid subsequent lowering of the company profitability from the implementation of drug price adjustment.

b. PIC/S GMP compliance for small companies

The majority of the pharmaceutical companies in Taiwan are small and medium sized companies in manufacturing generic drugs and distributing in-

licensing drugs. In terms of export, domestic companies are impacted by the insufficient knowledge in foreign legislation, the lack of experience in international marketing and the difficulties of form influential groups or organizations in overseas markets, resulting in limited growth. Other than that, the domestic companies were affected by the foreign companies with their competitive pricing after Taiwan joined WTO.

In order to cope with the trend of international laws and regulations and improve the quality of drugs, Taiwan has implemented the management of DMF (Drug Master File) since 2013. Since 2015, PIC/S GMP has been fully implemented and manufacturers of domestic and imported drugs must conform to PIC/S GMP. Therefore, pharmaceutical factories that do not conform to PIC/S GMP will be eliminated gradually.

#### Measures:

From its early years, TTY Biopharm Company Limited focused on manufacturing and marketing-oriented traditional generic drug factories, and gradually stepped into the development of innovative generic drugs and the optimality of drugs. It also emphasized that manufacturing factories meet the requirements of international quality regulations.

In addition to continuing to develop its business in Taiwan's core channels (medical centers, regional hospitals and potential regional hospitals), in order to make more effective use of the value of drug development, TTY Biopharm Company Limited is committed to becoming a biotechnology pharmaceutical manufacturer for the development of special dosage forms and international marketing. It specializes in the selection of disease areas, and focuses on the international development of anti-cancer and severe anti-infection drugs, plus developing special dosage forms with high-tech barriers, and to take advantage of the development of special generic drugs with dosage forms with high-tech barriers and proven efficacy, to bring products into the international market through the commissioned design and manufacturing mode of large international factories, develop and launch new products with pharmaceutical firm owning high penetrated marketing channels from major markets and to continue to enter the Americas, Europe, Asia and regions of emerging developing countries with partners with multi-national marketing channels in target countries. Establish marketing team to expand business and become the best partner of the major global market drug marketing companies. On the other hand, local strength will be cultivated through development of the greater China market (including Taiwan and China) and Southeast Asian market. In the event that international bio-tech innovation companies are unable to master market conditions for profit making when entering Taiwan and Asia market, TTY Biopharm shall then serve as the best collaborating partner in drug development and marketing for international companies in the fields of anti-cancer and anti-infection. With the long time investment and experience in these fields, TTY Biopharm's existence shall assist international partners to develop drugs effectively, generate profits in market, and therefore create win-win situations.

## **(2) Important Purpose for Major Products**

Important purposes for the Company's major products can be categorized as follows:

- ① Oncology Medicine: Drugs for anti cancer and supplementary treatment
- ② Anti-Infective and Intensive-Care Drug: Drugs for second line anti infection, vaccine for flu and drugs for intensive care

- ③ Medical & Healthcare Medicine and Other Medical Supplies: Health care for digest system, osteoporosis, Metabolism and other medical supplies.

**(3) Major Raw Material Supply Status**

Sources of the Company's raw materials come from both domestic and offshore vendors. To ensure stable source of raw materials, the Company always maintains close collaboration relationship with domestic vendors and also works aggressively in exploring new raw materials suppliers.

**(4) The Name of the Customers Accounted for Over 10% of the Total Purchase (Sale) in One of the Last Two Years**

① List of Major Suppliers

**List of Major Suppliers in the Last 2 Years**

Unit: NT\$ Thousand

Rank	2020				2021			
	Name	Amount	Percent (%)	Relation with the Issuer	Name	Amount	Percent (%)	Relation with the Issuer
1	Company A	150,324	12.07	None	Company B	196,826	19.60	None
	Other	1,095,174	87.93		Other	807,444	80.40	
	Net Purchase Amount	1,245,498	100.00		Net Purchase Amount	1,004,270	100.00	

Note: List the name of the suppliers with more than 10% of the total purchase amount, purchase amount, and purchase ratio in the last 2 years; however, it can also be identified with I.D. Number if the limitation of disclosure is stated in the signed contract or the counterparty of the transaction is an unrelated individual.

② List of Major Clients

**List of Major Clients in the Last 2 Years**

Unit: NT\$ Thousand

Rank	2020				2021			
	Name	Amount	Percent (%)	Relation with the Issuer	Name	Amount	Percent (%)	Relation with the Issuer
1	Company A	142,548	3.38	None	Company B	205,120	4.52	None
	Other	4,079,288	96.62		Other	4,330,490	95.48	
	Net Sale Amount	4,221,836	100.00		Net Sale Amount	4,535,610	100.00	

Note: List the name of the clients with more than 10% of the total sale amount, sale amount, and sale ratio in the last 2 years; however, it can also be identified with I.D. Number if the limitation of disclosure is stated in the signed contract or the counterparty of the transaction is an unrelated individual.

## (5) Production Volume and Value of Recent Two Years

**Table of Production Volume and Value of Recent Two Years**

Unit: Granule Thousand; Pc Thousand; NT\$ Thousand

Main Product \ Year	2020			2021		
	Production Capacity	Production Quantity	Production Quantity	Production Capacity	Production Quantity	Production Quantity
Ointment	Note 1	2,496	85,056	Note 1	2,261	83,795
Oral	Note 1	357,402	433,866	Note 1	346,014	427,289
Injection	Note 1	5,972	679,414	Note 1	3,626	584,751
Others	Note 1	—	—	Note 1	—	—
Total	—	Note 2	1,198,336	—	Note 2	1,095,835

Note 1: This is excluded because of different production package capacity.

Note 2: This is excluded because different units for production quantity.

Note 3: This table does not included products purchased externally.

## (6) Sales Volume and Value of Recent Two Years

**Table of Sales Volume and Value of Recent Two Years**

Unit: Granule Thousand; Pc Thousand; NT\$ Thousand

Main Products \ Year Selling Volume/ Value	2020				2021			
	Local Sales		Export Sales		Local Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ointment	2,491	88,869	—	—	2,266	94,491	—	—
Oral	346,908	2,035,732	15,725	150,747	331,583	2,144,779	15,497	129,256
Injection	5,151	1,683,176	205	125,056	5,309	1,817,541	235	124,983
Others	505	109,662	—	—	703	113,138	—	—
Total	Note 1	3,917,439	Note 1	275,803	Note 1	4,169,949	Note 1	254,239

Note 1: Summing can't be conducted because units for sales are different.

Note 2: This table does not included service income.

### 3. Employees

Employee Data for the Last 2 Years and as of March 31, 2022

Year		2020	2021	March 31, 2022
No. of Employee	Management Staff	74	72	75
	R&D Staff	98	99	99
	Other Staff	370	371	378
	Total	542	542	552
Average age		40.41	40.98	41.08
Average years of service		8.04	8.23	8.35
Academy Ratio (%)	Doctor	4.06	4.80	4.80
	Master	37.82	37.09	36.67
	College	49.82	50.92	50.95
	Senior High School	6.83	5.90	6.20
	Below Senior High School	1.47	1.29	1.38

### 4. Information on Environmental Protection Costs

For the latest year and as of annual report publication date, losses incurred from environment contamination and also disclose potentially incurred estimated amount for current and future time as well as responsive measures:

- Incident: The Taoyuan Environmental Protection Department conducted an inspection for toxic chemicals at the Chungli Plant on January 12, 2021 (Inspection No. 9811000110872)
- Legal violation: Article 8, Paragraph 4 of the Toxic and Concerned Chemical Substances Control Act
- Penalty date and document No.: Official Letter Fu-Huan-Kung-Zi No. 1100094896 issued by Taoyuan City Government on April 20, 2021
- Detailed description: The Company failed to apply for approval by the competent authority of the special municipality prior to initiation of operations (Potassium bromate and dimethyl yellow)
- Penalty Amount: NT\$60,000
- Measures:
  - Potassium bromate is utilized for quantitative testing of Tegafur content, while dimethyl yellow is applied in Glyceryl Monostearate & Sodium Lau. Sul. Assays for heating rub excipients. A usage permit was obtained on March 24, 2021. This incident has no impact on follow-up manufacturing and supply operations.
  - Reviews and improvements of current and future operating procedures (encompassing toxic and concerned chemical substances) have been implemented. In addition, standard operating procedures have been adopted for documentary records and tracking.
  - Personnel and supervisors responsible for quality control and environmental safety have been penalized after review. SOP governing procedural improvements and records of first application upon improvement have been submitted to the Auditing Office for future reference.
  - The official penalty decision was personally obtained from the Taoyuan Environmental Protection Department on June 10, 2021. Payment of the fine has been completed within the prescribed time limit.

## 5. Labor Relations

### (1) The Company's Various Benefit Measures, Education, Training, Retirement System and Implementation Status As well As Agreements between Labor and Management and Various Employee Benefit Protection Measures Are Listed as Follows

#### ① Employee Benefit Measures

For the purpose of enhancing the “on the same boat” relationship between the Company and its employees, encouraging colleague’s contribution, creating even more benefits, taking care of colleague’s life as well as establishing excellent company culture and spirit, the Company specifically established an Employee Benefit Association which is in accordance with Employee Benefit Fund Act and Benefit Association Organization Guidelines promulgated by competent authority and which was approved by competent authority via Pei-Shi-Lao-Yi-Tze No. 8720781200 dated March 19th, 1998. The Company appropriates benefit funds to this Association in accordance with laws for implementation of various benefit measures which are prescribed as follows:

Subsidy Item	Explanation	Note
Birthday Cash Gift	Member of the Association will receive birthday cash gift of NTD1, 000 in the month of his/her birthday. Cash gift will be delivered on the 15th of each month.	
Wedding Cash Gift	<ul style="list-style-type: none"> <li>i. Member of this Association whose service period less than 1 year but over 3 months and has withheld 3-month welfare benefits will receive a cash gift of NTD3, 600.</li> <li>ii. Member of this Association with service period over 1 year will receive a cash gift of NTD6, 000.</li> <li>iii. If both husband and wife are the Company’s employees, they will each receive one cash gift.</li> </ul>	<ul style="list-style-type: none"> <li>i. Application: Please attach a copy of marriage certificate or household registration certificate and a fee application form, which will be signed and approved by the supervisor</li> <li>ii. Application Deadline: The date of marriage registration shall prevail, and shall be within three months counting from the date of marriage registration.</li> </ul>
Birth Cash Gift (including miscarriage for pregnancy over 20 weeks)	<ul style="list-style-type: none"> <li>i. For colleague of this Association giving birth or spouse of colleague giving birth, a payment of NTD3, 600 will be forwarded accordingly.</li> <li>ii. For colleague with spouse also working in the Company, payment is limited to one payment only.</li> <li>iii. Calculation of each subsidy payment amount is based on the number of new born baby.</li> </ul>	<ul style="list-style-type: none"> <li>i. Application: Submission of child birth certificate or doctor’s statement or one copy of household registry together with an expense application is needed. Application shall be signed off by supervisor accordingly.</li> <li>ii. Application Deadline: It will be within 3 months starting from child’s birthday. For miscarriage from pregnancy over 20 weeks, deadline will be 3 months starting from occurrence and a doctor’s proof shall also be provided</li> </ul>

Subsidy Item	Explanation	Note
Holiday Cash, Voucher and Gift	<p>Dragon Boat Festival and Mid-Autumn Festival for each year.</p> <p>Qualification of receiving this benefit: Member of this Association who has withheld 3-month welfare benefit.</p>	The amount depends on annual budget.
Illness, work-related injury, Hospitalization Consolation	<p>i. A consolation of NTD 3,000 will be forwarded but this is limited to one Solarium each year. (Based on Discharge Date)</p> <p>ii. Visiting gift is limited to NTD1,000 (This is limited to one application each year and should be applied together with receipt and consolation.)</p>	<p>i. Application: Submission of Certificate of Hospitalization together with an expense application is needed. Application shall be signed off by supervisor accordingly.</p> <p>ii. Application Deadline: within 3 months starting from the date of occurrence.</p>
Funeral Consolation	<p>i. For death of parents, children, spouse or spouse' parents of colleague of this Association: NTD 3,100 of Solarium and a basket of flowers worth NTD2,000 will be delivered accordingly. (Cannot be exchanged for cash if not required)</p> <p>ii. For death of grandparents, grandparents on mother's side, sibling, grandchildren, grandchildren on daughter's side, great grandparents, great grandparents on mother's side of colleague of this Association: NTD1,500 of Solarium and a basket of flowers worth NTD2,000 will be delivered accordingly (select 1 out of the 2).</p> <p>iii. If more than two persons serve in our company and meet the requirements at the same time, only one of them shall apply for this item.</p>	<p>i. Application: Submission of a copy of obituary together with an expense application is needed (Receipt is required for flower basket expenses) Application shall be signed off by supervisor accordingly.</p> <p>ii. Application Deadline: within 3 months after date of occurrence.</p>
Disaster Relief Fund	<p>i. This subsidy item is stipulated by this Association for the purpose of relieving colleague's need for fund when encountering disaster.</p> <p>ii. Definition of Disaster</p> <ul style="list-style-type: none"> <li>● Natural force disaster of flood, wind disaster and earthquake.</li> <li>● Fire: Cause of fire is not from suicide or is not inflicted from others after competent authority's investigation.</li> </ul>	<p>i. Definition of Spouse</p> <ul style="list-style-type: none"> <li>● Spouse and Children</li> <li>● Association Colleague's Parents</li> <li>● Association Colleague's Grandparents</li> </ul> <p>ii. Self-Use Residence: Association colleague's actual place of residence.</p> <p>iii. Disaster Relief Fund: Each colleague may not merge</p>

Subsidy Item	Explanation	Note
	<p>iii. Explanation of scope of application and Solarium are listed in appendix 1 as follows.</p>	<p>items 1 to 5 for any reason in each accident for a maximum amount of not more than NT\$100,000.</p> <p>iv. Application Deadline: within 3 months after the date of disaster occurrence.</p> <p>v. Application: Submission of original receipt together with expense application is needed. In addition, application shall be signed off by supervisor accordingly.</p>
<p>Tuition Subsidy</p>	<p>i. Scope of Application: To encourage Association colleague and their children’s education, education subsidy is categorized into “education subsidy” and “scholarship.”</p> <p>ii. Scholarship:</p> <ul style="list-style-type: none"> <li>● Application Terms for Domestic Universities: Schools must be public or private legitimate education schools registered in government (e.g., high school and its affiliated school, university, and so on) and public open university, open business college and open administration college, with academic GPA over 80 points for high school, university or graduate school.</li> <li>● Application Terms for Offshore Universities: With GPA 3.5 points or above or above the same GPA grade A</li> </ul> <p>iii. Education Subsidy: Application is allowed for those recognized by local competent authority as low income families and those qualify for scholarship academic performance requirements.</p> <p>iv. Education subsidy application from those studying in schools while receiving public funds (including military school) is not allowed. However, scholarship can be</p>	<p>i. Application Deadline: within 30 days after the starting of a semester (applications are limited to one application for each of the first and second semester).</p> <p>ii. Scholarship Application: Submission of domestic (offshore) transcript of academic performance together with an expense application is needed. Application shall be signed off by supervisor accordingly.</p> <p>iii. Education Subsidy Application: After the opening of school, applicant shall submit registration payment receipt or student ID card with school stamp together with proof of low income family recognized by local competent authority and a transcript of last semester’s academic performance report.</p> <p>iv. ID copies or copy of household registry shall be submitted for verification of family relationship.</p>

Subsidy Item	Explanation	Note
	<p>awarded following equivalent school standards.</p> <p>v. Payment of education subsidy will be delivered in accordance with standards prescribed in appendix 2.</p>	
Travel Subsidy	<p>i. Applicant: Official staff with travel leave.</p> <p>ii. Current year new staff will participate in subsidy plan on a proportion basis. However, for those terminating employment after participation in this plan, a proportionate reduction will be imposed accordingly to both new and old employees.</p> <p>iii. Employees not participating in annual employee travel scheme will be regarded as waiving their rights.</p> <p>iv. Travel subsidy calculation period: January 1 to December 31 of a specific year.</p> <p>v. Subsidy amount shall be in line with Benefit Association's announcement of a specific year. Application is limited to one application only.</p>	<p>i. Application: Applicant shall fill in an expense application, leave request and submit materials announced by Benefit Association.</p> <p>ii. Subsidy Calculation Method: Offshore travel subsidy for 2006 is NTD20,000. New employee A reports to the Company on March 1<sup>st</sup>, 2006. His/her travel subsidy will therefore be NTD16,666 (20,000X10/12). If he/she terminates employment on October 31<sup>st</sup>, the amount deducted back will therefore be NTD3,333 (20,000x2/12).</p>
Year-end Banquet	Employees in Company can participate the event.	
Year-end banquet raffle.	<p>The qualification of Year-end banquet raffle.</p> <p>i. It depends on current year regulation. There will be an extra announcement. For example, the employees will have to be employed before Sep. 30 (included) in the year of Year-end banquet.</p> <p>ii. The full time association employees who were on business or overtime working on the Year-end banquet day. (It is necessary to attach the relevant proof of workflow application in advance and report to the Welfare Committee)</p> <p>iii. The full time association employees who are expatriated. (who have got payment from the company)</p>	<p>i. If the full-time employees didn't win any prizes at Year-end banquet raffle, they'll also receive a bonus gift.</p> <p>ii. The employees who have applied for resignation but still working for the association on the Year-end banquet day, they are still qualifcator for raffle.</p> <p>iii. The regular staff, who had unpaid leave and reinstated before Year-end banquet, have to pay at least 3 times of welfare benefit then can participate the raffle.</p>

Subsidy Item	Explanation	Note
		iv. The amount of bonus gift is depending on the budget of the year.
The entertaining activities: Family Days, Sports Day, Culture and entertaining activities.	<ul style="list-style-type: none"> <li>i. Qualification of participators: all employees are free of attending.</li> <li>ii. Qualification of raffle: the full-time employees who have paid more than 3 months benefits.</li> </ul>	The attending numbers of Family Days: The family attending numbers is depending on annual budget.
Health Examination of Employees	The qualification of attending : The full time association employees who have paid over three-month welfare fund before the date of Health Examination.	
May 1 of Labor's Day (Cash Gift)	The qualification of bonus dissemination: The association employees who have charged over three-month benefits before the date of dissemination.	The amount is depending on the individual annual budget.

#### Appendix 1

Type	Scope of Application	Relief Fund (NTD)	Subsequent Supplement of Certificate
1	Member of this association staying in hospital for more than 3 days of treatment from occurrence of disaster	6,000	Certificate of Hospitalization
2	Family members of association member staying in hospital for more than 3 days of treatment from occurrence of disaster	5,000	Certificate of Hospitalization
3	Death of association member from disaster	30,000	Death Certificate
4	Death of association member's family member from disaster	15,000	Death Certificate
5	Damage to house or furniture in association member's self-residence from natural forces of fire, wind disaster, flood and earthquake	Limited to 10,000	Applicant shall submit proof documents issued by local government in specific year – pictures of damaged items and copies of invoice for replacement item.

## Appendix 2

Category	Education Subsidy (NTD)	Scholarship (NTD)
Senior High School (including schools with equivalent level)	4,000	1,000
University (including schools with equivalent level)	6,000	2,000
Graduate School	10,000	4,000

### ② Employee Education and Training

To fulfill the Company's vision and to enhance employee career development, various training development activities have been implemented on current employees in order to strengthen employee's expertise and skills as well as to achieve organization common goal and create individual's self-achievement. The Company provides employees with various education and training. For internal training, there are trainings for newly-recruited staff, professional classes offered by various departments as well as e-learning. As for external trainings, they are offered based on needs assessment. The Company also offers subsidy to allow employees more career growth opportunities and enhance employee quality and their loyalty towards the Company.

#### Year 2021 Employee Education and Training Status

Item		Number of course	Total Hours	Total people	Total Expense (NTD)
Internal Training	Freshmen Training	4	33	48	24,820
	General Knowledge School	10	36.5	177	12,660
	Marketing School	2	8.5	25	3,350
	R&D School	4	18	66	11,337
	Business School	2	10.5	64	3,800
	Manufacturing School	0	0	0	0
	Leadership Management School	2	12	42	3,890
External Training		103	1,043	103	343,080 (Note)
Total		127	1,161.5	525	402,937

Note: Expense amounts exclude amounts paid by employees themselves.

### ③ Work Environment and Protection Measures for Employee Safety

#### (i) Establish Occupational Safety & Health Management Organization

To ensure company colleague's safety and health in work, the Company hereby complies with laws and establishes Occupational Safety & Health Management Committee in Chungli Plant and Lioudu Plant. The Neihu R&D Center has established "Safety and Health Management System Promotion Team" as its number of employees

is lower than the requirement of regulations. The Occupational Safety & Health Management Committee, of which labors shall represent more than one-third of the number for commissioners, hold regular meeting to discuss occupational safety issues and are mainly in charge of supervision and suggestion for occupational health and safety-related plans. According to the Occupational Safety and Health Law and related laws and regulations, the Company has formulated the "Guidelines of Occupational Safety and Health Work "and "Occupational Safety and Health Management Plan", and each factory shall have occupational safety and health units, management and emergency personnel.

(ii) Planned to Introduce ISO45001 (Occupational Safety and Health Management System)

The Company has planned to introduce ISO45001 in August, 2021 and expects to complete the system establishment and verification at the end of 2022. (The verification scope covers Headquarters in Nangang and Plant Chungli).

The promotion of ISO 45001 was conducted by the company's senior executives and department heads, identifying hazard and assessing risk caused by changes from organization, occupation safety and health management system or activities, based on the provisions of ISO 45001. Then, a management proposal or a measure for tracking/controlling risk and opportunities will be delivered.

(iii) Protection Measures for Employee's Safety and Health

For the protection of employee's health and safety, the Company also provides insurance items such as group insurance, accident insurance, occupational accident insurance, cancer insurance and travel insurance for business trip. In addition, the Company also conducts employee health check each year to ensure employees' health. Meanwhile, in response to the dual threats of fluenza and Covid-19, the Company provided free flu vaccines to all employees and their first related relatives. (4 quotas for each employee).

The Company has already purchased public liability insurance for work place of respective business locations, equipped licensed fire prevention management personnel in respective factories, established fire prevention plan in work place in accordance with regulations and laws and regularly reported public safety equipment checks on building and fire prevention equipment to competent authority for the purpose of maintaining safety of fire prevention equipment in work place.

To prevent occupational disaster and protect employee's safety and health, "Work Rules for Occupational Safety and Health" and "Management for Occupational Safety and Health" is drafted in accordance with Occupational Safety and Health Act as well as related laws. Each one of the Company's factories is equipped with labor health and safety management staff and first aid staff in accordance with laws, and conducts health and safety education training each year. In year 2021, the Company conducted newcomer training of dispatched workers for 4 sessions with total 19 people, and 6 sessions for subcontractors with total 46 people in Chungli Plant; in addition, the Company conducted newcomer training of dispatched workers for 10 sessions with total 27 people, and 5 sessions for subcontractors with total 20 people in Lioudu Plant.

The company has allocated doctors and nurses in the plants, to provide employees professional medical assistance. We also promote Health examination, medical assistance, and the prevention occupational diseases in new employee's orientation. In 2021, we hosted 4 seminars to talk about doctors and occupational protection, including topics of hypertension, healthy diets, insomnia, and stroke. The nursing service is 3 times a month. The doctors' service is 3 times a year.

In addition to emphasis and protection on product safety, personal protective

equipment (“PPE”) used by on-site operators is also one of the critical items for the Company’s occupational safety and hazard control. For instance, factory production area is equipped with glove box which allows on-site operators to proceed with production in a closed and isolated manner. This has effectively avoided possible chemical hazard generated during production process. Additionally, factories are equipped with chemical leakage management vehicles which allow colleagues to implement contingency measures immediately to minimize disaster risks in the event of chemical leakage occurrence.

Given protection measure’s importance over work environment and personal safety, besides trainings for personal protective equipments, the Company also conducts related education training in factories and imposes “labor health and safety education series” education training to employees. Such training includes: average health and safety education training, how to provide safety consciousness, promotion of work place health and class on how to use facial mask accurately. During education training process, learning assessment is also utilized to verify employee learning direction’s accuracy for the purpose of ensuring implementation of protection measure concept on work environment and personal safety. New recruits are required to participate in the "Work Safety and Health Training" course. Through education and training, they are familiar with the characteristics and hazards of various chemical substances (hazards and hazardous materials) that may be exposed to the working environment and operations in the factory and work in accordance with the prescribed methods. New recruits who first enter the working area can’t enter the production line to work until teach by the colleagues who have been certified by the department the steps to enter the production process area and the work matters that should be paid attention to. The supervisor of the production unit shall keep in mind whether the new recruits comply with the operating standards and will be guided if there is any non-compliance with the operating procedures.

The Company uses a variety of chemicals. In order to avoid chemical pollution, fire, explosion and other hazards, the relevant departments have set emergency response procedures and will be implemented each year with the on-site department to implement chemical spill treatment, personal protective clothing dressing, firefighting, emergency evacuation, and emergency rescue drills. The Chungli Plant conducts two fire drills and 1 chemical leakage drill every year, and the Liudu Plant conducts two unannounced tests every year, including firefighting and chemical leakage drills.

▼ Statistics of Occupational Hazards in Year 2021

Number of hours worked	:	1,147,336
Recordable work-related injuries	:	2
Rate of recordable work-related injuries	:	0.35
High-consequence work-related injuries	:	0
Rate of high-consequence work-related injuries	:	0.00

Note :

1. The boundaries of the statistics covered HQ, Chungli Plant, Liudu Plant, Translational Research Center, and PDC (NeihuFactory & Pharmaceutical Development)
2. Injury during a commute to/off work does not count as an occupational hazard
3. Recordable work-related injuries: Worker cannot continue work due to occupational injury and must leave the workplace, and the lost time (an indicator of the loss of productivity for an organization) is more than 1 day, including number of deaths caused by occupational injury.
4. Rate of recordable work-related injuries (Total Recordable Injury Frequency Rate, TRIFR ) =Number of recordable work-related injuries×200,000／Number of hours worked (calculated to 2 decimal places without rounding)
5. High-consequence work-related injuries: an occupational injury that resulted in death or renders the worker unable or difficult to return to pre-injury health status within 6 months.

6. Rate of high-consequence work-related injuries: Number of high-consequence work-related injuries ×200,000/Number of hours worked (calculated to 2 decimal places without rounding)
7. The number of work-related ill health in year 2021: 0; in addition, no occupational injuries occurred to the contractors.

▼ Statistics of Disabling Injury Frequency and Severity in Year 2021

Lost days due to disabling	:	6
Disabling Frequency Rate(FR)	:	1.74
Disabling Severity Rate (SR)	:	5.23
Frequency-Severity Indicator (FSI)	:	0.10
Injury category	:	Scratched

Note :

1. Lost days: The number of days of being unable to work (the number of dayoff); the calculation includes occupational accident and injury leave without counting sick leave and period leave.
2. Disabling Frequency Rat,  $FR = \text{Number of Disabling injury} \times 1,000,000 / \text{Number of hours worked}$  (calculated to 2 decimal places without rounding)
3. Disabling Severity Rat,  $SR = \text{Days of Disabling} \times 1000000 / \text{Number of hours worked}$  (calculated to 2 decimal places without rounding)
4. Frequency-Severity Indicator,  $FSI = \sqrt{[(FR \times SR) \div 1000]}$

④ With respect to standards for employee retirement qualification and pension payment, the Company's employee retirement rule is as follows

(i) The Company allows voluntary retirement if an employee meets with the one of the followings:

- a. Working for over 15 years with 55 years old (as per household registry record);
- b. Working for over 25 years;
- c. Working for over 10 years with 60 years old;
- d. Employee's working years is limited to the years working in the Company, starting from the date of employment. However, working years for employees dispatched by the Company, or employees retained after negotiation with new company during the Company's reorganization or transfer, shall be calculated together with the previous ones.

(ii) The Company is entitled to enforce mandatory retirement to employees with one of the followings:

- a. Aged 65 years old (as per household registry record);
- b. Physically handicapped and incompetent workers.
- c. With respect to aforementioned rule on aged 65 years old, the Company may request competent authority for adjustment approval over employees embarking on special tasks such as dangerous task or task which requires vigor physical strength. Nevertheless, it shall not be younger than 55 years old.

(iii) Employee Pension Payment Standard

a. Pension payment standards for working years after application of Labor Standards Act are as follows:

- Two base points are given for every year of working years. For working years more than 15 years, only one base point is given for every one year, with the maximum number limited to 45 base points. Working year less than half a year will be calculated as half a year, while working year of half a year will be calculated as one year.
- If a worker with physical or mental disabilities is incompetent for compulsory retirement, and his or her physical or mental disabilities are due to the performance of his or her duties, an additional 20% shall be given in accordance

with the aforementioned a. requirement.

- Standard for pension base points shall mean one month average salary at the time when retirement is approved.
  - b. Pension payment standards for working years before application of Labor Standards Act shall be calculated in accordance with applicable laws at that time. In the event that there are no applicable laws, calculation shall therefore be conducted in accordance with the Company's rule or agreement between employee and the Company.
  - c. Starting from July 1, 2005 and in response to implementation of "Labor Pension Act," pension payment standards are as follows:
    - For labors selecting to continue to apply pension regulations prescribed in "Labor Standards Act," pension payment will be delivered in accordance with rules prescribed in aforementioned "a. Pension payment standards for working years after application of Labor Standards Act."
    - For labors selecting to apply "Labor Pension Act" to their working years, "Personal Pension Designated Account System" will be adopted and methods for pension payment and calculation are as follows:
      - Monthly Pension: With respect to principal and accrued yield from labor's personal pension account, installment of pension payment is calculated in accordance with pension life chart as well as basis of average remaining life and interest rate.
      - Lump-Sum Pension: One-time receiving of principal and accrued yield from labor's personal pension account.
      - Pension Insurance System: Amount received shall be in line with terms prescribed in insurance agreement.
- ⑤ Labor/Management Agreements and Various Employee Rights Protection Measures Implementation

All of the Company's any newly added or modified measures on labor/management relationship are finalized after thorough negotiation and communication by both parties. As such, there isn't any occurrence of such dispute.

**(2) For the Latest Year and as of Annual Report Publication Date, Losses Incurred from Labor/Management Dispute and Disclosure of Current and Future Potential Estimated Expenditure and Responding Strategy:**

The Company enjoys a harmonious labor/management relationship. There are no losses incurred as a result of labor/management dispute in the latest year and as of annual report publication date.

## **6. Information Security Management**

**(1) Information security risk management framework, information security policy, concrete management approaches, and investment of resources in information security management**

- ① Information Security Risk Management Structure
- The Company's responsible unit for information security is IT Department which is allocated with one IT head and several professional IT staffs. IT Department is responsible for establishing internal information security policy, planning and executing information security operations, promoting and implementing information security policy as well as delivering annual report on the summary of the Company's

information security governance to the Sustainable Development Committee and Board of Directors. The most recent date of report was on Mar 9<sup>th</sup>, 2022.

- The Company's Internal Audit acts as a supervisory unit for information security surveillance. It is formed with one Internal Audit head together with several professional audit staffs. It is responsible for supervising execution of internal data security. In the event of deficiency found during audit, it will request audited unit to submit related rectification plan and specific actions and will conduct regular tracking on rectification effectiveness in order to mitigate internal information security risks.
- Organization operation pattern adopts PDCA ( Plan-Do-Check-Act ) cycle management to ensure that reliability target is achieved and improvement is made continuously.

② Information Security Policy and Specific Management Projects

- The Company's information security management mechanism includes the following three perspectives,
  - System & Regulation: Establishment of the Company's information security management system for regulation of employees' operation behaviors.
  - Application of Technology: Establishment of information security management equipment for implementation of information security management measures.
  - Personnel Training: Implementation of information security education training and enhancement of all employees' information security awareness
- Explanation of management measures is as follows,

**System & Regulation**

The Company has established multiple internal information security regulations and systems to regulate information security behavior of the Company's personnel. Related systems are reviewed regularly each year to verify if they are consistent with changes of operation environment, and real-time adjustments will be made in accordance with needs. Explanation of specific items implemented is as follows,

- ✓ Implementation of Taiwan Intellectual Property Management Regulations  
To enhance intellectual property management, the Company introduced Taiwan Intellectual Property Management System ("TIPS" ) in year 2015, and conducts internal audit regularly each year as well as external audit every two years to enhance the Company's management on confidential material operations. Meanwhile, the Company has also received TIPS certification from the Industrial Development Bureau of the Ministry of Economic Affairs in year 2020 and the certification is valid till December 31, 2022.
- ✓ Enhancement of Business Secret Management Measures  
To enhance internal management on business secret, the Company worked together with information security consultant in conducting trade secret inventory check in 2020 for the purpose of reviewing and optimizing internal management systems. Different control measures are implemented in accordance with respective levels of trade secret data to ensure security in utilizing, transmitting and maintaining trade secret information.

- ✓ Regular Implementation of Information Risk Assessment  
The Company complies with ISO27005 Risk Assessment Principles and implements regular internal information risk assessment. Based on information asset's value, weakness, threat and influence, internal risk levels are analyzed. Security measure enhancement items are established accordingly based on risk assessment result to improve and elevate the overall information security environment.

### **Application of Technology**

To counter various external information security threats, the Company not only adopts multi-layer network structure design, it also establishes various information protection systems to enhance security for the information environment as a whole. Furthermore, the Company designs operation procedures and introduces information security system tools to ensure that internal personnel's operation behavior complies with the Company's systems and requirements, and that management measures for personnel information security are implemented without fail. Specific items implemented are as follows:

- ✓ External Threat  
To guard against external hacker intrusion and computer virus threats, the Company not only establishes information security systems of firewall and anti-virus / anti-ransomware systems, it also detects potential system vulnerabilities and loopholes through vulnerability scanning and then rectifies and improves them accordingly.
- ✓ Authority Management  
The Company adopts Principle of Least Authority in managing internal system and information access rights. Employees are prohibited from using unauthorized system functions or reviewing system information which is not needed for their duties. Additionally, to ensure appropriateness for access rights allocation, routine check on access rights is conducted each year to review accuracy of access rights allocation between employees and systems.
- ✓ Access Control  
To enhance system access control mechanism, the Company not only manages different-purpose systems through multi-layer network structure and restricts connections for external retrievals, it is also equipped with information behavior monitoring system which records employee's information behavior process, detects irregular access behavior automatically and notifies management personnel immediately for disposition.
- ✓ System Availability  
To ensure stability for internal system operation and shorten service disruption time during system malfunction, the Company is equipped with internal availability monitoring system which conducts automatic monitoring over system operation status 24 hours a day and automatically notifies responsible employees for disposition at the time of system irregularity. Furthermore, corresponding back-up mechanisms and off-site back-up measures have been established in accordance with the extent of importance for information system. Disaster recovery drill is conducted routinely each year to ensure normal operation for back-up mechanisms.

### **Employee Training**

Each quarter, the Company conducts routine information security education and training courses for new staffs, and establishes several E-Learning classes on information security for the purpose of enhancing internal employees' knowledge and professional skills on information security.

#### ③ Investment of resources into information security management

The devastating global impact of the COVID-19 pandemic has spawned new forms of business office operations. In response to these new trends, we have conducted comprehensive planning in the three dimensions of data center security, external online access, and network control. Relevant measures include the following,

- **Data center security**  
With a view to ensuring access control security of data center host computers and file servers, we planned the installation of a hyper-converged architecture and a professional-grade server solution in 2021. The goal lies in the establishment of a more real-time, flexible, and comprehensive backup mechanism to meet the demands associated with the ongoing expansion of business operations.
- **External online access**  
In November 2021, we launched a multi-factor authentication system to reinforce personnel identification and authentication with the goal of enhancing online access security and preventing password leakage caused by the use of VPN services, raising the threat of hacker intrusions.
- **Internal network control**  
A security report of a domestic information security organization reveals that 80% of all hacker intrusions and threats are caused by the improper use of internal networks. Based on these findings, we adopted a well-known internal network security monitoring product in October 2021 to implement effective filtering of every end device connected to the internal network with the goal of preventing ransomware threats and ensuring network security.

We also conduct regular vulnerability scanning and testing for key host computers to minimize the risk of attacks that take advantage of system loopholes. All detected high-risk and medium-risk vulnerabilities are patched to reduce the risk of system intrusions by hackers. We also conduct annual on- and off-site backup recovery drills and have established an automatic backup and redundancy mechanism to ensure rapid restoration of system operations by responsible personnel after disasters.

#### **(2) For the Latest Year and as of Annual Report Publication Date, Losses Incurred from Informational Security Dispute and Disclosure of Current and Future Potential Estimated Expenditure and Responding Strategy: None.**

## 7. Material Contracts

Contract	Counter party	Period	Highlights of Provisions	Restrictive Terms
Sales	Towa Pharmaceutical Company Limited	Starting from 2012.05	Product Development, Manufacturing and Sales	None
Authorized Distributorship	Lotus Pharmaceutical Company Limited.	Starting from year 2013	Product exclusive distribution rights in Taiwan area are obtained.	None
Contract Manufacturing	Mentholatum Taiwan Limited	Starting from 2014.03	Contract manufacturing rights for Mentholatum product is obtained.	None
Contract Manufacturing	TSH Biopharm Company Limited	Starting from 2015.01	Contract Product Manufacturing	None
Licensing	Pharma Mar S.A.	Starting from 2015.07	Exclusive licensed Product selling in Taiwan	None
Authorized Distributorship	Taiwan Otsuka Pharmaceutical Company Limited.	Starting from 2016.05	Product exclusive distribution rights in Taiwan area are obtained through licensing.	None
Licensing	SEQIRUS UK LIMITED	Starting from 2016.10	Product exclusive distribution rights in Taiwan area are obtained.	None
Licensing	Company A	Starting from 2017.06	Product Co-Development, Manufacturing and Sales	None
Joint Venture	2-BBB MEDICINES BV	Starting from 2017.05	Establishment of Joint Venture	None
Authorization	Company B	Starting from 2021.03	Product Co-Development, Manufacturing and Sales	None
Licensing	PAION UK Ltd.	Starting from 2021.03	Exclusive licensed Product selling in Taiwan	None
Authorization	Company C	Starting from 2021.03	Product Co-Development, Manufacturing and Sales	None
Authorization	Company D	Starting from 2021.11	Product Co-Development, Manufacturing and Sales	None

## VI. Financial Status

### 1. Most Recent 5-Year Condensed Financial Information

#### (1) Condensed Balance Sheet and Comprehensive Income Statement – IFRSs Adopted

##### ① Consolidated Condensed Balance Sheets

Unit: NT\$ Thousand

Year		Financial Data in the most recent 5-years				
		2017	2018	2019	2020	2021
Current Assets		4,996,590	4,654,601	4,974,418	4,798,541	4,749,403
Property, plant, and equipment		2,548,006	2,474,331	2,394,277	2,584,740	2,511,393
Intangible assets		142,203	153,188	139,013	132,898	124,904
Other assets		228,438	252,957	278,061	88,792	106,043
Total assets		9,507,067	9,053,135	9,552,716	9,360,809	9,296,465
Current liabilities	Before distribution	2,782,898	1,971,883	3,025,430	2,548,666	3,051,579
	After distribution	3,901,823	3,090,808	4,020,029	3,543,266	—
Noncurrent liabilities		612,352	689,627	358,222	734,075	477,652
Total liabilities	Before distribution	3,395,250	2,661,510	3,383,652	3,282,741	3,529,231
	After distribution	4,514,355	3,780,435	4,378,251	4,277,341	—
Shareholder's equity attributable to parent company		5,496,776	5,804,033	5,570,636	5,449,766	5,167,855
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		396,113	348,819	338,514	337,997	311,876
Retained earnings	Before distribution	2,591,732	2,921,893	2,705,487	2,758,978	2,567,549
	After distribution	1,472,807	1,802,968	1,710,888	1,764,378	—
Other equity		22,431	46,821	40,135	(133,709)	(198,070)
Treasury stock		—	—	—	—	—
Non-controlling interest		614,861	587,592	598,428	628,302	599,379
Total equity	Before distribution	6,111,637	6,391,625	6,169,064	6,078,068	5,767,234
	After distribution	4,992,712	5,272,700	5,174,465	5,083,468	—

Note: Financial data in this table were audited by the CPA.

② Parent-company-only Condensed Balance Sheets

Unit: NT\$ Thousand

Year		Financial Data in the most recent 5-years				
		2017	2018	2019	2020	2021
Current Assets		2,386,068	2,122,789	2,238,822	2,213,498	2,203,595
Property, plant, and equipment		2,513,641	2,438,554	2,365,773	2,558,085	2,485,520
Intangible assets		9,189	32,472	26,607	34,591	39,781
Other assets		213,583	228,648	255,664	68,611	81,265
Total assets		8,766,679	8,368,751	8,580,223	8,554,747	8,506,472
Current liabilities	Before distribution	2,652,362	1,870,292	2,662,488	2,346,496	2,867,772
	After distribution	3,771,287	2,989,217	3,657,087	3,341,096	—
Noncurrent liabilities		617,541	694,426	347,099	758,485	470,845
Total liabilities	Before distribution	3,269,903	2,564,718	3,009,587	3,104,981	3,338,617
	After distribution	4,388,828	3,683,643	4,004,186	4,099,581	—
Shareholder's equity attributable to parent company		5,496,776	5,804,033	5,570,636	5,449,766	5,167,855
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		396,113	348,819	338,514	337,997	311,876
Retailed earnings	Before distribution	2,591,732	2,921,893	2,705,487	2,758,978	2,567,549
	After distribution	1,472,807	1,802,968	1,710,888	1,764,378	—
Other equity		22,431	46,821	40,135	(133,709)	(198,070)
Treasury stock		—	—	—	—	—
Total equity	Before distribution	5,496,776	5,804,033	5,570,636	5,449,766	5,167,855
	After distribution	4,377,851	4,685,108	4,576,037	4,455,166	—

Note: Financial data in this table were audited by the CPA.

### ③ Consolidated Condensed Comprehensive Income Statement

Unit: NT\$ Thousand

Item \ Year	Financial Data in the most recent 5-years				
	2017	2018	2019	2020	2021
Operating revenue	4,078,760	4,036,196	4,466,308	4,221,836	4,535,610
Gross Profit - net	2,671,059	2,663,179	2,902,384	2,607,052	2,766,553
Operating profit or loss	1,256,990	1,059,677	1,228,609	957,379	1,140,652
Non-Operating income and expense	338,077	608,391	(25,955)	244,146	(53,272)
Net income before tax	1,595,067	1,668,068	1,202,654	1,201,525	1,087,380
Net income of continuing operations	1,368,314	1,462,299	907,705	978,677	822,569
Loss of discontinued operation	—	—	—	—	—
Net income (loss)	1,368,314	1,462,299	907,705	978,677	822,569
Other comprehensive profit and loss(net)	(381,060)	19,042	3,257	(51,078)	(95,925)
Total current comprehensive profit and loss	987,254	1,481,341	910,962	927,599	726,644
Net income attributable to parent company's shareholders	1,344,731	1,461,381	900,081	924,178	831,894
Net income attributable to unrestrictive equity	23,583	918	7,624	54,499	(9,325)
Total comprehensive profit and loss attributable to parent company's shareholders	1,072,373	1,481,687	895,833	874,246	745,121
Total comprehensive profit and loss attributable to Non-controlling interest	(85,119)	(346)	15,129	53,353	(18,477)
Earnings per share (NTD/share)	5.41	5.88	3.62	3.72	3.35

Note: Financial data in this table were audited by the CPA.

**④ Parent-company-only Condensed Comprehensive Income Statement**

Unit: NT\$ Thousand

Item \ Year	Financial Data in the most recent 5-years				
	2017	2018	2019	2020	2021
Operating revenue	3,672,040	3,555,620	4,044,660	3,721,161	4,038,636
Gross Profit - net	2,347,809	2,308,242	2,577,394	2,211,110	2,429,612
Operating profit or loss	1,212,214	1,056,651	1,215,841	907,208	1,133,517
Non-Operating income and expense	351,484	611,161	(33,172)	222,247	(51,298)
Net income before tax	1,563,698	1,667,812	1,182,669	1,129,455	1,082,219
Net income of continuing operations	1,344,731	1,461,381	900,081	924,178	831,894
Loss of discontinued operation	—	—	—	—	—
Net income (loss)	1,344,731	1,461,381	900,081	924,178	831,894
Other comprehensive profit and loss(net)	(272,358)	20,306	(4,248)	(49,932)	(86,773)
Total current comprehensive profit and loss	1,072,373	1,481,687	895,833	874,246	745,121
Earnings per share (NTD/share)	5.41	5.88	3.62	3.72	3.35

Note: Financial data in this table were audited by the CPA.

**(2) The Name and Opinion of the Independent Auditor in the Most Recent 5-Years**

Year	CPA (Certified public accountant)	Audit opinions
2017	Tseng, Kuo-Yang, Chi, Shi-Qin	Unqualified Opinion
2018	Tseng, Kuo-Yang, Chi, Shi-Qin	Unqualified Opinion
2019	Tseng, Kuo-Yang, Chi, Shi-Qin	Unqualified Opinion
2020	Tseng, Kuo-Yang, Han, Yi-Lien	Unqualified Opinion
2021	Han, Yi-Lien, Chang, Shu-Ying	Unqualified Opinion

Note: The long term investments assessed in Equity Method were recognized via adoption of other accountants' certified financial reports. Unqualified opinion audit report with other matters paragraph was issued accordingly.

## 2. Most Recent 5-Year Financial Analysis

### (1) Financial Analysis-Consolidated

Analysis item (Note 1)		Year	Financial analysis in the most recent 5-years				
			2017	2018	2019	2020	2021
Finance structure%	Debt to assets ratio		35.71	29.40	35.42	35.07	37.96
	Long term funds to property, plant, and equipment ratio		263.9	286.19	272.62	263.55	248.66
Solvency%	Current ratio		179.55	236.05	164.42	188.28	155.64
	Quick ratio		154.06	196.76	134.44	142.19	122.80
	Interest coverage ratio		64.32	97.49	82.21	62.89	58.28
Operating ability	Receivables turnover (times)		4.39	4.27	4.72	4.16	4.18
	Average accounts receivable turnover days		83	85	77	88	87
	Inventory turnover (times)		2.24	1.90	1.94	1.64	1.71
	Payables turnover (times)		10.99	8.38	8.81	9.49	12.13
	Average inventory turnover on sale		163	192	188	222	213
	Property, plant, and property turnover (times)		1.59	1.61	1.83	1.70	1.78
	Total asset turnover (times)		0.43	0.43	0.48	0.45	0.49
Profitability	Return on assets (%)		14.78	15.91	9.88	10.51	8.98
	Return on shareholder's equity (%)		22.58	23.39	14.45	15.98	13.89
	Net income before tax to paid-in capital ratio (%) (Note 5)		64.15	67.08	48.37	48.32	43.73
	Profit margin (%)		33.55	36.23	20.32	23.18	18.14
	Earnings Per Share (NT\$)		5.41	5.88	3.62	3.72	3.35
Cash flow	Cash flow from operations ratio (%)		35.81	54.46	39.99	20.65	41.17
	Cash Flow Adequacy Ratio (%)		77.95	82.73	92.07	81.77	81.45
	Cash Re-investment Ratio (%)		0.76	—	1.35	—	3.86
Leverage	Operating leverage		1.11	1.14	1.13	1.16	1.15
	Financial leverage		1.02	1.02	1.01	1.02	1.02

Please explain the reasons for the changes in financial ratios in the last two years (change more than 20%):

1. Payables turnover (times): This is due to the increase in the cost of goods sold and the decrease in accounts payable with the decrease in the purchase of goods in the current period.
2. Profit margin: This is due to the decrease of net profit in year 2021, which is caused by a penalty of NTD 220 million from Fair Trade Commission on May 14<sup>th</sup>, 2021. This penalty was recognized as “other income/loss” for this period.
3. Cash Flow from Operations ratio: This is due mainly to a significant increase in net operating cash flow. In response to Covid-19 pandemic, the Company increased the inventory in previous period and the inventory has been lowered in current period.
4. Cash Re-investment ratio: This is because significant increases of operating cash flow and

current liabilities. In response to Covid-19 pandemic in previous year, the Company increased the inventory and the inventory has been lowered in current period. In addition, the current portion of long-term liabilities was reclassified to current liabilities, resulting in a significant increase of current liabilities.

## (2) Financial Analysis – Parent-company-only

Analysis item (Note 1)		Financial analysis in the most recent 5-years				
		2017	2018	2019	2020	2021
Finance structure%	Debt to assets ratio	37.3	30.65	35.08	36.30	39.25
	Long term funds to property, plant, and equipment ratio	243.25	266.49	250.14	242.69	226.86
Solvency%	Current ratio	89.96	113.5	84.09	94.33	76.84
	Quick ratio	65.83	74.69	53.41	49.99	45.73
	Interest coverage ratio	63.07	97.95	81.36	66.07	63.60
Operating ability	Receivables turnover (times)	4.45	4.2	4.83	4.20	4.22
	Average accounts receivable turnover days	82	87	76	87	86
	Inventory turnover (times)	2.3	1.88	1.94	1.66	1.71
	Payables turnover (times)	15.6	10.49	9.19	9.24	11.96
	Average inventory turnover on sale	159	194	188	220	213
	Property, plant, and property turnover (times)	1.45	1.44	1.68	1.51	1.60
	Total asset turnover (times)	0.42	0.42	0.48	0.43	0.47
Profitability	Return on assets (%)	15.77	17.22	10.76	10.95	9.91
	Return on shareholder's equity (%)	24.73	25.86	15.83	16.77	15.67
	Net income before tax to paid-in capital ratio (%) (Note 5)	62.89	67.07	47.56	45.42	43.52
	Profit margin (%)	36.62	41.1	22.25	24.84	20.60
	Earnings Per Share (NT\$)	5.41	5.88	3.62	3.72	3.35
Cash flow	Cash flow from operations ratio (%)	37.59	59.01	43.96	23.10	42.90
	Cash Flow Adequacy Ratio (%)	74.73	83.23	92.40	84.15	81.95
	Cash Re-investment Ratio (%)	0.79	—	0.78	—	3.64
Leverage	Operating leverage	1.11	1.12	1.01	1.00	1.15
	Financial leverage	1.02	1.02	1.01	1.02	1.02

Please explain the reasons for the changes in financial ratios in the last two years (change more than 20%):

1. Payables turnover (times): This is due to the increase in the cost of goods sold and the decrease in accounts payable with the decrease in the purchase of goods in the current period.
2. Cash Flow from Operations ratio: This is due mainly to a significant increase in net operating cash flow. In response to Covid-19 pandemic, the Company increased the inventory in previous period and the inventory has been lowered in current period.
3. Cash Re-investment Ratio: This is because significant increases of operating cash flow and current liabilities. In response to Covid-19 pandemic in previous year, the Company increased the inventory and the inventory has been lowered in current period. In addition, the current portion of long-term liabilities was reclassified to current liabilities, resulting in a significant increase of current liabilities.

Note 1: The following equations should be included in the end of the annual report:

1. Finance structure

- (1) Debt to assets ratio = Total liabilities/total assets.
- (2) Long term funds to property, plant, and equipment ratio = (Total shareholders' equity + long-term liabilities)/net property, plant, and equipment.

2. Solvency

- (1) Current ratio = Current assets/current liabilities
- (2) Quick ratio = (Current assets - inventory - prepaid expenses)/current liabilities
- (3) Interest coverage ratio = Net income before tax and interest expense/current interest expense

3. Operating ability

- (1) Receivables (including Account Receivable and Note Receivable from operating) turnover = Net sales/average accounts receivable (including Account Receivable and Note Receivable from operating)
- (2) Average accounts receivable turnover days = 365 days/average receivable turnover
- (3) Inventory turnover (times) = Cost of goods sold/average inventory
- (4) Payables (including Account payable and Note payable from operating) turnover = Cost of goods sold/average accounts payable (including Account payable and Note payable from operating)
- (5) Average inventory turnover days = 365 days/average inventory turnover
- (6) Property, plant, and equipment turnover (times) = Net sales/net average property, plant, and equipment
- (7) Total asset turnover = Net sales/average total assets

4. Profitability

- (1) Return on assets = [net income + interest expense x (1-tax ratio)]/average total assets
- (2) Return on shareholder's equity = Net income/net average shareholder's equity
- (3) Profit Ratio = Net income/net sales
- (4) Earnings per Share = (Net income - preferred stock dividend)/weighted average number of shares issued. (Note 2)

5. Cash flow

- (1) Cash flow ratio = Cash flow from operating activities/current liabilities
- (2) Net Cash flow adequacy ratio = Net cash flow from operating activities of recent five fiscal years/recent five fiscal years'(capital expenditure + increase in inventory + cash dividend)
- (3) Cash re-investment ratio = (Net cash flow from operating activities - cash dividend)/ (gross property, plant, and equipment + long-term investment + other asset + operating fund) (Note 3)

## 6. Leverage

(1) Operating leverage = (Net operating income - variable operating cost and expense)/operating income (Note 4)

(2) Financial leverage = Operating income/ (operating income - interest expense)

Note 2: The calculation of earnings per share referred to above should be with the following matters included for consideration:

1. It is based on the weighted average number of common stock shares rather than the outstanding shares at yearend.
2. Where there is a cash capital increase or treasury stock transaction conducted, the circulation period should be included for the calculation of the weighted average number of shares.
3. Where there is a capitalization from earnings or additional paid-in capital conducted, when calculating earnings per share for the prior years and every interim, adjustment should be made proportionally to the capitalization ratio but without considering the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the annual dividend (whether distributed or not) should be deducted from net income, or added to the net loss. If the preferred shares are non-cumulative, when there is net income, preferred stock dividends should be deducted from net income; when there is net loss, no adjustment is needed.

Note 3: The measurement of cash flow analysis should be with the following matters included for consideration:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities on the statement of cash flow.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. Inventories increase is included for calculation only when the ending balance is greater than the beginning balance. If inventory is decreased at the yearend, it is counted as zero.
4. Cash dividend includes cash dividend of common stock and preferred stock.
5. Gross property, plant, and equipment meant for the total amount of property, plant, and equipment before deducting the accumulated depreciation.

Note 4: The issuer shall have the operating costs and operating expenses classified as fixed and variable by the nature. If it involves estimates or subjective judgments, should pay attention to its rationality and consistency

Note 5: For company shares are without par value or the par value are not equivalent to NT\$10, the aforementioned calculation of paid-in capital ratio is calculated on the equity attributable to shareholders of the parent company on the balance sheet.

### **3. Most Recent Review Report by Audit Committee**

#### **TTY BIOPHARM COMPANY LIMITED**

##### **Audit Committee's Review Report on the year 2021 Financial Statements**

The Board of Directors presented the year 2021 Business Report, Financial Statement (including the consolidated financial statement) and profit distribution proposal. The Financial Statement (including the consolidated financial statement) was audited by KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Company's audit committee. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to: Year 2022 Annual General Meeting of Shareholders of the Company

Hsueh, Ming-Ling

Chairman of the Audit Committee

March 09, 2022

#### **4. Year 2021 Consolidated Financial Statements with Subsidiaries**

**Audited by CPA :**

**Please refer to Page 206-280.**

#### **5. Year 2021 Financial Statements Audited by CPA**

**Please refer to the Page 281-343.**

**6. The Company Should Disclose the Financial Impact to the Company If the Company and Its Affiliated Companies Have Incurred Any Financial or Cash Flow Difficulties in year 2021 and the Publication Date of the Annual Report: None.**



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666

Fax 傳真 + 886 2 8101 6667

Internet 網址 home.kpmg/tw

## Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

### Opinion

We have audited the consolidated financial statements of TTY Biopharm Company Limited and its subsidiaries ( "the Group" ), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of PharmaEngine Inc, an associate of the Group, which represented investment in another entity accounted for using the equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, is based solely on the report of another auditor. The investment in the investee company constituting 9.40% and 9.37% of consolidated total assets as of December 31, 2021 and 2020, respectively, and the related share of profit of associates accounted for using the equity method constituting 7.01% and 8.94% of consolidated profit before tax for the years ended December 31, 2021 and 2020, respectively.

We have audited the financial statements of TTY Biopharm Company Limited as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion with an other matter section, thereon.



## Key Audit Matters

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

### 1. Occurrence of revenue from selling pharmaceuticals and chemical drugs

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

Key audit matters:

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

Auditing procedures performed:

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

### 2. Inventory valuation

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

Key audit matters:

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

Auditing procedures performed:

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



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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yilien Han and Shu-Ying Chang.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 2022

#### **Notes to Readers**

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

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

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

**Consolidated Balance Sheets**

**December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a) and (t))	\$ 2,222,253	24	2,223,730	24	2100	Short-term borrowings (note 6(k), (t) and 8)	\$ 1,711,070	18	1,715,070	18
1120	Current financial assets at fair value through other comprehensive income (note 6(b) and (t))	52,929	1	62,216	1	2130	Contract liabilities-current (note 6 (q))	39,769	-	16,285	-
1150	Notes receivable, net (note 6(c) and (t))	37,646	-	33,766	-	2150	Notes payable (note 6(t))	57,235	1	5,864	-
1170	Accounts receivable, net (note 6(c) and (t))	1,077,111	12	974,648	10	2170	Accounts payable (note 6(t))	130,033	1	153,576	2
1180	Accounts receivable due from related parties, net (note 6(c), (t) and 7)	22,996	-	24,854	-	2219	Other payables (note 6(t))	522,085	6	497,016	5
1200	Other receivables, net (note 6(t) and 7)	13,622	-	16,483	-	2230	Current tax liabilities	150,392	2	110,127	1
130X	Inventories (note 6(d))	955,011	10	1,110,501	12	2300	Other current liabilities	33,090	-	34,185	-
1410	Prepayments	46,960	1	64,146	1	2320	Long-term liabilities, current portion (note 6(l), (t) and 8)	407,905	5	16,543	-
1476	Other current financial assets (note 6(j) and (t))	319,724	3	280,186	3			<u>3,051,579</u>	<u>33</u>	<u>2,548,666</u>	<u>26</u>
1470	Other current assets (note 6(j))	1,151	-	8,011	-						
		<u>4,749,403</u>	<u>51</u>	<u>4,798,541</u>	<u>51</u>						
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b) and (t))	197,204	2	226,241	3	2540	Long-term borrowings (note 6(l), (t) and 8)	4,146	-	412,051	4
1550	Investments accounted for using the equity method, net (note 6(e))	1,233,023	13	1,221,736	13	2570	Deferred tax liabilities (note 6(n))	260,519	3	271,826	3
1600	Property, plant and equipment (note 6(g))	2,511,393	28	2,584,740	28	2640	Net defined benefit liability, non-current (note 6(m))	52,597	1	45,500	-
1760	Investment property, net (note 6(h))	135,689	1	137,270	1	2645	Guarantee deposits received (note 6(t))	2,429	-	2,430	-
1780	Intangible assets (note 6(i))	124,904	1	132,898	1	2670	Other non-current liabilities (note 6(t))	157,961	2	2,268	-
1840	Deferred tax assets (note 6(n))	63,723	1	61,798	1			<u>477,652</u>	<u>6</u>	<u>734,075</u>	<u>7</u>
1915	Prepayments for business facilities	8,487	-	4,975	-			<u>3,529,231</u>	<u>39</u>	<u>3,282,741</u>	<u>33</u>
1920	Refundable deposits paid (note 6(t))	33,833	-	22,019	-	<b>Total liabilities</b>					
1984	Other non-current financial assets (note 6(j), (t) and 8)	151,300	2	159,514	2	<b>Equity attributable to owners of parent (note 6(o)):</b>					
1990	Other non-current assets (note 6(j))	87,506	1	11,077	-	3100	Share capital	2,486,500	27	2,486,500	27
		<u>4,547,062</u>	<u>49</u>	<u>4,562,268</u>	<u>49</u>	3200	Capital surplus (note 6(e))	311,876	3	337,997	4
		<u>\$ 9,296,465</u>	<u>100</u>	<u>9,360,809</u>	<u>100</u>	3310	Legal reserve	1,198,617	13	1,093,808	12
						3320	Special reserve	133,709	1	110,154	1
						3350	Unappropriated retained earnings	1,235,223	13	1,555,016	17
						3400	Other equity interest	(198,070)	(2)	(133,709)	(1)
							Equity attributable to owners of parent:	5,167,855	55	5,449,766	60
						36XX	Non-controlling interests (note 6(o))	599,379	6	628,302	7
								<u>5,767,234</u>	<u>61</u>	<u>6,078,068</u>	<u>67</u>
							<b>Total equity</b>	<u>\$ 9,296,465</u>	<u>100</u>	<u>9,360,809</u>	<u>100</u>
							<b>Total liabilities and equity</b>	<u>\$ 9,296,465</u>	<u>100</u>	<u>9,360,809</u>	<u>100</u>

See accompanying notes to financial statements.

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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

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

	2021		2020	
	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(q) and 7)</b>	\$ 4,535,610	100	4,221,836	100
5000 <b>Operating costs (note 6(d), (i), (m) and 12)</b>	1,767,630	39	1,617,062	38
<b>Gross profit</b>	2,767,980	61	2,604,774	62
5910 Less: Unrealized profit (loss) from sales	8,161	-	6,734	-
5920 Add: Realized profit (loss) from sales	6,734	-	9,012	-
<b>Gross profit, net</b>	2,766,553	61	2,607,052	62
6000 <b>Operating expenses (note 6(i), (m), (r) and 12):</b>				
6100 Selling expenses	921,732	21	983,415	23
6200 Administrative expenses	402,992	9	404,758	10
6300 Research and development expenses	287,595	6	261,597	6
6450 Expected credit losses (gains) (note 6(c))	13,582	-	(97)	-
<b>Total operating expenses</b>	1,625,901	36	1,649,673	39
<b>Net operating income</b>	1,140,652	25	957,379	23
<b>Non-operating income and expenses:</b>				
7100 Interest income (note 6(s))	6,309	-	14,981	-
7010 Other income (note 6(s))	11,271	-	91,412	2
7020 Other gains and losses, net (note 6(s) and 7)	(187,051)	(4)	(5,699)	-
7050 Finance costs, net (note 6(s))	(18,985)	-	(19,413)	-
7060 Share of profit of associates accounted for using the equity method, net (note 6(e))	135,184	3	162,865	4
7055 <b>Total non-operating income and expenses</b>	(53,272)	(1)	244,146	6
<b>Profit before tax</b>	1,087,380	24	1,201,525	29
7950 Less: Income tax expenses (note 6(n))	264,811	6	222,848	5
<b>Profit for the period</b>	822,569	18	978,677	24
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311 (Losses) gains on remeasurements of defined benefit plans	(10,809)	-	7,920	-
8316 Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive	(21,094)	-	12,507	-
8320 Share of other comprehensive income (loss) of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6,112	-	(5,615)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Components of other comprehensive (loss) income that will not be reclassified to profit or loss	(25,791)	-	14,812	-
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation	(87,454)	(2)	(82,652)	(2)
8370 Share of other comprehensive (loss) income of associates accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	(220)	-	282	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	17,540	-	16,480	-
Components of other comprehensive loss that will be reclassified to profit or loss	(70,134)	(2)	(65,890)	(2)
8300 <b>Other comprehensive Loss</b>	(95,925)	(2)	(51,078)	(2)
<b>Total comprehensive income for the period</b>	<b>\$ 726,644</b>	<b>16</b>	<b>927,599</b>	<b>22</b>
<b>Profit attributable to:</b>				
8610 Owners of parent	\$ 831,894	18	924,178	23
8620 Non-controlling interests	(9,325)	-	54,499	1
	<b>\$ 822,569</b>	<b>18</b>	<b>978,677</b>	<b>24</b>
<b>Comprehensive income attributable to:</b>				
Owners of parent	\$ 745,121	16	874,246	21
Non-controlling interests	(18,477)	-	53,353	1
	<b>\$ 726,644</b>	<b>16</b>	<b>927,599</b>	<b>22</b>
<b>Earnings per share, net of tax (note 6(p))</b>				
9750 Basic earnings per share	<b>\$ 3.35</b>		<b>3.72</b>	
9850 Diluted earnings per share	<b>\$ 3.34</b>		<b>3.71</b>	

See accompanying notes to financial statements.

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent											
	Share capital		Retained earnings			Total other equity interest					Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of parent			
<b>Balance on January 1, 2020</b>	\$ 2,486,500	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	40,135	5,570,636	598,428	6,169,064	
Net income	-	-	-	-	924,178	-	-	-	924,178	54,499	978,677	
Other comprehensive income	-	-	-	-	7,920	(65,887)	8,035	(57,852)	(49,932)	(1,146)	(51,078)	
Total comprehensive income	-	-	-	-	932,098	(65,887)	8,035	(57,852)	874,246	53,353	927,599	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	90,252	-	(90,252)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(994,599)	-	-	-	(994,599)	-	(994,599)	
Other changes in capital surplus:												
Changes in equity of investments accounted for using the equity method	-	(517)	-	-	-	-	-	-	(517)	-	(517)	
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	6,600	6,600	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	115,992	-	(115,992)	(115,992)	-	-	-	
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(30,079)	(30,079)	
<b>Balance at December 31, 2020</b>	2,486,500	337,997	1,093,808	110,154	1,555,016	(146,611)	12,902	(133,709)	5,449,766	628,302	6,078,068	
Net income	-	-	-	-	831,894	-	-	-	831,894	(9,325)	822,569	
Other comprehensive income	-	-	-	-	(10,809)	(70,162)	(5,802)	(75,964)	(86,773)	(9,152)	(95,925)	
Total comprehensive income	-	-	-	-	821,085	(70,162)	(5,802)	(75,964)	745,121	(18,477)	726,644	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	104,809	-	(104,809)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	23,555	(23,555)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(994,600)	-	-	-	(994,600)	-	(994,600)	
Other changes in capital surplus:												
Changes in equity of investments accounted for using the equity method	-	(13,893)	-	-	-	-	-	-	(13,893)	-	(13,893)	
Other changes in capital surplus	-	710	-	-	-	-	-	-	710	-	710	
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	-	(13,155)	-	-	(6,311)	-	-	-	(19,466)	19,466	-	
Changes in ownership interests in subsidiaries	-	217	-	-	-	-	-	-	217	168	385	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(11,603)	-	11,603	11,603	-	-	-	
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(30,080)	(30,080)	
<b>Balance on December 31, 2021</b>	\$ 2,486,500	311,876	1,198,617	133,709	1,235,223	(216,773)	18,703	(198,070)	5,167,855	599,379	5,767,234	

See accompanying notes to financial statements.

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

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollar)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 1,087,380	1,201,525
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	145,448	137,130
Amortization expenses	21,833	19,869
Expected credit losses (gains)	13,582	(97)
Net losses on financial assets or liabilities at fair value through profit or loss	-	1,558
Interest expenses	18,985	19,413
Interest income	(6,309)	(14,981)
Dividend income	(6,360)	(6,420)
Shares of profit of investments accounted for using the equity method	(135,184)	(162,865)
Losses on disposal of property, plant and equipment	736	321
Losses (gains) on disposal of investments	205	(1,715)
Impairment loss on non-financial assets	4,146	4,583
Unrealized profit from sales	8,161	6,734
Realized profit from sales	(6,734)	(9,012)
<b>Total adjustments to reconcile profit (loss)</b>	<b>58,509</b>	<b>(5,482)</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes receivable	(3,880)	953
Accounts receivable	(114,319)	(36,422)
Other receivables	2,009	103,277
Inventories	155,118	(251,804)
Prepayments and other current assets	19,707	16,808
<b>Total changes in operating assets</b>	<b>58,635</b>	<b>(167,188)</b>
<b>Changes in operating liabilities:</b>		
Contract liabilities	23,484	(393)
Notes payable	195,171	4,410
Accounts payable	(23,073)	(26,354)
Other payable	24,968	(77,511)
Other current liabilities	(12,027)	(111,225)
Net defined benefit liability	(3,712)	(2,689)
<b>Total changes in operating liabilities</b>	<b>204,811</b>	<b>(213,762)</b>
<b>Total changes in operating assets and liabilities</b>	<b>263,446</b>	<b>(380,950)</b>
<b>Total adjustments</b>	<b>321,955</b>	<b>(386,432)</b>
Cash inflow generated from operations	1,409,335	815,093
Interest received	6,375	14,981
Dividends received	79,520	27,347
Interest paid	(18,666)	(19,596)
Income taxes paid	(220,223)	(311,474)
<b>Net cash flows from operating activities</b>	<b>1,256,341</b>	<b>526,351</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(3,478)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	20,707	252,956
Proceeds from disposal of financial assets at fair value through profit or loss	-	4,316
Acquisition of property, plant and equipment	(56,032)	(167,317)
Proceeds from disposal of property, plant and equipment	25	13
(Increase) decrease in refundable deposits paid	(11,820)	9,108
Acquisition of intangible assets	(13,839)	(13,754)
(Increase) decrease in other financial assets	(31,324)	51,552
Increase in prepayments for business facilities	(4,283)	(789)
(Increase) decrease in other non-current assets	(68,735)	11,151
<b>Net cash flows (used in) from investing activities</b>	<b>(168,779)</b>	<b>147,236</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	5,400,000	5,400,000
Decrease in short-term loans	(5,404,000)	(5,246,000)
Proceeds from long-term borrowings	-	720,000
Repayments of long-term borrowings	(16,543)	(663,650)
Increase in other non-current liabilities	-	1,120
Cash dividends paid	(994,600)	(994,599)
Dividends unclaimed by shareholders	1,095	-
Cash dividends paid to non-controlling interests	(30,080)	(30,079)
Change in non-controlling interests	-	6,600
<b>Net cash flows used in financing activities</b>	<b>(1,044,128)</b>	<b>(806,608)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(44,911)</b>	<b>(65,407)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,477)</b>	<b>(198,428)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,223,730</b>	<b>2,422,158</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,222,253</b>	<b>2,223,730</b>

See accompanying notes to financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2022.

**(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (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 Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, would have a significant impact on its consolidated 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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

###### (i) Basis of measurement

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

- 1) Financial assets at fair value through 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(q).

###### (ii) Functional and presentation currency

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

##### (c) Basis of consolidation

###### (i) Principles of preparation of the consolidated financial statements

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2021	December 31, 2020	
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00%	100.00%	
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00%	100.00%	
The Company	American Taiwan Biopharma Philippines Inc.	Selling medicine	87.00%	87.00%	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48%	56.48%	
The Company	EnhancX Biopharm Inc.	Developing medicine	20.83%	20.83%	
The Company	Chuang Yi Biotech Co., Ltd.	Selling Functional food	49.05%	38.12%	(Note 2)
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Selling medicine	100.00%	- %	(Note 3)
Worldco International Co., Ltd.	Worldco Biotech(Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00%	100.00%	
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00%	50.00%	
Xudong Haipu International Co., Ltd.	EnhancX Biopharm Inc.	Developing medicine	29.17%	29.17%	
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00%	100.00%	
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00%	50.00%	
EnhancX Biopharm Inc.	EnhancX Biopharm B.V.	Developing medicine	100.00%	100.00%	
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Selling Functional food	3.89%	4.89%	(Note 2)
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00%	100.00%	

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2021	December 31, 2020	
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hong Kong) Biotech Co., Ltd.	Selling Functional food	- %	100.00%	(Note 1)
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling Functional food	100.00%	100.00%	

(Note 1) In order to simplify the organizational structure and reduce operating costs, the Group decided to liquidate Chuang Yi (Hong Kong) Biotech Co., Ltd. on June 29, 2020. The liquidation is completed on February 25, 2021.

(Note 2) On June 29, 2020, a resolution was decided by the Board of Directors meeting that the Company will participate in the capital increase of its subsidiary, Chuang Yi Biotech Co., Ltd., to acquire 6,364 thousand shares of Chuang Yi Biotech Co., Ltd. with the authorization fee of the distribution contract. The Group's shareholding ratio in Chuang Yi Biotech Co., Ltd. will increase from 43.01% to 52.94%. The legal procedures have already been completed on January 25, 2021.

(Note 3) In October 2021, the Company established its wholly owned subsidiary, TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi, which is listed as one of the subsidiaries in the consolidated financial statements.

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

(d) 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'.

(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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss 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.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

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

(g) Financial instruments

(i) Financial assets

All regular way purchases or sale of financial assets are recognized and derecognized on a trade date basis.

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as of discounting is immaterial. Except for the short-term accounts and notes receivable, the other assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulated amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, 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 Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income at initial recognition. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss on the date the Group' s right to receive payment is established unless the dividend income 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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3) Impairment of financial assets

The Group 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 of amortized costs, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets.

The Group 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 when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

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

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

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

#### 4) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

##### 3) Financial liabilities

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4) Derecognition of financial liabilities

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

On 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 in the net amount in the balance sheets only when the Group currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### (h) Inventories

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

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

#### (i) Investment in associates

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

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

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

Buildings	2-60 years
Machinery and 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, 6-25 years, and 10 years, respectively.

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

(iv) Reclassification as investment property

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

(l) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

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

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

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

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

(ii) As a lessor

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### (m) Intangible assets

##### (i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

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

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

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

##### (ii) Subsequent expenditure

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

##### (iii) Amortization

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

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

- |                          |             |
|--------------------------|-------------|
| 1) Patents and franchise | 3- 12 years |
| 2) Computer software     | 1-10 years  |

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(n) Impairment of non-financial assets

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

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

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

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

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

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) Provisions

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

(p) Revenue

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

1) Sale of goods

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### 2) Authorization revenue

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

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

#### 3) Financing components

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

#### (ii) Contract costs

##### 1) Incremental costs of obtaining a contract

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

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

##### 2) Costs to fulfil a contract

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Other long-term employee benefits

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

(iv) Short-term employee benefits

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(r) 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 Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred 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.

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(s) Earnings per share

The Group 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.

(t) Operating segments

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

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying accounting policies that do not have the most significant effects on the amounts recognized in the consolidated financial statements.

Information of valuation of inventories 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:

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

(Continued)

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

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

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 2,645	2,840
Cash in banks	1,012,408	1,024,730
Time deposits	<u>1,207,200</u>	<u>1,196,160</u>
Total	<u><u>\$ 2,222,253</u></u>	<u><u>2,223,730</u></u>

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

(b) Financial asset at fair value through other comprehensive income-current and non-current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income:		
Domestic common stock—Lumosa Therapeutics Co., Ltd.	\$ 52,929	62,216
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares B	157,750	156,250
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares C	3,483	-
Domestic preferred stock—Union Bank of Taiwan Preferred Shares A	21,200	20,720
International preferred stock—CellMax Ltd.	14,771	49,271
	<u><u>\$ 250,133</u></u>	<u><u>288,457</u></u>

- (i) The Group designated the investments as equity securities at fair value through other comprehensive income because the Group intends to hold the investments for long-term strategic purposes.
- (ii) The Group sold its shares amounting to \$35,478 thousand and \$252,956 thousand, resulting in a (loss) gain on disposal of (\$20,543) thousand and \$159,041 thousand, of which attributable to the Group amounting \$11,603 thousand and \$115,992 thousand for the years ended December 31, 2021 and 2020, respectively. The (loss) gain on disposal of strategic investments has already been reclassified from other comprehensive income to retained earnings.
- (iii) Please refer to Note 6(t) for information on credit and market risk.

(Continued)

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

- (iv) The above financial assets were not pledged as collateral.
- (c) Notes receivable and accounts receivable (including related parties)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable	\$ 37,661	33,766
Accounts receivable	1,080,007	996,589
Accounts receivable-related parties	22,996	24,854
Less: allowance for expected credit losses	(2,911)	(21,941)
	<b><u>\$ 1,137,753</u></b>	<b><u>1,033,268</u></b>

The Group applies the simplified approach to evaluate its expected credit losses (ECLs), i.e., the Group recognizes the impairment provision for lifetime ECLs for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. Analysis of expected credit losses on note and accounts receivable was as follows:

	<b>December 31, 2021</b>		
	<b>Face value of notes receivable and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 1,130,201	0%~1%	1,370
1 to 90 days overdue	6,419	0%~13%	119
91 to 180 days overdue	3,996	0%~70%	1,421
More than 181 days overdue	48	2%~100%	1
	<b><u>\$ 1,140,664</u></b>		<b><u>2,911</u></b>
	<b>December 31, 2020</b>		
	<b>Face value of notes receivable and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 1,021,479	0%~1%	3,208
1 to 90 days overdue	15,257	4%~6%	718
91 to 180 days overdue	1,015	50%~55%	557
More than 181 days overdue	17,458	100%	17,458
	<b><u>\$ 1,055,209</u></b>		<b><u>21,941</u></b>

(Continued)

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

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 21,941	22,038
Expected credit losses recognized	13,582	-
Reversal of expected credit losses	-	(97)
Amounts written off	(32,612)	-
Balance at December 31	<b><u>\$ 2,911</u></b>	<b><u>21,941</u></b>

As of December 31, 2021 and 2020, the notes receivable and accounts receivable for the Group were not pledged as collateral.

(d) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Merchandise	\$ 284,607	298,612
Finished goods	193,618	311,059
Work in process	112,062	82,882
Raw materials	321,784	330,108
Materials	54,076	56,892
Subtotal	966,147	1,079,553
Goods in transit	110,840	108,821
Total	1,076,987	1,188,374
Less: allowance for inventory market decline and obsolescence	(121,976)	(77,873)
Net amount	<b><u>\$ 955,011</u></b>	<b><u>1,110,501</u></b>

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Inventories have been sold	\$ 1,675,567	1,574,883
Cost of services	38,024	55
Write-off of inventories from cost to net realizable value and disposal of inventories	54,039	42,124
	<b><u>\$ 1,767,630</u></b>	<b><u>1,617,062</u></b>

(ii) As of December 31, 2021 and 2020, the inventories were not pledged as collateral.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(e) Investments accounted for using the equity method

(i) The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Associates	\$ 1,233,023	1,221,736

1) As of December 31, 2021 and 2020, the associate which the Group invested had a quoted market price was as follows:

	December 31, 2021	December 31, 2020
Carrying value	\$ 873,627	877,057
Fair value	\$ 1,877,930	1,497,688

2) For the years ended December 31, 2021 and 2020, PharmaEngine, Inc. amortized the compensation cost of employee stock options, expired employee stock option, and purchase of treasury stocks, which resulted in a change in the shareholding ratio, and such change was debit of \$13,893 thousand and \$517 thousand, respectively, to its capital reserve. For the years ended December 31, 2021 and 2020, the Group's shareholding ratio rose from 17.77% to 18.01% and 17.76% to 17.77%, respectively.

(ii) Associate that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership	
			December 31, 2021	December 31, 2020
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	18.01%	17.77%

The following consolidated financial information about significant associates has been adjusted according to individually prepared IFRS financial statements of these associates:

- Summary financial information on PharmaEngine, Inc.

	December 31, 2021	December 31, 2020
Current assets	\$ 4,008,969	4,169,858
Non-current assets	17,374	37,053
Current liabilities	(87,705)	(184,462)
Non-current liabilities	-	(11,316)
Net assets	\$ 3,938,638	4,011,133
Net assets attributable to investee owners	\$ 3,938,638	4,011,133

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	<b>\$ 654,835</b>	<b>1,056,012</b>
Profit from continuing operations	426,031	604,281
Other comprehensive (loss) income	(1,213)	1,587
Total comprehensive income	<b>\$ 424,818</b>	<b>605,868</b>
Comprehensive income attributable to investee owners	<b>\$ 424,818</b>	<b>605,868</b>

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net assets attributable to the Group, January 1	\$ 712,779	618,580
Changes in capital surplus of associates	(13,893)	(517)
Comprehensive income attributable to the Group	76,030	107,655
Cash dividends received from associates	(65,567)	(12,939)
Net assets attributable to the Group, December 31	709,349	712,779
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, December 31	<b>\$ 873,627</b>	<b>877,057</b>

(iii) Summary financial information on individually insignificant associates

The Group's financial information about investments accounted for using the equity method that are individually insignificant was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Carrying amount of individually insignificant associates	<b>\$ 359,396</b>	<b>344,679</b>

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Attributable to the Group:		
Profit from continuing operations	\$ 58,934	55,492
Other comprehensive loss	(35,197)	(23,124)
Total comprehensive income	<b>\$ 23,737</b>	<b>32,368</b>

(iv) Collateral

As of December 31, 2021 and 2020, the Group did not provide any investment accounted for using equity method as collateral.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(f) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiary</u>	<u>Country of registration</u>	<u>Ownership and voting rights ratio</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48%	56.48%
EnhanX Biopharm Inc.	Taiwan	50.00%	50.00%
Chuang Yi Biotech Co., Ltd.	Taiwan	52.94%	43.01%

The following information of the aforementioned subsidiaries have been prepared in accordance with the IFRS endorsed by the FSC, which was included in the fair value adjustments and the adjustments of differences in accounting principles at the acquisition date. Intra-group transactions were not eliminated in this information.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 919,972	943,841
Non-current assets	240,885	276,298
Current liabilities	(85,800)	(98,618)
Non-current liabilities	-	(4,418)
Net assets	<u>\$ 1,075,057</u>	<u>1,117,103</u>
Net assets attributable to non-controlling interest	<u>\$ 467,741</u>	<u>485,946</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 413,483</u>	<u>447,862</u>
Profit for the period	\$ 45,881	64,969
Other comprehensive loss	(21,088)	(2,629)
Total comprehensive income	<u>\$ 24,793</u>	<u>62,340</u>
Profit attributable to non-controlling interest	<u>\$ 20,061</u>	<u>28,138</u>
Total comprehensive income attributable to non-controlling interest	<u>\$ 10,884</u>	<u>26,993</u>
Cash flows from operating activities	\$ 68,707	11,611
Cash flows (used in) from investing activities	(10,060)	234,210
Cash flows used in financing activities	(73,461)	(73,332)
Net (decrease) increase in cash	<u>\$ (14,814)</u>	<u>172,489</u>
Dividends paid to non-controlling interests	<u>\$ 30,080</u>	<u>30,079</u>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(ii) Summary financial information on EnhanX Biopharm Inc.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current assets	\$ 23,834	42,556
Non-current assets	97,188	106,875
Current liabilities	(3,013)	(2,334)
Non-current liabilities	(120)	-
Net assets	<b>\$ 117,889</b>	<b>147,097</b>
Net assets attributable to non-controlling interests	<b>\$ 58,945</b>	<b>73,548</b>
	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ -	-
Loss for the period	\$ (28,967)	(27,377)
Other comprehensive (loss) income	(241)	106
Total comprehensive loss	<b>\$ (29,208)</b>	<b>(27,271)</b>
Loss attributable to non-controlling interest	<b>\$ (14,483)</b>	<b>(13,688)</b>
Total comprehensive loss attributable to non-controlling interest	<b>\$ (14,603)</b>	<b>(13,636)</b>
Cash flows used in operating activities	\$ (17,724)	(16,958)
Cash flows used in financing activities	(178)	(177)
Net decrease in cash	<b>\$ (17,902)</b>	<b>(17,135)</b>

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current assets	\$ 279,394	280,751
Non-current assets	68,619	84,790
Current liabilities	(184,631)	(234,943)
Non-current liabilities	(9,315)	(15,185)
Net assets	<b>\$ 154,067</b>	<b>115,413</b>
Net assets attributable to non-controlling interests	<b>\$ 72,504</b>	<b>68,612</b>

(Continued)

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	<b>\$ 260,692</b>	<b>178,975</b>
(Loss) profit for the period	\$ (31,516)	69,519
Other comprehensive loss	(170)	(88)
Total comprehensive (loss) income	<b>\$ (31,686)</b>	<b>69,431</b>
(Loss) profit attributable to non-controlling interest	<b>\$ (14,832)</b>	<b>39,619</b>
Total comprehensive (loss) profit attributable to non-controlling interest	<b>\$ (14,751)</b>	<b>39,568</b>
Capital increase by cash to non-controlling interest	<b>\$ -</b>	<b>6,600</b>
	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash flows from operating activities	\$ 30,555	41,252
Cash flows (used in) from investing activities	(5,273)	7,765
Cash flows used in financing activities	(23,640)	(36,148)
Effect of exchange rates changes on cash and cash equivalents	(33)	(90)
Net increase in cash	<b>\$ 1,609</b>	<b>12,779</b>

(g) Property, plant and equipment

The details of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020 were as follows:

	Land	Building and construction	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
<b>Cost:</b>								
Balance on January 1, 2021	\$ 902,897	1,310,711	707,991	5,601	510,066	10,589	323,327	3,771,182
Additions	-	18,124	11,678	-	29,647	10,217	600	70,266
Disposals	-	(27,483)	(1,022)	-	(7,168)	(3,512)	-	(39,185)
Reclassification	-	145,000	74,142	-	10,556	-	(228,927)	771
Adjustment for foreign currency translation	-	-	(4)	-	(59)	(9)	-	(72)
Balance on December 31, 2021	<b>\$ 902,897</b>	<b>1,446,352</b>	<b>792,785</b>	<b>5,601</b>	<b>543,042</b>	<b>17,285</b>	<b>95,000</b>	<b>3,802,962</b>
Balance on January 1, 2020	\$ 816,169	1,316,857	674,001	5,938	491,997	10,589	149,785	3,465,336
Additions	117,345	12,097	15,503	-	22,248	-	124	167,317
Disposals	-	(4,721)	(2,476)	(337)	(6,876)	-	-	(14,410)
Reclassification	(30,617)	(13,522)	20,956	-	2,699	-	173,418	152,934
Adjustment for foreign currency translation	-	-	7	-	(2)	-	-	5
Balance on December 31, 2020	<b>\$ 902,897</b>	<b>1,310,711</b>	<b>707,991</b>	<b>5,601</b>	<b>510,066</b>	<b>10,589</b>	<b>323,327</b>	<b>3,771,182</b>
<b>Accumulated depreciation:</b>								
Balance on January 1, 2021	\$ -	430,246	381,497	4,264	361,682	8,753	-	1,186,442
Depreciation	-	62,773	44,574	912	34,156	1,199	-	143,614
Disposals	-	(27,019)	(1,022)	-	(6,935)	(3,448)	-	(38,424)
Adjustment for foreign currency translation	-	-	(1)	-	(53)	(9)	-	(63)
Balance on December 31, 2021	<b>\$ -</b>	<b>466,000</b>	<b>425,048</b>	<b>5,176</b>	<b>388,850</b>	<b>6,495</b>	<b>-</b>	<b>1,291,569</b>

(Continued)

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2020	\$ -	377,556	345,217	3,601	337,164	7,521	-	1,071,059
Depreciation	-	63,690	38,724	980	31,107	1,232	-	135,733
Disposals	-	(4,721)	(2,449)	(317)	(6,589)	-	-	(14,076)
Reclassification	-	(6,279)	-	-	-	-	-	(6,279)
Adjustment for foreign currency translation	-	-	5	-	-	-	-	5
Balance on December 31, 2020	<u>\$ -</u>	<u>430,246</u>	<u>381,497</u>	<u>4,264</u>	<u>361,682</u>	<u>8,753</u>	<u>-</u>	<u>1,186,442</u>
<b>Carrying value:</b>								
Balance on December 31, 2021	<u>\$ 902,897</u>	<u>980,352</u>	<u>367,737</u>	<u>425</u>	<u>154,192</u>	<u>10,790</u>	<u>95,000</u>	<u>2,511,393</u>
Balance on January 1, 2020	<u>\$ 816,169</u>	<u>939,301</u>	<u>328,784</u>	<u>2,337</u>	<u>154,833</u>	<u>3,068</u>	<u>149,785</u>	<u>2,394,277</u>
Balance on December 31, 2020	<u>\$ 902,897</u>	<u>880,465</u>	<u>326,494</u>	<u>1,337</u>	<u>148,384</u>	<u>1,836</u>	<u>323,327</u>	<u>2,584,740</u>

(i) Collateral

As of December 31, 2021 and 2020, the property, plant and equipment were not pledged as collateral.

(ii) Property, plant and equipment under construction

As of the reporting date, the Group's plant under construction has incurred expenditures amounting to \$95,000 thousand, and there were no capitalized loan cost for the years ended December 31, 2021 and 2020.

(h) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2021	\$ 99,769	54,981	154,750
Effect of changes in foreign exchange rate	-	(195)	(195)
Balance on December 31, 2021	<u>\$ 99,769</u>	<u>54,786</u>	<u>154,555</u>
Balance on January 1, 2020	\$ 69,152	41,035	110,187
Reclassification from property, plant and equipment	30,617	13,522	44,139
Effect of changes in foreign exchange rate	-	424	424
Balance on December 31, 2020	<u>\$ 99,769</u>	<u>54,981</u>	<u>154,750</u>
<b>Accumulated depreciation and impairment loss:</b>			
Balance on January 1, 2021	\$ -	17,480	17,480
Depreciation	-	1,406	1,406
Effect of changes in foreign exchange rate	-	(20)	(20)
Balance on December 31, 2021	<u>\$ -</u>	<u>18,866</u>	<u>18,866</u>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Balance on January 1, 2020	\$ -	9,756	9,756
Depreciation	-	1,397	1,397
Reclassification from property, plant and equipment	-	6,279	6,279
Effect of changes in foreign exchange rate	-	48	48
Balance on December 31, 2020	<u>\$ -</u>	<u>17,480</u>	<u>17,480</u>

**Carrying amount:**

Balance on December 31, 2021	<u>\$ 99,769</u>	<u>35,920</u>	<u>135,689</u>
Balance on January 1, 2020	<u>\$ 69,152</u>	<u>31,279</u>	<u>100,431</u>
Balance on December 31, 2020	<u>\$ 99,769</u>	<u>37,501</u>	<u>137,270</u>

**Fair value:**

Balance on December 31, 2021	<u>\$ 295,466</u>
Balance on December 31, 2020	<u>\$ 273,606</u>

- (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, 2021 and 2020, the investment property of the Group were not pledged as collateral.
- (i) Intangible assets

The cost, amortization, and impairment of the intangible assets of the Group for the years ended December 31, 2021 and 2020, were as follows:

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 17,067	218,440	235,507
Additions	11,339	2,500	13,839
Disposals	(1,829)	-	(1,829)
Effect of changes in foreign exchange rate	(2)	-	(2)
Balance on December 31, 2021	<u>\$ 26,575</u>	<u>220,940</u>	<u>247,515</u>
Balance on January 1, 2020	\$ 34,771	289,357	324,128
Additions	6,356	7,398	13,754
Disposals	(24,060)	(78,315)	(102,375)
Balance on December 31, 2020	<u>\$ 17,067</u>	<u>218,440</u>	<u>235,507</u>

(Continued)

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

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Amortization and impairment loss:			
Balance on January 1, 2021	\$ 9,910	92,699	102,609
Amortization for the period	4,494	17,339	21,833
Disposals	(1,829)	-	(1,829)
Effect of changes in foreign exchange rate	(2)	-	(2)
Balance on December 31, 2021	<u><b>\$ 12,573</b></u>	<u><b>110,038</b></u>	<u><b>122,611</b></u>
Balance on January 1, 2020	\$ 30,828	154,287	185,115
Amortization for the period	3,142	16,727	19,869
Disposals	(24,060)	(78,315)	(102,375)
Balance on December 31, 2020	<u><b>\$ 9,910</b></u>	<u><b>92,699</b></u>	<u><b>102,609</b></u>
<b>Carrying value:</b>			
Balance on December 31, 2021	<u><b>\$ 14,002</b></u>	<u><b>110,902</b></u>	<u><b>124,904</b></u>
Balance on January 1, 2020	<u><b>\$ 3,943</b></u>	<u><b>135,070</b></u>	<u><b>139,013</b></u>
Balance on December 31, 2020	<u><b>\$ 7,157</b></u>	<u><b>125,741</b></u>	<u><b>132,898</b></u>

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 187	405
Operating expenses	21,646	19,464
	<u><b>\$ 21,833</b></u>	<u><b>19,869</b></u>

As of December 31, 2021 and 2020, the intangible assets of the Group were not pledged as collateral.

(j) Other financial assets and other assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other current financial assets	\$ 319,724	280,186
Other non-current financial assets	151,300	159,514
Long-term prepayments	79,672	10,936
Others	8,985	8,152
	<u><b>\$ 559,681</b></u>	<u><b>458,788</b></u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (i) Both current and non-current other financial assets were bank deposits that did not qualify as cash and cash equivalents.
- (ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use. Please refer to Note 9 for the Group's information of unfinished contracts.
- (iii) Please refer to Note 8 for the Group's information of collateral.
- (k) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Secured bank loans	\$ 61,070	65,070
Unsecured bank loans	1,650,000	1,650,000
	<b>\$ 1,711,070</b>	<b>1,715,070</b>
Unused credit line	<b>\$ 1,176,395</b>	<b>1,178,789</b>
Range of interest rates	<b>0.72%~2%</b>	<b>0.77%~2%</b>

- (i) Please refer to Note 6(t) for the exposure information of the Group's interest rate and liquidity risk.
- (ii) Please refer to Note 8 for the collateral for short-term borrowings.
- (l) Long-term borrowings

The long-term borrowings were summarized as follows:

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	NTD	1.700%~1.945%	2022-2023	\$ 12,051
Unsecured bank loans	NTD	0.991%	2022	400,000
Less: current portion				(407,905)
Total				<b>\$ 4,146</b>
Unused credit line				<b>\$ 200,000</b>
<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	NTD	1.700%~1.945%	2022-2023	\$ 28,594
Unsecured bank loans	NTD	0.987%	2022	400,000
Less: current portion				(16,543)
Total				<b>\$ 412,051</b>
Unused credit line				<b>\$ 300,000</b>

(Continued)

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

- (i) Please refer to Note 6(t) for the exposure information of the Group' s interest rate and liquidity risk.
- (ii) Please refer to Note 8 for the collateral for long-term borrowings.
- (m) Employee benefits
  - (i) Defined benefit plans

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligation	\$ 96,593	105,341
Fair value of plan assets	(43,996)	(59,841)
Net defined benefit liabilities	<b>\$ 52,597</b>	<b>45,500</b>

The Group' s employee benefit liabilities were as below:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Vacation liability	<b>\$ 7,861</b>	<b>8,678</b>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$43,996 thousand as of December 31, 2021. 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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Defined benefit obligation, January 1	\$ 105,341	123,179
Current service costs and interest	823	1,604
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial gain arising from changes in demographic assumptions	3,780	-
— Actuarial (loss) gain arising from changes in financial assumptions	(346)	2,715
— Experience adjustments	8,119	(8,429)
Benefits paid	(21,124)	(13,728)
Defined benefit obligations, December 31	<b>\$ 96,593</b>	<b>105,341</b>

3) Movements in the fair value of plan assets

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Fair value of plan assets, January 1	\$ 59,841	67,070
Interest revenue	282	467
Remeasurement on the net defined liabilities (assets):		
— Return on plan assets excluding interest income	744	2,206
Contributions made	4,253	3,826
Benefits paid	(21,124)	(13,728)
Fair value of plan assets, December 31	<b>\$ 43,996</b>	<b>59,841</b>

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2021 and 2020, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current service cost	\$ 338	727
Net interest of net liabilities for defined benefit obligation	203	410
	<b>\$ 541</b>	<b>1,137</b>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 171	373
Selling expenses	139	351
Administrative expenses	131	178
Research and development expenses	100	235
	<b>\$ 541</b>	<b>1,137</b>

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

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Accumulated amount, January 1	\$ 381	8,301
Recognized during the year	10,809	(7,920)
Accumulated amount, December 31	<b>\$ 11,190</b>	<b>381</b>

- 6) Actuarial assumptions

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.51%	0.47%
Future salary increase rate	3.00%	3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$4,032 thousand.

The weighted-average lifetime of the defined benefit plan is 2 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:

	<b>Influences of defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2021		
Discount rate (Fluctuation of 0.25%)	\$ (1,923)	1,983
Future salary increasing rate (Fluctuation of 0.25%)	1,691	(1,652)

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>Influences of defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
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)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumptions may change all at once. The method used in the sensitivity analysis is consistent with the calculation of net defined benefit liabilities in the balance sheets.

The method and assumptions used in the preparation of sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

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

The pension costs under defined contribution plans, which had been allocated to the Bureau of Labor Insurance, amounted to \$39,283 thousand and \$38,059 thousand for the years ended December 31, 2021 and 2020, respectively.

(n) Income Tax

(i) Income tax expense

The components of income tax for years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense		
Current period	\$ 265,326	234,124
Adjustment for prior periods	(4,823)	(1,377)
	<u>260,503</u>	<u>232,747</u>
Deferred tax expense		
Origination and reversal of temporary difference	4,308	(9,899)
Income tax expense from continuing operations	<u>\$ 264,811</u>	<u>222,848</u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The components of income tax expense recognized in other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation	<b>\$ 17,540</b>	<b>16,480</b>

A reconciliation of income tax expense and accounting profit was as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	\$ 1,087,380	1,201,525
Income tax using the company's domestic tax rate	\$ 216,700	251,710
Permanent difference	52,404	(19,606)
Gains derived from securities transactions	(1,272)	(1,284)
Tax incentives	(2,636)	(1,032)
Changes in provision in prior periods	(4,823)	(1,377)
Undistributed earnings additional tax at 10%	3,766	384
Basic income tax	-	467
Non-deductible expenses	2,309	-
Others	(1,637)	(6,414)
	<b>\$ 264,811</b>	<b>222,848</b>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<b>\$ (390,051)</b>	<b>(390,051)</b>
Unrecognized deferred tax liabilities	<b>\$ (78,010)</b>	<b>(78,010)</b>

(Continued)

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

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, were as follows:

	<b>Gain on foreign investments</b>	<b>Reserve for land revaluation increment tax</b>	<b>Total</b>
Deferred tax liabilities:			
Balance, January 1, 2021	\$ 210,955	60,871	271,826
Recognized in profit or loss	6,233	-	6,233
Recognized in other comprehensive income	(17,540)	-	(17,540)
Balance, December 31, 2021	<b>\$ 199,648</b>	<b>60,871</b>	<b>260,519</b>
Balance, 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, December 31, 2020	<b>\$ 210,955</b>	<b>60,871</b>	<b>271,826</b>

	<b>Defined benefit plan</b>	<b>Gain or loss on valuation of inventory</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets:				
Balance, January 1, 2021	\$ 6,317	14,934	40,547	61,798
Recognized in profit or loss	(742)	1,914	753	1,925
Balance, December 31, 2021	<b>\$ 5,575</b>	<b>16,848</b>	<b>41,300</b>	<b>63,723</b>
Balance, January 1, 2020	\$ 6,855	8,881	29,934	45,670
Recognized in profit or loss	(538)	6,053	10,613	16,128
Balance, December 31, 2020	<b>\$ 6,317</b>	<b>14,934</b>	<b>40,547</b>	<b>61,798</b>

(iii) Assessment of tax

Except for the year of 2018, the Company's income tax returns through 2019 have been assessed and approved by the Tax Authorities.

(o) Capital and other equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 500,000,000 shares and 350,000,000 shares, respectively, with par value of \$10 per share. The total value of authorized ordinary shares amounted to 5,000,000 thousand and 3,500,000 thousand, respectively. All issued shares were paid up upon issuance.

(Continued)

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

(i) Capital surplus

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital	\$ 484	484
Long-term investment	310,682	337,513
Other	710	-
	<b>\$ 311,876</b>	<b>337,997</b>

According to the R.O.C. Company Act, 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 capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

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

In accordance with Rule 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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

In accordance with the aforesaid Rule, 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, 2021 and 2020, the special reserve amounted to \$133,709 thousand and \$110,154 thousand, respectively.

#### 3) Earnings distribution

Earnings distribution for 2020 and 2019 was resolved in the general meeting of shareholders held on August 25, 2021 and June 12, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.00	<u>994,600</u>	4.00	<u>994,599</u>

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

	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2021	\$ (146,611)	12,902	(133,709)
Exchange differences on foreign operations	(69,986)	-	(69,986)
Exchange differences of associates accounted for using the equity method	(176)	-	(176)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(11,914)	(11,914)
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	11,603	11,603
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	6,112	6,112
Balance on December 31, 2021	<u>\$ (216,773)</u>	<u>18,703</u>	<u>(198,070)</u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Exchange differences on translation	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	(66,113)	-	(66,113)
Exchange differences of associates accounted for using the equity method	226	-	226
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	13,650	13,650
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	(115,992)	(115,992)
Unrealized losses from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	(5,615)	(5,615)
Balance on December 31, 2020	<u>\$ (146,611)</u>	<u>12,902</u>	<u>(133,709)</u>

(iv) Non-controlling interests

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 628,302	598,428
Attributable to non-controlling interests:		
(Losses) profit for the period	(9,325)	54,499
Exchange differences on translation in foreign operations	28	(3)
Unrealized losses on financial assets	(9,180)	(1,143)
Cash dividend distributed	(30,080)	(30,079)
Changes in ownership interest in subsidiaries	168	6,600
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	19,466	-
Balance on December 31	<u>\$ 599,379</u>	<u>628,302</u>

(p) Earnings per share

For the years ended December 31, 2021 and 2020, the Company's earnings per share were calculated as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 831,894</u>	<u>924,178</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
	<u>\$ 3.35</u>	<u>3.72</u>

(Continued)

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted)	<b>\$ 831,894</b>	<b>924,178</b>
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	409	413
Weighted average number of ordinary shares (diluted)	<b>249,059</b>	<b>249,063</b>
	<b>\$ 3.34</b>	<b>3.71</b>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

<b>For the years ended December 31, 2021</b>						
	<b>Oncology Business Unit</b>	<b>Health Care Unit</b>	<b>Anti- Infection Business Unit</b>	<b>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</b>	<b>Other Segment</b>	<b>Total</b>
Primary geographical markets:						
Taiwan	\$ 2,372,040	165,760	1,040,488	405,777	262,292	4,246,357
Other countries	274,962	-	90	5,760	8,441	289,253
	<b>\$ 2,647,002</b>	<b>165,760</b>	<b>1,040,578</b>	<b>411,537</b>	<b>270,733</b>	<b>4,535,610</b>
Major products/services lines:						
Medicine and functional food	\$ 2,537,460	165,760	1,040,569	411,380	269,019	4,424,188
Services	98,764	-	9	157	1,714	100,644
Royalty	10,778	-	-	-	-	10,778
	<b>\$ 2,647,002</b>	<b>165,760</b>	<b>1,040,578</b>	<b>411,537</b>	<b>270,733</b>	<b>4,535,610</b>
<b>For the years ended December 31, 2020</b>						
	<b>Oncology Business Unit</b>	<b>Health Care Unit</b>	<b>Anti- Infection Business Unit</b>	<b>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</b>	<b>Other Segment</b>	<b>Total</b>
Primary geographical markets:						
Taiwan	\$ 2,183,467	173,473	950,773	440,677	183,221	3,931,611
Europe	12,199	-	-	-	-	12,199
Other countries	257,113	-	2,557	5,156	13,200	278,026
	<b>\$ 2,452,779</b>	<b>173,473</b>	<b>953,330</b>	<b>445,833</b>	<b>196,421</b>	<b>4,221,836</b>
Major products/services lines:						
Medicine and functional food	\$ 2,430,372	173,473	951,711	445,646	192,040	4,193,242
Services	20,873	-	1,619	187	4,381	27,060
Royalty	1,534	-	-	-	-	1,534
	<b>\$ 2,452,779</b>	<b>173,473</b>	<b>953,330</b>	<b>445,833</b>	<b>196,421</b>	<b>4,221,836</b>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract liability	<b>\$ 39,769</b>	<b>16,285</b>	<b>16,678</b>

The amount of revenue recognized for the year ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$12,804 thousand and \$10,724 thousand, respectively.

(r) Remunerations to employees and directors

The Company's Articles of Incorporation require that earnings shall first be offset against any deficit, then, a range of 0.5%~10% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration both at \$23,195 thousand, and directors' remuneration at \$14,950 thousand. These amounts were calculated by using the Company's profit before tax for the period before deducting the amounts of the remuneration to employees and directors based on the Company's Articles of Incorporation, and the amount was recognized under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(s) Non-operating income and expenses

(i) Interest income

The details of total interest income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	<b>\$ 6,309</b>	<b>14,981</b>

(ii) Other income

The details of other income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Rent revenue	\$ 10,920	10,644
Compensation income	-	74,478
Others	351	6,290
	<b>\$ 11,271</b>	<b>91,412</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

In February 2020, Belviq, a product sold by Chuang Yi Biotech Co., Ltd. (Chuang Yi), was considered to have a higher risk of getting cancer according to the result of a clinical trial conducted by U.S. Food and Drug Administration. Therefore, Eisai Co., Ltd., the license holder of Belviq, recalled its public trading permission in the U.S.. In addition, Taiwan Food and Drug Administration also requested Chuang Yi to suspend the sales of Belviq and reassessed the product for safety concerns. Chuang Yi signed a settlement agreement with Eisai Co., Ltd. in September 2020, wherein Eisai Co., Ltd. promised to compensate the recalling expense and the cost of inventories. Upon receiving the compensation, Chuang Yi wrote off the other receivables and recognized the remaining balance amounting to \$74,478 thousand as compensation income.

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Losses on disposal of property, plant and equipment	\$ (736)	(321)
Dividend income	6,360	6,420
Foreign exchange gains (losses)	1,116	(15,253)
Losses on financial assets measured at fair value through profit or loss	-	(1,558)
Impairment losses of non-financial assets	(4,146)	(4,583)
Other gains and losses	(189,645)	9,596
	<b>\$ (187,051)</b>	<b>(5,699)</b>

On May 14, 2021, the Company received a decision from the Fair Trade Commission, stating that the agreement between the Company and Lotus Pharmaceutical Co., Ltd. for exclusive right to sell "Furil Capsules" since February 4, 2009, was regarded as a concerted action. Therefore, the Company was fined with \$220,000 thousand, which was recognized under other gains and losses. On July 12, 2021, the Company filed a complaint with Taipei High Administrative Court to revoke the decision, and the court has accepted the case.

(iv) Finance costs

The details of finance costs for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest expense	<b>\$ 18,985</b>	<b>19,413</b>

(Continued)

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

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Group's maximum amount exposed to credit risk. Such maximum credit exposure on December 31, 2021 and 2020, amounted to \$1,140,664 thousand and \$1,055,209 thousand, respectively.

2) Concentration of credit risk

In order to lower the credit risk on accounts receivable, the Group continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for doubtful accounts". Bad debt losses are always within the administrative personnel's expectations. As of December 31, 2021 and 2020, the accounts receivable from the Group's top ten customers represented 16% and 15%, respectively, of accounts receivable.

(ii) Credit risk of receivables

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

All other financial assets at amortized cost include 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(g).

(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Bank loans	\$ 2,123,121	2,127,293	2,123,120	4,173	-
Non-interest-bearing liabilities (including related parties)	853,153	853,153	709,353	110,400	33,400
Guarantee deposits received	2,429	2,429	2,429	-	-
	<u>\$ 2,978,703</u>	<u>2,982,875</u>	<u>2,834,902</u>	<u>114,573</u>	<u>33,400</u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Bank loans	\$ 2,143,664	2,153,025	1,738,526	414,499	-
Non-interest-bearing liabilities (including related parties)	656,456	656,456	656,456	-	-
Guarantee deposits received	2,430	2,430	2,430	-	-
	<b>\$ 2,802,550</b>	<b>2,811,911</b>	<b>2,397,412</b>	<b>414,499</b>	<b>-</b>

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

(iv) Market risk

1) Currency risk

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

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 11,054	27.68	305,973	10,416	28.48	296,648
CNY	2,429	4.344	10,553	2,647	4.377	11,586
JPY	128,475	0.24	30,898	95,362	0.28	26,701
EUR	180	31.32	5,630	152	35.02	5,323
IDR	216,025	0.002	428	760,275	0.002	1,521
HKD	648	3.55	2,301	35	3.67	129
<u>Non-monetary items</u>						
USD	47,800	27.68	1,323,103	48,097	28.48	1,369,812
CNY	47,335	4.344	205,623	49,391	4.377	216,183
THB	350,604	0.835	292,649	299,410	0.96	287,434
EUR	58	31.32	1,815	72	35.02	2,534
TRY	6,744	2.16	14,539	-	-	-

2) Sensitivity analysis

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY, EUR, IDR, and HKD as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$2,846 thousand and \$2,733 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, the foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$1,116 thousand and (\$15,253) thousand, respectively.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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

Regarding the liabilities with variable interest rates, their sensitivity analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The fluctuation rate is expressed as the interest rate increases or decreases by 0.25%, which also represents the Group management's assessment of the reasonably possible interest rate change, when reporting to the internal management.

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$899 thousand and \$1,967 thousand for the years ended December 31, 2021 and 2020, respectively with all other variable factors remaining constant.

(vi) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Prices of securities at the reporting date	For the years ended December 31,			
	2021		2020	
	Other Comprehensive income after tax	Net income after tax	Other Comprehensive income after tax	Net income
10% increasing	\$ 25,013	-	28,845	-
10% decreasing	\$ (25,013)	-	(28,845)	-

(Continued)

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

(vii) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 182,433	182,433	-	-	182,433
Domestic stock in listed company at Taipei Exchange	52,929	52,929	-	-	52,929
International stock	14,771	-	-	14,771	14,771
subtotal	<u>250,133</u>	<u>235,362</u>	<u>-</u>	<u>14,771</u>	<u>250,133</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,222,253	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,137,753	-	-	-	-
Other receivables (including related party)	13,622	-	-	-	-
Other financial assets	471,024	-	-	-	-
Refundable deposits paid	33,833	-	-	-	-
subtotal	<u>3,878,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,128,618</u>	<u>235,362</u>	<u>-</u>	<u>14,771</u>	<u>250,133</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,123,121	-	-	-	-
Notes payable and accounts payable (including related party)	187,268	-	-	-	-
Other payables (including related party)	522,085	-	-	-	-
Guarantee deposit received	2,429	-	-	-	-
Other non-current liabilities	143,800	-	-	-	-
Total	<u>\$ 2,978,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 176,970	176,970	-	-	176,970
Domestic stock in listed company at Taipei Exchange	62,216	62,216	-	-	62,216
International stock	49,271	-	-	49,271	49,271
subtotal	288,457	239,186	-	49,271	288,457
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,223,730	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,033,268	-	-	-	-
Other receivables (including related party)	16,483	-	-	-	-
Other financial assets	439,700	-	-	-	-
Refundable deposits paid	22,019	-	-	-	-
subtotal	3,735,200	-	-	-	-
Total	\$ 4,023,657	239,186	-	49,271	288,457
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,143,664	-	-	-	-
Notes payable and accounts payable (including related party)	159,440	-	-	-	-
Other payables (including related party)	497,016	-	-	-	-
Guarantee deposit received	2,430	-	-	-	-
Total	\$ 2,802,550	-	-	-	-

#### 2) Fair value hierarchy

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

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

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

Equity instruments without a public quotation: The fair value of the equity instrument is estimated based on a discounted cash flow model. The main assumption is that the expected future cash flow of the investee will be discounted at the rate of return, which reflects the time value of money and investment risk.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2021 and 2020, so there was no transfer between levels.

(Continued)

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

6) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance at January 1, 2021	\$ 49,271
Addition	14,771
Disposal	(49,271)
Balance at December 31, 2021	<b>\$ 14,771</b>
Balance at January 1, 2020	<b>\$ 49,271</b>
Balance at December 31, 2020	<b>\$ 49,271</b>

7) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "fair value through other comprehensive income – equity investments".

Most of the Group's financial instruments that use Level 3 inputs have only one significant unobservable input. Only equity investments without an active market have multiple significant unobservable input.

Quantified information of significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets measured at fair value through other comprehensive income - equity investments without an active market	Discounted Cash Flow Method	<ul style="list-style-type: none"> <li>• Weighted average cost of capital (On December 31, 2020 were 13.32%.)</li> <li>• Discount for lack of market liquidity (On December 31, 2020 were 20.6%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the weighted average cost of capital and discount for lack of market liquidity, the lower the fair value.</li> </ul>
	Comparable companies method	<ul style="list-style-type: none"> <li>• Discount for lack of market liquidity (On December 31, 2021 were 28.52%)</li> <li>• Expected volatility (On December 31, 2021 were 60.84%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the discount for lack of market liquidity, the lower the fair value.</li> <li>• The higher the volatility, the the higher the fair value.</li> </ul>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 8) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The valuation models and assumptions used to measure the fair value of financial instruments are reasonable. However, the use of different valuation models or assumptions may result in different measurements. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used in valuation models have changed:

	Input	Change	Other comprehensive income	
			Favorable	Unfavorable
<b>December 31, 2021</b>				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	148	(148)
<b>December 31, 2020</b>				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	487	(487)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (u) Financial risk management

- (i) Overview

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

- 1) credit risk
- 2) liquidity risk
- 3) market risk

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

- (ii) Risk management framework

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (iii) Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like accounts receivable and equity securities.

##### 1) Accounts receivable and other receivables

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

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

##### 2) Investment

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

##### 3) Guarantees

The Group did not provide any endorsement or guarantee as of December 31, 2021 and 2020.

#### (iv) Liquidity risk

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

#### (v) Market risk

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(v) Capital management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares or sell assets to reduce debts.

The Group manages capital by the debt-to-equity ratio. Such ratio is calculated as net liabilities divided by total capital. Net liabilities represent the total amount of liabilities on the balance sheet minus cash and cash equivalents. The total amount of capital represents all the equity components (share capital, capital surplus, retained earnings, and other equity) plus net liabilities.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 3,529,231	3,282,741
Less: cash and cash equivalents	(2,222,253)	(2,223,730)
Net debt	1,306,978	1,059,011
Total capital	5,767,234	6,078,068
Adjusted capital	<b>\$ 7,074,212</b>	<b>7,137,079</b>
Debt-to-equity ratio	<b>18.48%</b>	<b>14.84%</b>

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

(a) Names of related parties and relationship

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

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

(Continued)

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

(b) Significant transactions with related parties

(i) Sales revenue

The amounts of significant sales by the Group to related parties were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 86,888	71,355
Other related parties	465	527
	<b>\$ 87,353</b>	<b>71,882</b>

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

(ii) Other gains

The amounts of other gains by the Group from related parties were as follows:

<b>Recognized item</b>	<b>Category</b>	<b>For the years ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
Other gains	Associates-American Taiwan Biopharm (Thailand)	\$ 11,903	12,545
	Associates	2,926	205
		<b>\$ 14,829</b>	<b>12,750</b>

Other gains of the Group to the associates were mainly paid in accordance with the management service contract between the two parties. The payment terms are three months, which were no different from the payment terms given by other vendors.

(c) Assets and liabilities with related parties

<b>Recognized item</b>	<b>Category</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2021</b>	<b>2020</b>
Accounts receivable	Associates	\$ 22,936	24,854
	Other related parties	60	-
		<b>\$ 22,996</b>	<b>24,854</b>
Other receivables	Associate-American Taiwan Biopharm (Thailand)	<b>\$ 2,971</b>	<b>3,515</b>

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

(Continued)

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Salaries and other short-term employee benefits	\$ 93,028	97,725
Post-employment benefits	1,021	1,234
	<b>\$ 94,049</b>	<b>98,959</b>

**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

<b>Pledged asset</b>	<b>Object</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other current and non-current asset	Bank loan	\$ 21,135	21,131
Other financial assets-non-current	Guarantee for provision attachment	149,380	149,380
		<b>\$ 170,515</b>	<b>170,511</b>

**(9) Significant commitments and contingencies:**

(a) The Group's unfinished contracts as of December 31, 2021 and 2020 were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<u>Total price of unfinished contracts</u>		
Purchase of equipment and construction engineering	<b>\$ 18,185</b>	<b>162,960</b>
Acquisition of intangible assets	<b>\$ 219,892</b>	<b>59,048</b>
Research and development service	<b>\$ 195,549</b>	<b>343,838</b>
Purchase of raw materials	<b>\$ 333,252</b>	<b>238,000</b>
<u>Unpaid amount</u>		
Purchase of equipment and construction engineering	<b>\$ 10,974</b>	<b>20,143</b>
Acquisition of intangible assets	<b>\$ 146,170</b>	<b>37,060</b>
Research and development service	<b>\$ 86,828</b>	<b>122,787</b>
Purchase of raw materials	<b>\$ 235,925</b>	<b>185,600</b>

(b) As of December 31, 2021, and 2020, the financial institutions provide guarantee for the import and sale of medicine amounted to \$153,605 thousand and \$71,211 thousand, respectively.

(Continued)

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

- (a) A summary of current-period employee benefits, depreciation and amortization expenses, by function, was as follows:

By function	For the years ended December 31,					
	2021			2020		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 212,700	651,638	864,338	221,866	656,274	878,140
Health and labor insurance	20,731	49,819	70,550	20,077	44,510	64,587
Pension	11,213	28,611	39,824	11,359	27,837	39,196
Others	2,006	55,583	57,589	5,914	47,325	53,239
Depreciation expense	104,315	41,133	145,448	105,251	31,879	137,130
Amortization expense	187	21,646	21,833	405	19,464	19,869

- (b) Others

The Group donated \$47,069 thousand and \$46,191 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, 2021 and 2020, respectively.

- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the exchairman 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 "Risperidone". 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 "Risperidone". 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.

(Continued)

## **TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

- (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 further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress.
- (e) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company' s request, to confirm whether the monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of December 31, 2021, the monies incurred from the agreement in dispute in the amount of \$21,538 thousand euros have been deposited into the escrow account by Janssen.
- (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 action 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. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case is further remanded by the Supreme Court to the Taiwan High Court for an appeal by the Company.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. This case has been accepted by the Labor Court Dresden of Germany and is currently under progress.

(Continued)

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the years ended December 31, 2021:

(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											
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	69,200	69,200	USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	81,249	81,249
					USD 2,500	USD 2,500										CNY 18,704	CNY 18,704

The exchange rate of USD to NTD as of the reporting date is 1:27.68.

The exchange rate of CNY to NTD as of the reporting date is 1:4.344.

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

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

Note 2): The total amount for lending to a company shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in their latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

(Continued)

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

Note 3): The total amount available for lending purposes shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in their 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, 2021.

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, 2021 (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	1,315	52,929	0.81%	52,929	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	157,750	0.38%	157,750	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	21,200	0.20%	21,200	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	58	3,483	0.02%	3,483	
"	CellMax Ltd. Preferred Stock	-	"	1,593	14,771	0.67%	14,771	

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None

(v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None

(Continued)

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

- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company' s paid-in capital: None
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company' s paid-in capital:

(In Thousands of New Taiwan Dollar)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chuang Yi Biotech Co., Ltd.	The subsidiary	Sale	(150,958)	(3.74)%	90 days T/T	Normal	-	91,792	8.91%	
Chuang Yi Biotech Co., Ltd.	The Company	The parent company	Purchase	150,958	92.57%	90 days T/T	Normal	-	(91,792)	(97.56)%	

- (viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company' s paid-in capital: None
- (ix) Information regarding trading in derivative financial instruments: None
- (x) Significant transactions and business relationship between the parent company and its subsidiaries:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco International Co., Ltd.	1	Royalty revenue	48,181	By contract	1.06%
0	"	"	1	Accounts receivable	21,136	"	0.23%
0	"	TSH Biopharm Co., Ltd.	1	Accounts receivable	6,234	"	0.07%
0	"	"	1	Other receivables	2,684	"	0.03%
0	"	"	1	Sales revenue	69,460	"	1.53%
0	"	"	1	Services revenue	2,317	"	0.05%
0	"	"	1	Other income	4,431	"	0.10%
0	"	"	1	Other gains and losses	5,514	"	0.12%

(Continued)

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

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	TSH Biopharm Co., Ltd.	1	Selling expense	1,946	By contract	0.04%
0	"	American Taiwan Biopharma Phils Inc.	1	Other receivables	6,922	"	0.07%
0	"	EnhanX Biopharm Inc.	1	Services revenue	1,631	"	0.04%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	91,822	"	0.99%
0	"	"	1	Sales revenue	150,958	"	3.33%
0	"	"	1	Other income	2,757	"	0.06%
0	"	"	1	Other gains and losses	13,446	"	0.30%
0	TSH Biopharm Co., Ltd.	"	3	Other gains and losses	2,897	"	0.06%

Note 1): The numbering is as follows:

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

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

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

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

Note 4): The related-party transactions less than NT\$1,000 thousand were not disclosed, and so were the relative transactions.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (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, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	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%	1,256,092	(18,357)	(18,357)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	203,123	(7,803)	(7,803)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00%	(1,300)	(548)	(476)	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	603,181	45,881 (Note)	26,035	Subsidiary
The Company	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83%	24,556	(28,967)	(6,034)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	180,951	16,646	49.05%	17,462	(31,516)	(15,458)	Subsidiary
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Turkey	Selling chemical medicine	13,863	-	240	100.00%	14,539	6,463	6,463	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.01%	873,627	426,031	76,250	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	292,649	100,869	40,348	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	67,011	46,464	18,586	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17%	44,744	(28,967)	(8,450)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00%	11,786	(8,987)	(8,987)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	13,098	(7,610)	(3,805)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	13,098	(7,610)	(3,805)	Subsidiary
EnhancX Biopharm Inc.	EnhancX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00%	1,815	(479)	(479)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89%	5,993	(31,516)	(1,226)	Subsidiary

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00%	2,567	(325)	(325)	Subsidiary

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

(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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest 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	51,694		(2)	87,445	-	-	87,445	634	100%	100%	634		-
		CNY 11,900			CNY 20,130			CNY 20,130	CNY 146			CNY 146	CNY 11,314	
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	13,840		(2)	13,840	-	-	13,840	(287)	100%	100%	(287)	2,500	-
		USD 500			USD 500			USD 500	CNY (66)			CNY (66)	CNY 576	

The exchange rate of USD to NTD as of the reporting date was 1:27.68, and the average exchange rate of USD to NTD for the reporting period was 1:27.9904.

The exchange rate of CNY to NTD as of the reporting date was 1:4.344, and the average exchange rate of CNY to NTD for the reporting period was 1:4.3394.

(Continued)

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

Note 1): Investment methods are classified into the following four categories.

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. Others.

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.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021		Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment	
NTD	101,285	NTD	1,307,271	NTD	3,100,713
		(USD	47,228	)	

(iii) Significant transactions: None

(Continued)

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

(d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Dawan Technology Company Limited		23,526,732	9.46%

**(14) Segment information:**

(a) General information

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

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

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

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

For the year ended December 31, 2021	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	\$ 2,647,002	165,760	1,040,578	411,537	-	270,733	-	4,535,610
Intersegment revenues	121,824	55,720	95,238	1,946	-	(13)	(274,715)	-
Interest revenue	442	-	-	2,099	226	3,552	(10)	6,309
Total revenue	<u>\$ 2,769,268</u>	<u>221,480</u>	<u>1,135,816</u>	<u>415,582</u>	<u>226</u>	<u>274,272</u>	<u>(274,725)</u>	<u>4,541,919</u>
Interest expense	\$ 17,288	-	-	80	-	1,707	(90)	18,985
Depreciation and amortization	147,970	309	304	9,785	639	21,966	(13,692)	167,281
Share of profit (loss) of associates and joint ventures accounted for using equity method	76,250	58,934	-	-	-	-	-	135,184
Reportable segment profit or loss	<u>\$ 649,109</u>	<u>53,281</u>	<u>380,370</u>	<u>60,322</u>	<u>(8,344)</u>	<u>(76,684)</u>	<u>29,326</u>	<u>1,087,380</u>
Assets:								
Investments accounted for using equity method	\$ 873,363	359,660	-	-	-	-	-	1,233,023
Reportable segment assets	<u>\$ 7,535,847</u>	<u>460,004</u>	<u>509,320</u>	<u>1,160,857</u>	<u>239,828</u>	<u>1,782,187</u>	<u>(2,391,578)</u>	<u>9,296,465</u>

(Continued)

# TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	\$ 2,452,779	173,473	953,330	445,833	-	196,421	-	4,221,836
Intersegment revenues	154,801	39,154	36,122	2,029	-	(371)	(231,735)	-
Interest revenue	1,126	-	-	2,238	357	11,860	(600)	14,981
<b>Total revenue</b>	<b>\$ 2,608,706</b>	<b>212,627</b>	<b>989,452</b>	<b>450,100</b>	<b>357</b>	<b>207,910</b>	<b>(232,335)</b>	<b>4,236,817</b>
Interest expense	\$ 17,358	-	-	27	-	2,618	(590)	19,413
Depreciation and amortization	137,412	-	303	9,649	630	19,269	(10,264)	156,999
Share of profit (loss) of associates and joint ventures accounted for using equity method	107,373	55,492	-	-	-	-	-	162,865
<b>Reportable segment profit or loss</b>	<b>\$ 759,038</b>	<b>54,052</b>	<b>316,444</b>	<b>80,631</b>	<b>(10,414)</b>	<b>35,665</b>	<b>(33,891)</b>	<b>1,201,525</b>
Assets:								
Investments accounted for using equity method	\$ 876,630	345,106	-	-	-	-	-	1,221,736
<b>Reportable segment assets</b>	<b>\$ 7,611,661</b>	<b>434,823</b>	<b>472,931</b>	<b>1,220,139</b>	<b>214,178</b>	<b>1,883,533</b>	<b>(2,476,456)</b>	<b>9,360,809</b>

(c) Information

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

Product and Service	2021	2020
Medical and functional food	\$ 4,424,188	4,193,242
Service and royalty revenue	111,422	28,594
<b>Total</b>	<b>\$ 4,535,610</b>	<b>4,221,836</b>

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets including property, plant and equipment, investment property, intangible assets, and guarantee deposits received, are based on the geographical location of the assets.

Region	2021	2020
Revenue from external customers:		
Taiwan	\$ 4,246,357	3,931,611
Others countries	289,253	290,225
<b>Total</b>	<b>\$ 4,535,610</b>	<b>4,221,836</b>
Non-current assets:		
Taiwan	\$ 2,783,216	2,853,618
China	22,400	23,113
Others countries	203	196
<b>Total</b>	<b>\$ 2,805,819</b>	<b>2,876,927</b>

(Continued)

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

(e) Major customer

The Group' s did not have revenues from a single customer that exceeds 10% of the consolidated operating revenues in 2020 and 2021.



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666

Fax 傳真 + 886 2 8101 6667

Internet 網址 home.kpmg/tw

## Independent Auditors' Report

To the Board of Directors  
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, 2021 and 2020, 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, 2021 and 2020, 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.

### 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 10.27% and 10.25% of the related total assets as of December 31, 2021 and 2020, respectively, and the related investment gains represented 7.05% and 9.51% of the profit before tax for the years ended December 31, 2021 and 2020, respectively.

### 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(p) 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 reasonableness 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 large price fluctuation 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 inventories, and recalculating the net realizable value by marketing expense rate, to ensure the reasonableness of net realizable value adopted by the Company.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Yilien Han and Shu-Ying Chang.

KPMG

Taipei, Taiwan (Republic of China)  
March 9, 2022

#### **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**

**Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

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

		2021		2020	
		Amount	%	Amount	%
4000	<b>Operating revenue (note 6(n) and 7)</b>	\$ 4,038,636	100	3,721,161	100
5000	<b>Operating costs (note 6(c), (j) and 12)</b>	1,613,866	40	1,508,605	41
	<b>Gross profit</b>	2,424,770	60	2,212,556	59
5910	Less: Unrealized profit (loss) from sales	18,474	-	23,316	1
5920	Add: Realized profit (loss) from sales	23,316	-	21,870	1
	<b>Gross profit, net</b>	2,429,612	60	2,211,110	59
6000	<b>Operating expenses (note 6(j) and 12):</b>				
6100	Selling expenses	736,328	18	799,945	21
6200	Administrative expenses (note 6(o))	301,965	8	287,363	7
6300	Research and development expenses	245,778	6	216,594	6
6450	Expected credit losses (note 6(b))	12,024	-	-	-
		1,296,095	32	1,303,902	34
	<b>Net operating income</b>	1,133,517	28	907,208	25
	<b>Non-operating income and losses (note 6(p) and 7):</b>				
7100	Interest income	442	-	1,126	-
7010	Other income	16,930	-	16,818	1
7020	Other gains and losses, net	(170,936)	(4)	17,842	1
7050	Finance costs, net	(17,288)	-	(17,358)	(1)
7070	Share of profit of subsidiaries and associates accounted for using equity method, net (note 6(d))	119,554	3	203,819	5
		(51,298)	(1)	222,247	6
	<b>Profit before tax</b>	1,082,219	27	1,129,455	31
7950	Less: Income tax expenses (Note 6(k))	250,325	6	205,277	6
	<b>Profit for the period</b>	831,894	21	924,178	25
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	(Losses) gains on remeasurements of defined benefit plans (note 6(j))	(10,809)	-	7,920	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	-	-	15,132	-
8330	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(5,802)	-	(7,097)	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss	(16,611)	-	15,955	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(87,520)	(2)	(82,635)	(2)
8380	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(182)	-	268	-
8399	Income tax related to components of other comprehensive loss that may be reclassified to profit or loss	17,540	-	16,480	(1)
	Components of other comprehensive loss that may be reclassified to profit or loss	(70,162)	(2)	(65,887)	(1)
8300	<b>Other comprehensive loss for the period, net of tax</b>	(86,773)	(2)	(49,932)	(1)
	<b>Total comprehensive income for the period</b>	<b>\$ 745,121</b>	<b>19</b>	<b>874,246</b>	<b>24</b>
	<b>Earnings per share, net of tax (note 6(m))</b>				
	Basic earnings per share	\$	<b>3.35</b>	\$	<b>3.72</b>
	Diluted earnings per share	\$	<b>3.34</b>	\$	<b>3.71</b>

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, 2021 and 2020**

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

	Share capital		Retained earnings			Total other equity interest			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	
<b>Balance on January 1, 2020</b>	\$ 2,486,500	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	40,135	5,570,636
Net income	-	-	-	-	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	-	-	-	-	(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 measured 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
Net income	-	-	-	-	831,894	-	-	-	831,894
Other comprehensive income	-	-	-	-	(10,809)	(70,162)	(5,802)	(75,964)	(86,773)
Total comprehensive income	-	-	-	-	821,085	(70,162)	(5,802)	(75,964)	745,121
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	104,809	-	(104,809)	-	-	-	-
Special reserve appropriated	-	-	-	23,555	(23,555)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(994,600)	-	-	-	(994,600)
Other changes in capital surplus:									
Changes in equity of investments accounted for using equity method	-	(13,893)	-	-	-	-	-	-	(13,893)
Other changes in capital surplus	-	710	-	-	-	-	-	-	710
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	-	(13,155)	-	-	(6,311)	-	-	-	(19,466)
Changes in ownership interests in subsidiaries	-	217	-	-	-	-	-	-	217
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(11,603)	-	11,603	11,603	-
<b>Balance on December 31, 2021</b>	<b>\$ 2,486,500</b>	<b>311,876</b>	<b>1,198,617</b>	<b>133,709</b>	<b>1,235,223</b>	<b>(216,773)</b>	<b>18,703</b>	<b>(198,070)</b>	<b>5,167,855</b>

See accompanying notes to financial statements.

## TTY BIOPHARM COMPANY LIMITED

## Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,082,219	1,129,455
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	140,926	132,489
Amortization expense	7,657	5,226
Expected credit losses	12,024	-
Interest expense	17,288	17,358
Interest income	(442)	(1,126)
Share of profit of investments accounted for using the equity method	(119,554)	(203,819)
Losses on disposal of property, plant and equipment	108	321
Unrealized profit from sales	18,474	23,316
Realized profit from sales	(23,316)	(21,870)
Gain from lease modification	(232)	(7)
Amortization of deferred profit	(13,183)	(2,917)
<b>Total adjustments to reconcile profit (loss)</b>	<b>39,750</b>	<b>(51,029)</b>
<b>Changes in operating assets and liabilities:</b>		
Notes receivable	(878)	(1,653)
Accounts receivable	(158,641)	7,008
Other receivable	1,330	30,462
Inventories	147,463	(219,403)
Other current assets	5,315	(8,014)
<b>Total changes in operating assets</b>	<b>(5,411)</b>	<b>(191,600)</b>
Current contract liabilities	24,604	3,318
Notes payable	198,672	1,202
Accounts payable	(34,871)	(22,617)
Other payable	31,243	(61,023)
Other current liabilities	(2,208)	(4,675)
Net defined benefit liability	(3,712)	(2,689)
<b>Total changes in operating liabilities</b>	<b>213,728</b>	<b>(86,484)</b>
<b>Total changes in operating assets and liabilities</b>	<b>208,317</b>	<b>(278,084)</b>
<b>Total adjustments</b>	<b>248,067</b>	<b>(329,113)</b>
Cash inflow generated from operations	1,330,286	800,342
Interest received	442	1,126
Dividends received	112,197	59,964
Interest paid	(16,772)	(17,495)
Income taxes paid	(195,916)	(301,910)
<b>Net cash flows from operating activities</b>	<b>1,230,237</b>	<b>542,027</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	70,172
Acquisition of investments accounted for using equity method	(13,863)	-
Acquisition of property, plant and equipment	(56,552)	(155,962)
Proceeds from disposal of property, plant and equipment	-	13
(Increase) decrease in refundable deposits paid	(9,670)	8,393
Acquisition of intangible assets	(12,847)	(13,210)
Decrease in other financial assets	190	1,228
Increase in prepayments for business facilities	(2,690)	(789)
(Increase) decrease in other non-current assets	(68,736)	10,656
<b>Net cash flows used in investing activities</b>	<b>(164,168)</b>	<b>(79,499)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	5,400,000	5,400,000
Decrease in short-term loans	(5,400,000)	(5,200,000)
Proceeds from long-term borrowings	-	700,000
Repayments of long-term borrowings	-	(650,000)
Increase in guarantee deposits received	78	-
Payment of lease liabilities	(5,544)	(4,888)
Cash dividends paid	(994,600)	(994,599)
Dividends unclaimed by shareholders	710	-
<b>Net cash flows used in financing activities</b>	<b>(999,356)</b>	<b>(749,487)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(3)</b>	<b>35</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>66,710</b>	<b>(286,924)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>194,591</b>	<b>481,515</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 261,301</b>	<b>194,591</b>

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, 2021 and 2020**

**(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 issuance by the Board of Directors on March 9, 2022.

**(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, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its financial statements:

- 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”

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- (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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	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.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to 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 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(q).

###### (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 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

All regular way purchases or sales of financial assets are recognized and derecognized on a trade basis.

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 on the date that the Company's right to receive payment is established unless the dividend income 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 accounts receivable, other receivables, 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 when estimating ECL, 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 asset 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 its payment term;

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- 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)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

#### 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.

On 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 in the net amount in the balance sheet only when the Company currently has a legally enforceable right to offset the amounts and intends to settle 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)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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 proportionate share.

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.

#### (j) Investment property

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

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

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

#### (k) Property, plant and equipment

##### (i) Recognition and measurement

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

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(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, 6-25 years, and 10 years, respectively.

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

(iv) Reclassification as investment property

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

(l) Leases

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.

(i) As a lessee

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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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.

(ii) As a lessor

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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

- |                           |             |
|---------------------------|-------------|
| 1) Patents and franchise  | 10-12 years |
| 2) Computer software cost | 1-8 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) 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)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(p) 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 been transferred, being when the products are delivered to the customer, the customer has full been 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

### Notes to the Financial Statements

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.

#### (q) 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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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.

#### (r) 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)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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.

(s) 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.

(t) Operating segments

Please refer to the consolidated financial statements of TTY Biopharm Company Limited for the years ended December 31, 2021 and 2020.

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

In preparing these financial statements, management has made 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

### Notes to the Financial Statements

Information of valuation of inventories 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:

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(c) for further description of the valuation of inventories.

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

##### (a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 2,025	2,041
Cash in banks	259,276	192,550
	<b>\$ 261,301</b>	<b>194,591</b>

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

##### (b) Notes and accounts receivable (including related parties)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivables	\$ 18,530	17,652
Accounts receivables	868,839	799,508
Accounts receivables–related parties	142,853	86,155
Less: allowance for expected credit losses	(196)	(20,784)
	<b>\$ 1,030,026</b>	<b>882,531</b>

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

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:

	<b>December 31, 2021</b>		
	<b>Face value of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 1,026,222	0%~1%	188
1 to 90 day overdue	3,563	0%~13%	8
91 to 180 day overdue	437	0%~70%	-
	<b>\$ 1,030,222</b>		<b>196</b>
	<b>December 31, 2020</b>		
	<b>Face value of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 883,629	0%~1%	3,216
1 to 90 day overdue	2,229	4%~6%	111
More than 181 days overdue	17,457	100%	17,457
	<b>\$ 903,315</b>		<b>20,784</b>

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

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 20,784	20,784
Expected credit losses recognized	12,024	-
Amounts written off	(32,612)	-
Balance at December 31	<b>\$ 196</b>	<b>20,784</b>

As of December 31, 2021 and 2020, the accounts receivable and notes receivable for the Company were not pledged as collateral.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(c) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Merchandise	\$ 203,927	244,732
Finished goods	193,618	311,059
Work in process	111,511	82,882
Raw materials	271,822	284,067
Materials	53,886	56,892
Subtotal	834,764	979,632
Goods in transit	110,806	108,821
Total	945,570	1,088,453
Less: allowance for inventory market decline and obsolescence	(76,725)	(72,145)
Net amount	<b>\$ 868,845</b>	<b>1,016,308</b>

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Inventories have been sold	\$ 1,563,986	1,469,050
Costs of service	38,024	55
Write-down of inventories from cost to net realizable value and disposal of inventories	11,856	39,500
	<b>\$ 1,613,866</b>	<b>1,508,605</b>

(ii) As of December 31, 2021 and 2020, the aforesaid inventories were not pledged as collateral.

(d) Investments accounted for using equity method

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiaries	\$ 2,117,653	2,146,175
Associates	1,233,287	1,222,163
	<b>\$ 3,350,940</b>	<b>3,368,338</b>

(i) Subsidiaries

Please refer to the consolidated financial report for the years ended December 31, 2021 and 2020.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(ii) Associates

- 1) As of December 31, 2021 and 2020, the associate which the Company invested had a quoted market price was as follows:

	December 31, 2021	December 31, 2020
Carrying amount	<u>\$ 873,627</u>	<u>877,057</u>
Fair value	<u>\$ 1,877,930</u>	<u>1,497,688</u>

- 2) For the years ended December 31, 2021 and 2020, PharmaEngine, Inc. amortized the compensation cost of employee stock options, expired employee stock option, and purchase of treasury stocks, which resulted in a change in the shareholding ratio, and such change was debit of \$13,893 thousand and \$517 thousand, respectively, to its capital reserve. For the years ended December 31, 2021 and 2020, the Company's shareholding ratio rose from 17.77% to 18.01% and rose from 17.76% to 17.77%, respectively.

(iii) Associate that had materiality was as follows:

Associate	Nature of relationship	Country of registration	Equity ownership	
			December 31, 2021	December 31, 2020
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	18.01%	17.77%

The following was the summary of financial information about the Company's significant associate. 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, 2021	December 31, 2020
Current assets	\$ 4,008,969	4,169,858
Non-current assets	17,374	37,053
Current liabilities	(87,705)	(184,462)
Non-current liabilities	-	(11,316)
Net assets	<u>\$ 3,938,638</u>	<u>4,011,133</u>
Net assets attributable to investee owners	<u>\$ 3,938,638</u>	<u>4,011,133</u>

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenue	<b>\$ 654,835</b>	<b>1,056,012</b>
Profit for the period	\$ 426,031	604,281
Other comprehensive (loss) income	(1,213)	1,587
Comprehensive income	<b>\$ 424,818</b>	<b>605,868</b>
Comprehensive income attributable to investee owners	<b>\$ 424,818</b>	<b>605,868</b>

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net assets attributable to the Company, January 1	\$ 712,779	618,580
Changes in capital surplus of affiliated companies	(13,893)	(517)
Comprehensive income attributable to the Company	76,030	107,655
Cash dividends received from associates	(65,567)	(12,939)
Net assets attributable to the Company, December 31	709,349	712,779
Add: goodwill	164,278	164,278
Carrying amount of interest in associates, December 31	<b>\$ 873,627</b>	<b>877,057</b>

(iv) Summary financial information on individually insignificant associates

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Carrying amount of interest in individually insignificant associates	<b>\$ 359,660</b>	<b>345,106</b>
	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Attributable to the Company:		
Profit for the period	\$ 58,934	55,492
Other comprehensive loss	(35,197)	(23,124)
Comprehensive income	<b>\$ 23,737</b>	<b>32,368</b>

(v) Collateral

As of December 31, 2021 and 2020 the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(Continued)

# TTY BIOPHARM COMPANY LIMITED

## Notes to the Financial Statements

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machiner y and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost:</b>								
Balance on January 1, 2021	\$ 897,051	1,296,773	698,131	5,601	501,385	-	323,327	3,722,268
Additions	-	18,124	11,469	-	26,985	10,217	600	67,395
Disposals	-	(27,483)	(1,518)	-	(6,563)	-	-	(35,564)
Reclassifications	-	145,000	74,142	-	10,556	-	(228,927)	771
Balance on December 31, 2021	<b>\$ 897,051</b>	<b>1,432,414</b>	<b>782,224</b>	<b>5,601</b>	<b>532,363</b>	<b>10,217</b>	<b>95,000</b>	<b>3,754,870</b>
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	<b>\$ 897,051</b>	<b>1,296,773</b>	<b>698,131</b>	<b>5,601</b>	<b>501,385</b>	<b>-</b>	<b>323,327</b>	<b>3,722,268</b>
<b>Depreciation:</b>								
Balance on January 1, 2021	\$ -	427,167	376,475	4,264	356,277	-	-	1,164,183
Depreciation for the year	-	61,928	43,712	912	33,167	440	-	140,159
Disposals	-	(27,019)	(1,518)	-	(6,455)	-	-	(34,992)
Balance on December 31, 2021	<b>\$ -</b>	<b>462,076</b>	<b>418,669</b>	<b>5,176</b>	<b>382,989</b>	<b>440</b>	<b>-</b>	<b>1,269,350</b>
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	<b>\$ -</b>	<b>427,167</b>	<b>376,475</b>	<b>4,264</b>	<b>356,277</b>	<b>-</b>	<b>-</b>	<b>1,164,183</b>
<b>Carrying amounts:</b>								
Balance on December 31, 2021	<b>\$ 897,051</b>	<b>970,338</b>	<b>363,555</b>	<b>425</b>	<b>149,374</b>	<b>9,777</b>	<b>95,000</b>	<b>2,485,520</b>
Balance on January 1, 2020	<b>\$ 810,323</b>	<b>927,699</b>	<b>323,459</b>	<b>2,255</b>	<b>152,252</b>	<b>-</b>	<b>149,785</b>	<b>2,365,773</b>
Balance on December 31, 2020	<b>\$ 897,051</b>	<b>869,606</b>	<b>321,656</b>	<b>1,337</b>	<b>145,108</b>	<b>-</b>	<b>323,327</b>	<b>2,558,085</b>

(i) Collateral

As of December 31, 2021 and 2020, the property, plant and equipment were not pledged as collateral.

(ii) Property, plant and equipment under construction

As of the reporting date, the Company' s plant under construction has incurred expenditures amounting to \$95,000 thousand, and there were no capitalized loan cost for the years ended December 31, 2021 and 2020.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(f) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance on January 1, 2021	\$ 99,769	29,188	128,957
Balance on December 31, 2021	<u>\$ 99,769</u>	<u>29,188</u>	<u>128,957</u>
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	<u>\$ 99,769</u>	<u>29,188</u>	<u>128,957</u>
<b>Depreciation and impairment loss:</b>			
Balance on January 1, 2021	\$ -	14,794	14,794
Depreciation	-	767	767
Balance on December 31, 2021	<u>\$ -</u>	<u>15,561</u>	<u>15,561</u>
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	<u>\$ -</u>	<u>14,794</u>	<u>14,794</u>
<b>Carrying amount:</b>			
Balance on December 31, 2021	<u>\$ 99,769</u>	<u>13,627</u>	<u>113,396</u>
Balance on January 1, 2020	<u>\$ 69,152</u>	<u>7,918</u>	<u>77,070</u>
Balance on December 31, 2020	<u>\$ 99,769</u>	<u>14,394</u>	<u>114,163</u>
<b>Fair value:</b>			
Balance on December 31, 2021			<u>\$ 273,173</u>
Balance on December 31, 2020			<u>\$ 273,606</u>

- (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, 2021 and 2020, the Company's investment properties were not pledged as collateral.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(g) Other financial assets and other assets

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other non-current financial assets	\$ 151,003	151,193
Long-term prepayments	79,672	10,936
Others	81	4,465
	<b>\$ 230,756</b>	<b>166,594</b>

- (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. Please refer to Note 9 for the relevant unrecognized contractual commitments.
- (iii) Please refer to Note 8 for the Company' s information on collateral.

(h) Short-term loans

The short-term loans were summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured bank loans	<b>\$ 1,650,000</b>	<b>1,650,000</b>
Unused credit lines	<b>\$ 1,176,395</b>	<b>1,178,789</b>
Range of interests rates	<b>0.72%~0.80%</b>	<b>0.77%~0.88%</b>

Please refer to Note 6(q) for the exposure information of the Company' s interest rate and liquidity risk.

(i) Long-term loans

The long-term loans were summarized as follows:

	<b>December 31, 2021</b>			
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	NTD	0.991%	2022	\$ 400,000
Less: current portion				(400,000)
Total				<b>\$ -</b>
Unused credit lines				<b>\$ 200,000</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

Please refer to Note 6(q) for the exposure information of the Company's interest rate and liquidity risk.

(j) 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, 2021	December 31, 2020
Present value of defined benefit obligation	\$ 96,593	105,341
Fair value of plan assets	(43,996)	(59,841)
Net defined benefit liabilities	<b>\$ 52,597</b>	<b>45,500</b>

The Company's employee benefit liabilities were as below:

	December 31, 2021	December 31, 2020
Vacation liability	<b>\$ 7,138</b>	<b>7,138</b>

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 \$43,996 thousand as of December 31, 2021. 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.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

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:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Defined benefit obligation, January 1	\$ 105,341	123,179
Current service costs and interest	823	1,604
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial gain arising from changes in demographic assumptions	3,780	-
— Actuarial (loss) gain arising from changes in financial assumptions	(346)	2,715
— Experience adjustments	8,119	(8,429)
Benefits paid	(21,124)	(13,728)
Defined benefit obligations, December 31	<b><u>\$ 96,593</u></b>	<b><u>105,341</u></b>

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:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Fair value of plan assets, January 1	\$ 59,841	67,070
Interest revenue	282	467
Remeasurement on the net defined liabilities (assets):		
— Return on plan assets excluding interest income	744	2,206
Contributions made	4,253	3,826
Benefits paid	(21,124)	(13,728)
Fair value of plan assets, December 31	<b><u>\$ 43,996</u></b>	<b><u>59,841</u></b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2021 and 2020, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current service cost	\$ 338	727
Net interest of net liabilities for defined benefit obligation	203	410
	<b>\$ 541</b>	<b>1,137</b>
Operating costs	\$ 171	373
Selling expenses	139	351
Administrative expenses	131	178
Research and development expenses	100	235
	<b>\$ 541</b>	<b>1,137</b>

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, 2021 and 2020, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Accumulated amount, January 1	\$ 381	8,301
Recognized during the year	10,809	(7,920)
Accumulated amount, December 31	<b>\$ 11,190</b>	<b>381</b>

6) Actuarial assumptions

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.51%	0.47%
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 \$4,032 thousand.

The weighted-average lifetime of the defined benefit plan is 2 years.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

7) Sensitivity analysis

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

	<b>Influences of defined benefit obligation</b>	
	<b>Increased</b>	<b>Decreased</b>
December 31, 2021		
Discount rate (Fluctuation of 0.25%)	\$ (1,923)	1,983
Future salary increasing rate (Fluctuation of 0.25%)	1,691	(1,652)
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)

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 2021 and 2020.

(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 \$32,581 thousand and \$31,558 thousand for the years ended December 31, 2021 and 2020, respectively.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(k) Income taxes

(i) Income tax expense

The components of income tax for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense		
Current period	\$ 249,963	217,408
Adjustment for prior periods	(4,806)	(736)
	<u>245,157</u>	<u>216,672</u>
Deferred tax expense		
Origination and reversal of temporary differences	5,168	(11,395)
Income tax expense	<u><b>\$ 250,325</b></u>	<u><b>205,277</b></u>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2021 and 2020 was as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	<u><b>\$ 17,540</b></u>	<u><b>16,480</b></u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2021 and 2020 is as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	\$ 1,082,219	1,129,455
Income tax using the Company' s domestic tax rate	\$ 216,444	225,891
Share of profit of investments accounted for using equity method	(22,392)	(39,167)
Permanent difference	52,308	13,222
Change in provision in prior periods	(4,806)	(736)
Non-deductible expenses	2,309	-
Others	6,462	6,067
	<u><b>\$ 250,325</b></u>	<u><b>205,277</b></u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(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, 2021 and 2020. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ (390,051)	(390,051)
Unrecognized deferred tax liabilities	\$ (78,010)	(78,010)

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	<b>Gain on foreign investments</b>	<b>Reserve for land revaluation increment tax</b>	<b>Total</b>
<b>Deferred tax liabilities:</b>			
Balance on January 1, 2021	\$ 210,955	60,871	271,826
Recognized in profit or loss	6,233	-	6,233
Recognized in other comprehensive income	(17,540)	-	(17,540)
Balance on December 31, 2021	\$ 199,648	60,871	260,519
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

	<b>Defined benefit plan</b>	<b>Gain or loss on valuation of inventory</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax assets:</b>				
Balance on January 1, 2021	\$ 6,317	14,429	23,194	43,940
Recognized in profit or loss	(742)	916	891	1,065
Balance on December 31, 2021	\$ 5,575	15,345	24,085	45,005
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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(iii) Assessment of tax

Except for the year of 2018, the Company's income tax return through 2019 have been assessed and approved by the Tax Authorities.

(l) Capital and other equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 500,000,000 shares and 350,000,000 shares, respectively, with par value of \$10 per share and the total value of authorized ordinary shares amounted to \$5,000,000 thousand and \$3,500,000 thousand, respectively. The paid-in capital were both \$2,486,500 thousand. All issued shares were paid-in upon issuance.

(i) Capital surplus

The ending balance of capital surplus were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital	\$ 484	484
Long-term investment	310,682	337,513
Other	710	-
	<b><u>\$ 311,876</u></b>	<b><u>337,997</u></b>

According to the R.O.C. Company Act, 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 capital surplus 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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

1) Legal reserve

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

2) Special reserve

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

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of \$82,429 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, 2021 and 2020, the special reserve amounted to \$133,709 thousand and \$110,154 thousand, respectively.

3) Earnings distribution

Earnings distribution for 2020 and 2019 was resolved in the general meeting of shareholders held on August 25, 2021 and June 12, 2020, respectively. The relevant dividend distributions to shareholders were as follows :

	2020		2019	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 4.00	<u>994,600</u>	4.00	<u>994,599</u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(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, 2021	\$ (146,611)	12,902	(133,709)
Exchange differences on foreign operations	(3)	-	(3)
Share of exchange differences of subsidiaries and associates accounted for using equity method	(70,159)	-	(70,159)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	11,603	11,603
Unrealized losses from financial assets measured at fair value through other comprehensive income, subsidiaries and associates accounted for using equity method	-	(5,802)	(5,802)
Balance on December 31, 2021	<u>\$ (216,773)</u>	<u>18,703</u>	<u>(198,070)</u>
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 on financial assets measured at fair value through other comprehensive income	-	15,132	15,132
Disposal of investments in equity instruments designated at fair value through other comprehensive 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	<u>\$ (146,611)</u>	<u>12,902</u>	<u>(133,709)</u>

(m) Earnings per share

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 831,894</u>	<u>924,178</u>
Weighted average number of ordinary shares	248,650	248,650
	<u>\$ 3.35</u>	<u>3.72</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 831,894</u>	<u>924,178</u>
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	409	413
Weighted average number of ordinary shares (diluted)	<u>249,059</u>	<u>249,063</u>
	<u>\$ 3.34</u>	<u>3.71</u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

For the year ended December 31, 2021				
	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Total
Primary geographical markets:				
Taiwan	\$ 2,357,868	221,480	1,135,787	3,715,135
Other countries	323,411	-	90	323,501
	<b>\$ 2,681,279</b>	<b>221,480</b>	<b>1,135,877</b>	<b>4,038,636</b>
Major products/services lines:				
Medicine and functional food	\$ 2,519,641	221,480	1,135,807	3,876,928
Services	102,679	-	70	102,749
Royalty	58,959	-	-	58,959
	<b>\$ 2,681,279</b>	<b>221,480</b>	<b>1,135,877</b>	<b>4,038,636</b>
For the year ended December 31, 2020				
	Oncology Business Unit	Health Care Unit	Anti-Infection 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
	<b>\$ 2,519,082</b>	<b>212,627</b>	<b>989,452</b>	<b>3,721,161</b>
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
Royalty	51,916	-	-	51,916
	<b>\$ 2,519,082</b>	<b>212,627</b>	<b>989,452</b>	<b>3,721,161</b>

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liability	<b>\$ 40,099</b>	<b>15,495</b>	<b>12,177</b>

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

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$12,013 thousand and \$6,223 thousand, respectively.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(o) Remunerations to employees and directors

The Company's Articles of Incorporation require that earnings shall first be offset against any deficit, then, a range of 0.5%~10% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration both at \$23,195 thousand, and directors' remuneration at \$14,950 thousand. These amounts were calculated by using the Company's profit before tax for the period before deducting the amounts of the remuneration to employees and directors based on the Company's Articles of Incorporation, and the amount was recognized under operating costs or expenses. 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 distributions for 2021 and 2020.

(p) Non-operating income and expenses

(i) Interest income

The details of total interest income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 442	1,126

(ii) Other income

The details of other income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Rent revenue	\$ 16,930	16,818

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Losses on disposal of property, plant and equipment	\$ (108)	(321)
Gain on lease modification	232	7
Foreign exchange losses	(5,056)	(7,371)
Others	(166,004)	25,527
	\$ (170,936)	17,842

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

On May 14, 2021, the Company received a decision from the Fair-Trade Commission, stating that the agreement between the Company and Lotus Pharmaceutical Co., Ltd. for exclusive right to sell “Furil Capsules” since February 4, 2009, was regarded as a concerted action. Therefore, the Company was fined with \$220,000 thousand, which was recognized under other gains and losses. On July 12, 2021, the Company filed a complaint with Taipei High Administrative Court to revoke the decision, and the court has accepted the case.

(iv) Finance costs

The details of finance costs for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Interest expense	\$ 17,062	17,243
Other finance costs	226	115
	<u>\$ 17,288</u>	<u>17,358</u>

(q) 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, 2021 and 2020, amounted to \$1,030,222 thousand and \$903,315 thousand, respectively.

2) Concentration 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, 2021 and 2020, the accounts receivable from the Company’s top ten customers represented 24% and 15%, respectively, of accounts receivable.

3) Credit risk of receivables

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

Other financial assets at amortized cost include 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.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Bank loans	\$ 2,050,000	2,053,673	2,053,673	-	-
Non-interest-bearing liabilities (including related parties)	758,660	758,660	614,860	110,400	33,400
Guarantee deposit received	3,637	3,637	3,637	-	-
	<u>\$ 2,812,297</u>	<u>2,815,970</u>	<u>2,672,170</u>	<u>110,400</u>	<u>33,400</u>
<b>December 31, 2020</b>					
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	-	-
	<u>\$ 2,620,255</u>	<u>2,628,718</u>	<u>2,226,428</u>	<u>402,290</u>	<u>-</u>

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 was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 3,069	27.68	84,942	3,370	28.48	95,978
CNY	165	4.344	715	400	4.377	1,751
JPY	128,475	0.24	30,898	95,362	0.28	26,701
EUR	32	31.32	996	40	35.02	1,401
IDR	216,025	0.002	428	760,275	0.002	1,521
<u>Non-monetary items</u>						
USD	47,800	27.68	1,323,103	48,097	28.48	1,369,812
CNY	46,759	4.344	203,123	48,750	4.377	213,378
THB	350,604	0.835	292,649	299,410	0.96	287,434
TRY	6,744	2.156	14,539	-	-	-

(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, 2021 and 2020 would have increased (decreased) the net profit after tax by \$944 thousand and \$1,016 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, 2021 and 2020, the foreign exchange loss, including both realized and unrealized, amounted to \$5,056 thousand and \$7,371 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.

Regarding the liabilities with variable interest rates, their sensitivity analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The fluctuation rate is expressed as the interest rate increases or decreases by 0.25%, which also represents the Company management's assessment of the reasonably possible interest rate change, when reporting to the internal management.

If the interest rate had increased/decreased by 0.25%, the Company's after-tax net income would have decreased/increased by \$811 thousand and \$1,816 thousand for the years ended December 31, 2021 and 2020, respectively with all other variable factors remaining constant.

#### (v) Fair value of financial instruments

##### 1) Categories and fair value of financial instruments

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)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

		December 31, 2021				
		Fair Value				
		Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	261,301	-	-	-	-
Notes and accounts receivable (including related parties)		1,030,026	-	-	-	-
Other receivables (including related parties)		20,134	-	-	-	-
Other financial asset		151,003	-	-	-	-
Refundable deposits paid		29,366	-	-	-	-
Total		<b>\$ 1,491,830</b>	-	-	-	-
Financial liabilities measured at amortized cost						
Bank loans	\$	2,050,000	-	-	-	-
Notes and accounts payable (including related parties)		172,571	-	-	-	-
Other payables (including related parties)		442,289	-	-	-	-
Guarantee deposit received		3,637	-	-	-	-
Other non-current liabilities		143,800	-	-	-	-
Total		<b>\$ 2,812,297</b>	-	-	-	-
		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		<b>\$ 1,339,475</b>	-	-	-	-
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		<b>\$ 2,620,255</b>	-	-	-	-

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- 2) 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.

- (r) Financial risk management

- (i) Overview

The Company has exposure 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)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

1) Accounts receivable 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 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, 2021 and 2020.

(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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(s) Capital management

The Company's objectives in capital management is to safeguard the capacity to continue as a going concern, to continue to provide returns for shareholders, maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the 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 capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Company's debt-to-equity ratio at the end of the reporting date was as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 3,338,617	3,104,981
Less: cash and cash equivalents	(261,301)	(194,591)
Net debt	3,077,316	2,910,390
Total capital	5,167,855	5,449,766
Adjusted capital	<b>\$ 8,245,171</b>	<b>8,360,156</b>
Debt to equity ratio	<b>37.32%</b>	<b>34.81%</b>

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

(a) Names and relationship with related parties

The followings are entities that 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
Chuang Yi Biotech Co., Ltd.	A subsidiary
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	A subsidiary (Note)
TTY Biopharm Mexico S.A. de C.V.	A subsidiary
American Taiwan Biopharm (Thailand)	An associate
PharmaEngine, Inc.	An associate

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

Note: In October 2021, the Company established its wholly owned subsidiary, TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi, which is listed as one of the subsidiaries in the financial statements.

(b) Significant transactions with related parties

(i) Operating revenue

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 220,686	178,909
Associates	83,046	66,199
	<b><u>\$ 303,732</u></b>	<b><u>245,108</u></b>

- 1) Prices charged for sales transactions with overseas 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

<b>Recognized item</b>	<b>Category</b>	<b>For the years ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
Service revenue	Subsidiaries	\$ 3,976	786
	Associates	9	7
		<b><u>\$ 3,985</u></b>	<b><u>793</u></b>

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

<b>Recognized item</b>	<b>Category</b>	<b>For the years ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
Royalty revenue	Subsidiary-Worldco International Co., Ltd.	<b><u>\$ 48,181</u></b>	<b><u>50,382</u></b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(iv) Rent revenue

<u>Recognized item</u>	<u>Category</u>	<u>For the years ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
Rent revenue	Subsidiary-TSH Biopharm Co., Ltd.	\$ 4,431	4,207
	Subsidiary-Chuang Yi Biotech Co., Ltd.	2,757	3,135
	Subsidiaries	180	180
		<u>\$ 7,368</u>	<u>7,522</u>

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

(v) Other gains

<u>Recognized item</u>	<u>Category</u>	<u>For the years ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
Other gains	Subsidiary-TSH Biopharm Co., Ltd.	\$ 5,514	5,337
	Subsidiary-Chuang Yi Biotech Co., Ltd.	13,446	3,491
	Subsidiaries	664	706
	Associate-American Taiwan Biopharm (Thailand)	11,892	12,545
	Associates	2,926	205
		<u>\$ 34,442</u>	<u>22,284</u>

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.

(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2021</u>	<u>2020</u>
Accounts receivable	Subsidiaries	\$ 119,917	63,284
	Associates	22,936	22,871
		<u>\$ 142,853</u>	<u>86,155</u>

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

<u>Recognized item</u>	<u>Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables	Subsidiary-Chuang Yi Biotech Co., Ltd. (Note)	\$ 27	70,321
	Subsidiary-American Taiwan Biopharma Phils Inc.	6,922	7,283
	Subsidiary-TSH Biopharm Co., Ltd.	2,684	1,731
	Subsidiaries	94	95
	Associate-American Taiwan Biopharm (Thailand)	2,971	3,515
			<u>\$ 12,698</u>
Guarantee deposit received	Subsidiary-TSH Biopharm Co., Ltd.	\$ 766	693
	Subsidiary-Chuang Yi Biotech Co., Ltd.	527	522
	Subsidiaries	30	30
		<u>\$ 1,323</u>	<u>1,245</u>

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

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 on January 25, 2021.

(d) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 59,867	61,161
Post-employment benefits	526	698
	<u>\$ 60,393</u>	<u>61,859</u>

**(8) Pledged assets:**

As of December 31, 2021 and 2020, pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other non-current financial asset	Guarantee for provision attachment	<u>\$ 149,380</u>	<u>149,380</u>

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

**(9) Commitments and contingencies:**

(a) The Company's unfinished contracts as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total price of unfinished contracts		
Purchase of equipment and construction engineering	\$ 18,185	162,960
Acquisition of intangible assets	\$ 204,562	50,648
Acquisition of raw material	\$ 95,252	-
Unpaid amount		
Purchase of equipment and construction engineering	\$ 10,974	20,143
Acquisition of intangible assets	\$ 140,815	33,910
Acquisition of raw material	\$ 73,525	-

(b) As of December 31, 2021 and 2020, the financial institutions provide guarantee for the import and sale of medicine amounted to \$153,605 thousand and \$71,211 thousand, respectively.

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

**(11) Subsequent Events: None**

**(12) Other:**

(a) A summary of current-period employee benefits, depreciation and amortization expenses, by function, was as follows:

By item	By function	For the years ended December 31,					
		2021			2020		
		Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit							
Salary	\$	212,700	463,426	676,126	221,866	451,051	672,917
Health and labor insurance		20,731	37,528	58,259	20,077	33,934	54,011
Pension		11,213	21,909	33,122	11,359	21,336	32,695
Director's remuneration		-	30,191	30,191	-	30,101	30,101
Others		2,006	50,551	52,557	5,914	41,595	47,509
Depreciation		104,315	36,611	140,926	105,251	27,238	132,489
Amortization		187	7,470	7,657	405	4,821	5,226

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

For the years ended December 31, 2021 and 2020, the information of the number of employees and employee benefit expense were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Number of employees	<b>580</b>	<b>585</b>
Number of directors who were not employees	<b>8</b>	<b>7</b>
The average employee benefit	<b>\$ 1,434</b>	<b>1,396</b>
The average salaries and wages	<b>\$ 1,182</b>	<b>1,164</b>
Percentage of average employee salary expense	<b>1.55%</b>	<b>(0.77)%</b>
Remuneration of supervisor	<b>\$ -</b>	<b>-</b>

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

The Company's Articles of Incorporation 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 Policy" 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 "Rules and Procedures of Board of Directors and Functional Committee Performance Evaluation" 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 resonance 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 Company's 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 evaluate, 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 its employees to create greater operating benefits for the company.

- (b) The Company donated \$39,933 thousand and \$39,706 thousand to medical related foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2021 and 2020, respectively.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the exchairman 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 Supreme Court. On December 23, 2021 the Supreme Court sent it back to the Taiwan High Court for remand. 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 "Risperidone". 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 "Risperidone". 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 further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress.
- (e) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of December 31, 2021, the monies incurred from the agreement in dispute in the amount of \$21,538 thousand euros have been deposited into the escrow account by Janssen.
- (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 action 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. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case is further remanded by the Supreme Court to the Taiwan High Court for an appeal by the Company.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. This case has been accepted by the Labor Court Dresden of Germany and is currently under progress.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on the Company's significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the year ended December 31, 2021:

(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)		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)
					USD	NTD							Item	Value		
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	69,200	69,200	-	0.9%	2	-	Operating capital	-	-	-	81,249	81,249
					USD 2,500	USD 2,500									CNY 18,704	CNY 18,704

The exchange rate of USD to NTD as of the reporting date is 1:27.68.

The exchange rate of CNY to NTD as of the reporting date is 1:4.344.

(Continued)

**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 20% and 40% of the worth of the Company and its subsidiaries, respectively, in their latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in their 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, 2021.

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, 2021 (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	1,315	52,929	0.81%	52,929	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	157,750	0.38%	157,750	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	21,200	0.20%	21,200	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	58	3,483	0.02%	3,483	
"	CellMax Ltd. Preferred Stock	-	"	1,593	14,771	0.67%	14,771	

(Continued)

**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: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chuang Yi Biotech Co., Ltd.	The subsidiary	Sale	(150,958)	(3.74)%	90 days T/T	Normal	-	91,792	8.91%	
Chuang Yi Biotech Co., Ltd.	The Company	The parent company	Purchase	150,958	92.57%	90 days T/T	Normal	-	(91,792)	(97.56)%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None
- (ix) Trading in derivative instruments: None

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (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, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haiyu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00%	1,256,092	(18,357)	(18,357)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	203,123	(7,803)	(7,803)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00%	(1,300)	(548)	(476)	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	603,181	45,881	26,035	Subsidiary
The Company	Enhance Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83%	24,556	(28,967)	(6,034)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	180,951	16,646	49.05%	17,462	(31,516)	(15,458)	Subsidiary
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Turkey	Selling chemical medicine	13,863	-	240	100.00%	14,539	6,463	6,463	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.01%	873,627	426,031	76,250	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	292,649	100,869	40,348	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	67,011	46,464	18,586	Investments accounted for using equity method
Xudong Haiyu International Co., Ltd.	Enhance Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17%	44,744	(28,967)	(8,450)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00%	11,786	(8,987)	(8,987)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	13,098	(7,610)	(3,805)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	13,098	(7,610)	(3,805)	Subsidiary
Enhance Biopharm Inc.	Enhance Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00%	1,815	(479)	(479)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89%	5,993	(31,516)	(1,226)	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%	2,567	(325)	(325)	Subsidiary

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

(Continued)

**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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	51,694 CNY 11,900	(2)	87,445 CNY 20,130	-	-	87,445 CNY 20,130	634 CNY 146	100%	634 CNY 146	CNY 11,314	-
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	13,840 USD 500	(2)	13,840 USD 500	-	-	13,840 USD 500	(287) CNY (66)	100%	(287) CNY (66)	2,500 CNY 576	-

The exchange rate of USD to NTD as of the reporting date was 1:27.68, and the average exchange rate of USD to NTD as of the reporting period was 1:27.9904. The exchange rate of CNY to NTD as of the reporting date was 1:4.344, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.3394.

Note 1): Investment methods are classified into the following four categories.

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. Others.

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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 101,285	NTD 1,307,271 (USD 47,228 )	NTD 3,100,713

(iii) Significant transactions: None

(d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Dawan Technology Company Limited		23,526,732	9.46%

#### (14) Segment information:

Please refer to the consolidated financial report for the years ended December 31, 2021 and 2020.

## VII. Financial Analysis

### 1. Financial Analysis

Unit: NT\$ Thousand

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	4,798,541	4,749,403	(49,138)	(1.02)
Fixed assets	2,584,740	2,511,393	(73,347)	(2.84)
Other assets	88,792	106,043	17,251	19.43
Total assets	9,360,809	9,296,465	(64,344)	(0.69)
Current liabilities	2,548,666	3,051,579	502,913	19.73
Long-term liabilities	734,075	477,652	(256,423)	(34.93)
Total liability	3,282,741	3,529,231	246,490	7.51
Capital stock	2,486,500	2,486,500	—	—
Additional paid-in capital	337,997	311,876	(26,121)	(7.73)
Retained earnings	2,758,978	2,567,549	(191,429)	(6.94)
Total shareholder's equity	6,078,068	5,767,234	(310,834)	(5.11)

#### (1) Main Reasons for Critical Change:

- ① Increase in Other Assets: This is mainly because the tender for the hospital contract is on a biennial basis, and the refundable deposit increased significantly in year 2021 to participate in the tender for the hospital contract starts from year 2022.
- ② Increase in Current Liabilities and Decrease in Long-term Liabilities: This is due to the current portion of long-term liabilities was reclassified to current liabilities, resulting in a significant increase of current liabilities and a significant decrease of long-term liabilities. However, the Company was penalized of NT220 million from Taiwan Fair Trade Commission on May 14<sup>th</sup> 2021 and the Company has accrued this penalty in long-term liabilities, resulting in the absolute change of long-term liabilities lower than the absolute change of current liabilities.

#### (2) Impact from Critical Change and Future Responding Plan: None

## 2. Financial Results Analysis

Unit: NT\$ Thousand

Item \ Year	2020	2021	Increase (Decrease) Amount	Changes (%)
Operating Revenue	4,221,836	4,535,610	313,774	7.43
Operating cost	1,617,062	1,767,630	150,568	9.31
Add: Realized sales profit or loss	9,012	6,734	(2,278)	(25.28)
Less: Unrealized sales profit or loss	6,734	8,161	1,427	21.19
Gross profit	2,607,052	2,766,553	159,501	6.12
Operating expense	1,649,673	1,625,901	(23,772)	(1.44)
Net operating income	957,379	1,140,652	183,273	19.14
Non-Operating income and expense	244,146	(53,272)	(297,418)	(121.82)
Income from continuing operations before income taxes	1,201,525	1,087,380	(114,145)	(9.50)
Income tax expense	222,848	264,811	41,963	18.83
Net income from continuing operations	978,677	822,569	(156,108)	(15.95)
Cumulative Effect of Changes in Accounting Principle	—	—	—	—
Net income for division	—	—	—	—
Net income	978,677	822,569	(156,108)	(15.95)

### (1) Main Reasons for Critical Changes:

- ① Increase in Operating income: This is mainly because of the increase of revenue resulting in an increase of operating profit, additionally, operating expense was effectively-controlled.
- ② Decrease in Non-Operating income and expense: This is mainly because of the recognition of a penalty of NT\$ 220 million from Taiwan Fair Trade Commission on May 14<sup>th</sup> 2021 for the current period and in previous period the recognition of indemnity resulted from recall of obesity drugs of original manufacturing firm by a subsidiary – Chuang Yi Biotech Co., Ltd., and the recognition of sales milestone royalty from an associate in equity method.
- ③ Increase in Tax expense: Income before tax for the current period decreased due mainly to recognition of a penalty of NT\$ 220 million. However the penalty was excluded in the taxable income, overall taxable income increased and then tax expense also increased.

### (2) Expected Sales Volume and Expectation Basis:

For year 2022, the Company expects to sell oral drugs of 333.1million tablets and 6.25 million vials. Expected sales volumes based on IQVIA statistic report as well as under considerations of possible future demand/supply change in market, new product development speed and national health insurance policy.

**(3) Potential Impact to The Company’s Future Finance & Business and Responding Plan:**

The Company’s current operation presents stable profitability. This shall have positive influence on future finance and business, and shall benefit Company’s operation scale up and implementation of continuous internationalization.

**3. Cash Flow Analysis**

Unit: NT\$ Thousand

Cash Balance -Beginning	Annual Net Cash Flow from Operating Activities	Annual Cash Outflow	Cash Balance - Ending	Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Investment Plan
2,223,730	1,256,341	1,257,818	2,222,253	—	—

**(1) Analysis of Cash Flows in the Most Recent Year:**

- ① Operational activities: Net inflow of NT\$ 1,256.341 million is mainly due to NT\$ 1,409.335 million cash inflows from operating activities generated in current period.
- ② Investment activities: Net outflow is NTD 168.779 million. This is mainly because of purchase of property, plant and equipment for expanding capacity, and intangible asset.
- ③ Financial activities: Net outflow of NT\$ 1,089.039 million is mainly due to year 2020 cash dividend payment for NT\$ 1,024.680 million.

**(2) Improvement Plan for Insufficient Liquidity: Not Applicable.**

**(3) Cash Liquidity Analysis within the Year :**

Unit: NT\$ Thousand

Cash Balance -Beginning	Estimated Annual Net Cash Flow from Operating Activities	Estimated Annual Cash Outflow	Estimated Cash Balance - Ending	Estimated Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Investment Plan
2,222,253	1,151,375	1,226,157	2,147,471	—	—

- ① Expected Whole-Year Net Cash Flow from Operating Activities: NT\$ 1,151.375 million which is mainly due to profit generated from expected operating revenue growth for year 2022. As such, operating activity net cash inflow is positive.
- ② Expected Whole-Year Cash Outflow: NT\$ 1,226.157 million which is mainly due to cash dividend payment, increase in property, plant and equipment and intangible assets.

## 4. Influence on Financial Condition Caused By Prominent Capital

### Expenditures in the Most Recent Year

Unit: NT\$ Thousand

Capex	Actual and estimated source of capital	Actual or estimated date of completion	Total fund needed	Actual or estimated use of capital	
				2021	2022
Microsphere facility in Liudu Plant	The Company's Own Capital and Bank Loan	2021	64,214	14,700	—
Upgrade of Injection facility in Zone B1, Zhongli Plant	The Company's Own Capital and Bank Loan	2024	47,487	—	10,000
Improvement of Microsphere facility in Zone B3, Liudu Plant	The Company's Own Capital and Bank Loan	2022	195,098	606	88,155

The Company's profitability is stable and the capital required above has no significant impact on the Company's finance and business.

## 5. Investment Policy in Fiscal Year 2021, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment

### Plan:

#### (1) Reinvestment Policy in the Most Recent Year:

- ① Strategic alliance for new drug R&D such as: Pharmaengine Inc, EnhanX Inc.
- ② Strategic Alliance for Access to New Market Channel such as: establishment of TTY Biopharm Korea Co., Ltd.(Korea channel) and TTY Biopharm Mexico S.A. de C.V.( Mexico channel) and TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi (Turkey channel).
- ③ Expand strategic alliances with existing overseas channels such as: American Taiwan Biopharm Co., Ltd.(Thailand channel)及 American Taiwan Biopharma Philippines Inc.(Philippines channel).

#### (2) Major Reasons for Profit and Loss and Its Improvement Plan:

- ① In year 2021, PharmaEngine, Inc. received sales milestone and royalties, generating net profit of NT\$ 426.031 million. With this, the Company recognized an investment income of NT\$ 76.25 million. EnhanX Biopharm Inc. suffered net loss of NT\$28.967 million because its products are still in the preliminary phase of development. With this, the Company recognized an investment loss of NT\$14.484

million. Sales of Chuang Yi Biotech Co., Ltd. tended toward steady however it accrued allowance to reduce inventory to market, resulting in net loss of NT\$ 31.516 million in year 2021. With this, the Company recognized investment loss of NT\$ 16.684 million.

- ② In terms of re-investment, TTY Biopharm Korea Co., Ltd. and TTY Biopharm Mexico S.A. de C.V. were all channel strategic alliance of the new market in their early stages of establishment. The net loss after tax in year 2021 was NT\$ 8.987 million and NT\$ 7.610 million respectively. TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi, also in the early stages of establishment, generated net profit after tax of NT\$ 6.463 million in yerar 2021 thanks to fluctuation of foregin exchange.
- ③ With respect to overseas channel strategic alliance, American Taiwan Biopharm Co., Ltd. is in a stable profitable pattern. The net income in year 2021 was NT\$ 100.869 million. For American Taiwan Biopharma Philippines Inc., product items distributed still increased. The net loss in year 2021 was NT\$ 548 thousand.

### **(3) Next Year's Investment Plan:**

The Company will continue to prudently evaluate the investment target aimed at the long-term strategy.

## **6. Risk Management and Evaluation**

### **(1) The Impact of Interest Rate, Foreign Exchange Rate, and Inflation on the Company's Profit/Loss and Future Responsive Measures:**

- ① The impact of change in interest rates on the Company's profit or loss:

Item	YEAR 2021	
	Interest Income (Expenditure)	Exchange Profit (Loss)
Net Amount	(12.676) million	1.116 million
Percentage of Net Revenue	(0.28%)	0.02%
Percentage of Pre-tax Net Profit	(1.17%)	0.10%

- ② The responsive measures:

- (i) Interest rate: After reviewing the Company and its subsidiary's mid-long term development and financial plan, the Company considers to raise mid-long term loan from financial institution to meet with mid-long term capital demands. As for short term operating capital, it will be met through short term loan in order to lower capital cost incurred.

- (ii) Foreign exchange rate: Finance Department constantly monitors the trend of foreign exchange, and estimates the foreign currencies position and demand for the next 3 months. If there is shortage for foreign currencies, finance department will propose price based on foreign exchange trend analysis from banks and directly purchase from market. Exchange loss for year 2021 accounts for 0.02% of sales revenue of that year. Impacted position is low.
- (iii) Inflation: Inflation does not pose significant impact on the Company's profit or loss.

**(2) High Risks, High Leverage Investments, Loaning Of Funds, Endorsement and Guarantee, and Derivatives Trade Policy, Major Reasons for Profit/Loss, and Future Responsive Measures:**

The Company is not engaged in high risk or highly leveraged investments. Various investments have all been through cautious assessment before being implemented in accordance with the Company's regulations. With respect to lending capital to others and endorsement or guarantee, the Company only lends capital to invested companies and it would be implemented in accordance with the Company's guidelines for lending capital to others. In addition, the Company does not make any endorsement or guarantee for others. Transactions of derivative financial products are also for the purpose of hedging. All operations have been through cautious consideration of risk condition and are implemented in accordance with the Company's regulations. As such, their impact to the Company is literally minor.

**(3) Future Research and Development Plans and Estimated Research and Development Expenses Required:**

Main R&D directions are developments for special dosage drug (with patentable or high entry barrier features), biologics and new drug as well as acquisition of permits for new indications. The Company's R&D expense for year 2022 is expected to reach NT\$ 288.629 million for the purpose of expanding new indications for existing products, conducting clinical trials in overseas markets, and scaling up trials for new developed products.

**(4) The Impact of Material Changes of Local and Foreign Government Policies and Regulations on the Company's Finance and Business, And the Responsive Measures:**

Since "Global budget payment system" was implemented in Taiwan, drug prices have been through numerous adjustments. Drug price and quantity from domestic drug companies have been under control through the Global budget payment system. This has impacted price and sales of some drugs as well as overseas price and has suppressed drug company's revenue and profit.

The responsive measures:

The Company regularly participates the Chinese Association for Pharmaceutical Agents (CAPA) & Taipei Pharmaceutical Agents and Distribution Association (TPADA) meetings, integrating the opinions from Taiwan Pharmaceutical

Manufacturer's Association (TPMA) in order to take early action. In addition to establishing a complete sales network across Taiwan for the purpose to provide real time service to hospital and clinic and increase the width of sales, the Company also enhances resource utilization effectiveness and focuses on drugs with a certain market scale and value for strategic cooperation, and strengthens patient nursing through collaboration with medical experts, and continues to enhance hospital, clinic and doctor's confidence on drugs for the purpose of boosting opportunity to utilize prescriptions of drug. Additionally, the Company introduces new drug for post-clinical target treatment field through licensing, and complies with pioneering nation's certification timeline in order to shorten time needed for domestic certification, and works with preeminent marketing team and resources in order to create the best product revenue and avoid circumstances of the Company's lowered profitability from the implementation of adjustment in drug price.

**(5) The Impact of Technology Changes (including Information Security Risk) and Industrial Changes on the Company's Finance and Business, and the Responsive Measures:**

- ① The launch of competitive products resulted in competition in price as well as market share. This may have impacts on business and finance for this Company.

The responsive measures:

Real-Time monitoring of FDA/EM new drug launch information (e-newspaper subscription), Drug certificate system of Ministry of health and Welfare (checking food and drug administration system) and Health insurance meeting agenda (checking national health insurance website), preemptive drafting of new competing strategy for core product in response to competing product launch, defense on purchase of generic drug to mitigate impact on sales.

- ② Information security-related losses due to personal information leakage, malicious programs, computer viruses and hacker intrusions

The responsive measures:

- Management
  - ✓ Information security management mechanism, system authority management
- Prevention
  - ✓ Firewall/Anti-ransomware/Antivirus/Endpointmanagement/Multi-factor authentication.
  - ✓ Regularly scan and detect vulnerabilities on the Company's internal key system hosts and repair the system, use the privileged account management system to avoid the account leakage of system administrator, and adopt anti-virus software and endpoint management to effectively control the devices distributed by the Company or the BYOD (bring your own device) (computer/mobile phone/tablet) to avoid the risk of internal connection access.
  - ✓ By adopting the verification mechanism of multi-factor authentication, it can effectively identify when employees access the Company's major systems from external connections, so as to prevent the breach risk of personal account password.

- Training
  - ✓ Conduct internal training of information security and invite external consultants to hold seminar irregularly to build awareness of information security for employees.

**(6) The Impact of Corporate Image Change on The Corporate Crisis Management, and The Responsive Measures :**

Emergent or external events caused damage of corporate image and reputation.

The responsive measures:

The company actively strengthens and implements corporate governance, fulfills social responsibilities, and strives to improve its internal control system and capital structure to establish a good corporate image. In addition, an external public opinion monitoring system was introduced in response to various potential corporate crises.

**(7) The Expected Benefits, Possible Risk, and the Responsive Measures of Merge & Acquisition: None.**

**(8) The Expected Benefits, Possible Risk and the Responsive Measures of Factory Expansion:**

Factory expansion will enable the Company to enhance production capability. In addition to its own products, the Company is also capable of contract manufacturing other drug company's products and, as a result, increasing its revenue.

Capital expenditure for factory expansion has been through the Company's rigorous plan and, as such, there is no operation risk incurred to the Company.

**(9) Risks and the Responsive Measures of Sales and Purchases Centralization:**

There was only one supplier which accounted for over 10% of the total purchasing amount in the Company in year 2021, and the aforementioned supplier accounted for only 19.60% of the total purchasing amount of the Company. The aforementioned firm is well-known international firm in the world, and the possibility of risk is very low. In addition, the sales amount of the Company's single customer in year 2021 is less than 10% of the total net sales of the Company in the entire year, and there is no risk of concentration of sales of goods.

**(10) The Impact, Risk and the Responsive Measures of Significant Equity Transfer and Conversion of the Directors, Supervisors, or Major Shareholders with Over 10% Shareholding on the Company:**

For the latest year and as of the publication date of annual report, there are no circumstances of large amount equity transfer or change by the Company's directors.

**(11) The Impact, Risk and the Responsive Measures of Changes in Operation Right:**

For the latest year and as of the publication date of annual report, there are no circumstances of changes in the Company's management right and therefore this is

not applicable.

**(12) For The Litigation or Non-Litigation Events, Shall Illustrate the Legal Judgment or the Material Lawsuit in Progress and Non-litigation or Administrative Lawsuit of the Company and Its Directors, Supervisors, President, the Actual Person in Charge, the Major Shareholders with More Than 10% Shareholding, and Subsidiaries; the Significant Impact of the Litigation Result on The Shareholder's Equity or the Price of Securities; Also, Shall Disclose the Fact of the Contest, the Subject Matter, the Amount, the Litigation Starting Date, the Parties, and the Process of the Event as of the Publication Date of the Annual Report:**

- ① Lin Rongjin, the former chairman of the company, is involved in the case of aggravating the crime of breach of trust in the Securities Exchange Law. In June 2015, the Taiwan Taipei District Prosecutors Office initiated a public prosecution on the ground that former chairman Lin Rongjin had violated the Securities Exchange Law. The criminal lawsuit was convicted by Taiwan Taipei District Court on September 1, 2017 that former chairman Lin Rongjin had violated the Securities Exchange Law. However, the lawsuit was acquitted by Taiwan High Court on May 27, 2020. The case has now been appealed to the Taiwan Supreme Court for third instance trial procedure. And on April 23, 2018, the Taipei District Prosecutors Office appealed to Taiwan High Court for joint trial of aforementioned second instance trial for former chairman Lin Rongjin of Center Laboratories, Inc. (hereinafter referred to as "Center Lab"), signed the Risperidone Drug Appointment and Development Agreement with this company in violation of the Securities Exchange Law mentioned above. It was overruled by Taiwan high court judgment on May 27, 2020 and was appealed to Taiwan Supreme Court. Taiwan Supreme Court has revoked judgement of second trial and returned to Taiwan high court on December 23, 2021. In addition, Taiwan Taipei district prosecutor office still considers this case and aforementioned case, which is being reviewed by 3rd instance court, are the same one case, and therefore requests the supreme court to jointly review these cases. The part of the incidental civil action was transferred to the Civil Court of Taiwan Taipei District Court for trial on September 6, 2017. On February 13, 2018, the Company filed a civil claim for compensation for criminal incidental damages in the above-mentioned criminal case in the second instance. On June 29, 2018, the company appealed to the Taipei District Prosecutors Office on Risperidone Drug for joint trial, and then filed an additional claim for compensation with former chairman Lin Rongjin.
- ② On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

- ③ On May 30, 2016, Janssen Pharmaceutica 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 AG. The case was suspended. The contract amount of EUR 21.538 million has been deposited into trust account as of December 31, 2021.
- ④ The "Risperidone Drug Appointment and Development Agreement" signed by the Company and Center Laboratories, Inc., and latter filed a civil action to confirm the contractual relationship with the Taipei District Court on July 1, 2016, which existed in the first trial of the Taipei District Court on March 1, 2018. The Company's appeal was overruled by Taiwan High Court on March 11, 2020. With this, the Company made an appeal to the Supreme Court on April 10, 2020. The judgement was revoked by Taiwan high court judgment on May 19, 2021 and the case is at trial of civil court of Taiwan high court.
- ⑤ The Company raised a civil damage compensation litigation against Swiss Inopha AG company's beneficial owner Denis Opitz at the Dresden Labor Court in Germany on February 28<sup>th</sup>, 2020. Currently, the court has accepted the filing and is proceeding with preparation procedures accordingly.
- ⑥ The Company received a decision from Taiwan Fair Trade Commission on May 14<sup>th</sup>, 2021 - the exclusive distribution agreement for "Furil Capsules" between TTY Biopharm and Lotus Pharm dated on February 4<sup>th</sup> 2009 was regarded as a concerted action and was subject to penalty. On July 12<sup>th</sup>, 2021, the Company has filed an administrative appeal to revoke the judgement and the Court has accepted the case.

Result of the final judgment is not expected to have significant impact to shareholder's rights or securities price of the Company.

### **(13) Other Material Risks and the Responsive Measures:**

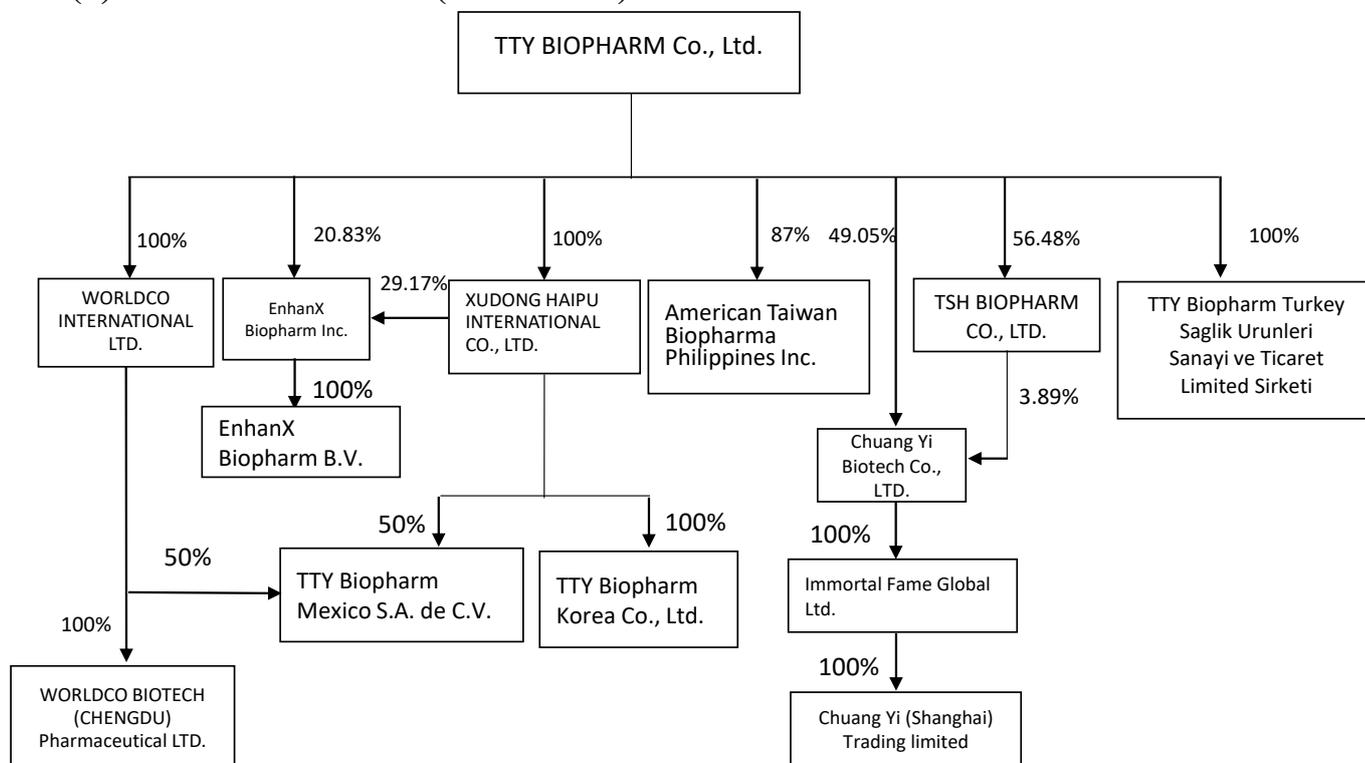
The Company established Risk Management Center on December 28, 2020 and stipulated "Risk Management Policy and Procedures" which specifically prescribes that the Company's "Risk Management Policy" has defined various risks and established management mechanisms for identification, assessment and handling of risks as well as for effective monitoring and review in order to evade or mitigate impact to the Company's operations from risk events while ensuring corporate sustainable development. For details of critical risks identified and managed by the Company, please visit "Corporate Governance /Operation Status for Corporate Governance" section on the Company's website.

## **7. Other Important Matters: None**

## VIII. Special Notes

### 1. Subsidiaries

#### (1) Subsidiaries Chart (12/31/2021)



#### (2) Affiliates

Unit: NT\$ Thousands as of Dec.31, 2021

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
XudonghaiPu International Company Limited	2009.04	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1 1002, Cayman Islands	NTD 250,000	Investment
Worldco International Limited	2004.09	Room 1606, Alliance Building, 133 Connaught Road Central, Hong, Kong	HKD 19,800	Investment, Drugs Marketing
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	2012.02	Room.3~4,7th Floor,Unit 2, Jinniu Civic Center Building 1, No. 999, Yipin Tianxia Dajie, Jinniu District, Chengdu City, Sichuan Province	RMB 11,900	Sales of Drugs
American Taiwan Biopharma Philippines Inc.	2003.08	Unit 2902 Antel Global Corporate Center, Doña Julia Vargas Ave., Ortigas Center, Pasig City, Pasig 1605	PHP 55,305	Sales of Drugs

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
TSH Biopharm Company Limited	2010.09	3F-1, No. 3-1, Yuanqu St., Nangang District, Taipei City	NTD 383,981	Sales of Drugs
EnhanX Biopharm Inc.	2017.08	3F., No.124, Xingshan Rd., Neihu Dist., Taipei City	NTD 240,000	Drugs R&D
EnhanX Biopharm B.V.	2019.07	J.H. Oortweg 19 2f, Room 2213, 2333 CH Leiden, the Netherlands	EUR 100	Drugs R&D
Chuang Yi Biotech Co., Ltd.	2011.04	Room A, 4F, No. 3-1, Yuanqu St., Nangang District, Taipei City	NTD 339,356	Selling functional food
Immortal Fame Global Ltd.	2012.03	Level 2, Lotemau Centre, VAEA Street, APIA, SAMOA	USD 568	Import and export trading and investment activities
Chuang Yi (Shanghai) Trading Co., Ltd.	2012.03	Room 106, Building 3, No. 507, Huajing Road, Shanghai City, China	USD 500	Selling functional food
TTY Biopharm Korea Co. Ltd.	2018.09	12th floor, Teheran-ro 146, Gangnam-gu, Seoul, Korea	KRW 1,588,500	Sales of Drugs
TTY Biopharm Mexico S.A. de C.V.	2018.09	Av. Insurgentes Sur No. 2453 No. Int Piso 6-Ofa 6082, Tizapan, C.P. 01090, Ciudad de México, Ciudad de México, México	MXN 35,000	Sales of Drugs
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi.	2021.10	ESENTEPE MAHALLESİ BÜ YÜ KDERE CAD. KANYON Apt. NO: 185/271 SISLI/ISTANBUL 'dir.	USD 500	Sales of Drugs

**(3) Shareholders in Common of TTY and Its Subsidiaries with Deemed Control and Subordination: None.**

#### (4) List of Directors, Supervisors, and Presidents of Affiliates

Unit: NT\$ Thousand as of Dec.31, 2021

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
Xudonghaipu International Company Limited	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Chang, Hsiu-Chi	—	—
	Director	Wu, Hsueh-Liu	—	—
	Director	Tseng, Tien-Szu	—	—
American Taiwan Biopharma Philippines Inc.	Chairman	Jui-Hsiung Cheng	71,885	13.00%
	Director	Hsiao , Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Wu , Hsueh-Liu	—	—
	Director	Chang , Chih-Meng	—	—
Worldco International Limited	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Chang, Hsiu-Chi	—	—
	Director	Wu, Hsueh-Liu	—	—
	Director	Tseng, Tien-Szu	—	—
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	Director	Hsiao, Ying-Chun	—	—
	Supervisor	Wu, Hsueh-Liu	—	—
EnhanX Biopharm Inc.	Chairman	TTY BioPharm Company Limited Representative: Hu, Yu-Fang	5,000,000	20.83%
	Director	TTY BioPharm Company Limited Representative: Hsiao, Ying-Chun	5,000,000	20.83%
	Director and General Manager	Pieter Jaap Gaillard	—	—
	Supervisor	Shih, Chun-Liang	—	—
	Supervisor	2-BBB Medicines BV	12,000,000	50.00%

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
EnhanX Biopharm B.V.	Director	EnhanX Biopharm Inc.	100,000	100.00%
Chuang Yi Biotech Co., Ltd.	Director	TTY BioPharm Company Limited Representative: Lai, Taylor	16,645,697	49.05%
	Director	TTY BioPharm Company Limited Representative: Wu, Ruei-Wen	16,645,697	49.05%
	Director	Chang, Chun-Hui	1,470,000	4.33%
	Director	Cho, Hui-Wen	488,000	1.44%
	Independent Director	Wu, Hsiu-Ming	—	—
	Independent Director	Chang, Ming-Tao	—	—
	Independent Director	Lai, Yun-Liang	—	—
	General Manager	Chien, Chung-Guang		
Immortal Fame Global Ltd.	Director	Shih, Chun-Liang	—	—
Chuang Yi (Shanghai) Trading Co., Ltd.	Director	Immortal Fame Global Ltd. Representative: Shih, Chun-Liang	—	—
TSH Biopharm Company Limited	Chairman	TTY BioPharm Company Limited Representative: Lin, Chuan	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Carl Hsiao	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Chou, Kang-Chi	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Chiang, Chao-Yi	21,687,177	56.48%
	Independent Director	Wang, Chih-Li	30	0.00%
	Independent Director	Wang, I-Ming	—	—
	Independent Director	Chen, Jui-Hsun	—	—
	General Manager	Yang, Si-Yuan	13,000	0.03%
TTY Biopharm	Chairman	Hsiao, Ying-Chun	—	—

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
Korea Co., Ltd.	Director	Chang, Wen-Hwa	—	—
	Director and General Manager	Woosik Jung	—	—
	Director	Shih, Chun-Liang	—	—
	Supervisor	Chang, Kuo-Chiang	—	—
TTY Biopharm Mexico S.A. de C.V.	Chairman	Hsiao, Ying-Chun	—	—
	Director	Lin, Chuan	—	—
	Director	Chang, Wen-Hwa	—	—
	Supervisor	Chang, Kuo-Chiang	—	—
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi.	Director	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Shih, Chun-Liang	—	—

## (5) Operational Highlights of Affiliates

Unit: NT\$ Thousand as of Dec.31, 2021

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating profit or loss	Net Income (Loss)	EPS
Xudonghaipu International Company Limited	250,000	1,282,582	1,258	1,281,324	553	(17,661)	(18,357)	N/A
Worldco International Limited	82,458	239,828	36,705	203,123	87,547	(7,803)	(7,803)	N/A
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	52,086	74,298	25,151	49,147	—	(823)	634	N/A
American Taiwan Biopharma Philippines Inc.	37,768	7,641	6,166	1,475	9,474	(909)	(548)	N/A
TSH Biopharm Company Limited (Note)	383,981	1,160,857	85,800	1,075,057	413,483	55,614	45,881	1.23
EnhanX Biopharm Inc.	240,000	121,022	3,133	117,889	—	(28,805)	(28,967)	(1.21)
EnhanX Biopharm B.V.	3,538	1,844	29	1,815	—	(439)	(479)	N/A
Chuang Yi Biotech Co., Ltd.	339,356	348,013	193,946	154,067	260,692	(18,426)	(31,516)	(0.93)
Immortal Fame Global Ltd.	16,820	2,567	0	2,567	—	(33)	(325)	N/A
Chuang Yi (Shanghai) Trading Co., Ltd.	14,240	2,509	9	2,500	—	(249)	(287)	N/A
TTY Biopharm Korea Co. Ltd.	43,834	12,433	647	11,786	—	(8,998)	(8,987)	N/A
TTY Biopharm Mexico S.A. de C.V.	53,276	26,765	569	26,196	553	(8,081)	(7,610)	N/A
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi.	13,863	14,649	110	14,539	—	(136)	6,463	N/A

Foreign exchange rates are as follows:

Balance Sheet	Income Statement
\$1RMB=\$4.3440NT	\$1RMB=\$4.3394NT
\$1PHP=\$0.5353NT	\$1PHP=\$0.5617NT
\$1USD=\$27.6800NT	\$1USD=\$27.9904NT
\$1KRW=\$0.0233NT	\$1KRW=\$0.0245NT
\$1MXN=\$1.3582NT	\$1MXN=\$1.3916NT
\$1HKD=\$3.5490NT	\$1HKD=\$3.6008NT
\$1EUR=\$31.3200NT	\$1EUR=\$33.2000NT
\$1TRY=\$2.1560NT	\$1TRY=\$3.2269NT

## **(6) Affiliates Consolidated Report**

### Affiliates Consolidated Financial Statements

The entities that are required to be included in the combined financial statements of TTY Biopharm Company Limited as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TTY Biopharm Company Limited and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: TTY Biopharm Company Limited

Chairman : Lin, Chuan

March 09, 2022

**2. The Status of Issuing Private Placement Securities in the Most Recent Year and as of the Publication Date of the Annual Report: None.**

**3. Acquisition or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year and as of the Publication Date of the Annual Report: None.**

**4. Other Necessary Supplementary Notes :**

**(1) The Company's Uncompleted OTC Commitment: None.**

**(2) Assessment Basis and Foundation over Recognition Method of the Company's Balance Sheet Appraisal Items**

① Assessment over account receivable impairment:

Consider any change in the credit quality from origination date to reporting date to determine the probability of collection. Historical experience indicates that notes receivable which have more than 180 days past due or accounts receivable which are not yet overdue, only when there is sufficient evidence that indicates accounts receivable was dishonored and uncollectible. Thus, a 100% impairment loss is recognized in the allowance account. For those notes and accounts receivable which are past due within 180 days, divided into four category including OEM, overseas customer, hospital and others, an allowance account is recognized after analyzing the payment history of customer accounts and the evaluating the uncollectible amounts.

② Assessment on allowance for inventory market price decline loss and obsolete inventory:

Loss from Market Price Decline:

Product:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then applied for evaluations based on product categories.
Finished Goods:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then applied for evaluations based on product categories.
Work in Progress & Half-Finished Goods:	Net realizable value is drawn from deducting marketing expense and replacement cost from estimated sales price.
Raw Materials:	Individual Item Approach is then applied for evaluations based on product categories.
	For finished product price decline, replacement cost will be applied to assess if price decline is incurred accordingly.

Loss for Obsolete Inventories:

Obsolete or Expired: 100% Recognition

Unused for over 1 year: 100% Recognition

Expired: 100% Recognition

Expired within half year: 50% Recognition

③ Evaluation of Other Financial Assets:

With respect to financial asset estimated cash flow reduction resulted from single or multiple events occurred after financial asset original recognition, such difference will be deemed as impairment amount incurred to that financial asset.

With respect to fair value evaluation, basis for evaluation is determined depending on if there is an active market transaction for such financial asset.

- (i) With active market: fair value evaluation will be based on market quotation on the balance sheet date.
- (ii) Without active market: fair value evaluation is conducted using observable market materials as much as possible. In the event that no such materials are available, evaluation will then be conducted using specific estimations.

④ Evaluation on Financial Liability:

Subsequent evaluation of financial liability is conducted using amortized cost from effective interest rate, or using fair value through profit/loss.

- (i) Financial liability evaluated in fair value through profit/loss will be evaluated in fair value on the report ending day.
- (ii) With respect to financial liability not held for transaction and not designated to be evaluated in fair value through profit/loss, evaluation will be conducted using amortized costs on subsequent accounting period ending day. Book value for financial liability evaluated based on amortized cost will be determined based on effective interest rate.

⑤ Evaluation of Non-Financial Asset Impairment:

The Company assesses non-financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

**5. The Occurrence of Any Events as Stated in Section 3 Paragraph 2 Article 36 of the Securities Exchange Act that Had Significant Impacts on Shareholders' Equity or Securities Prices in the Most Recent Year and as of the Publication Date of the Annual Report:**

Ms. Hou, Ching-Lan has assumed as General Manager since April 18, 2022.



<http://www.tty.com.tw>

3F., No.3-1, Park St., Nangang Dist., Taipei City 11503, Taiwan (R.O.C)