

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Independent Auditors' Review Report

To the Board of Directors
TTY Biopharm Company Limited:

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 6(g), the investments accounted for using equity method of the Group amounting to \$400,215 thousand and \$312,990 thousand as of September 30, 2019 and 2018, respectively, and the related investment income of \$13,145 thousand, \$6,008 thousand, \$27,908 thousand and \$14,467 thousand for the three months and nine months ended September 30, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

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

Other Matter

We did not review the financial statements of PharmaEngine, Inc., which represented the investment accounted for using the equity method of the Company. The financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for PharmaEngine, Inc., is based solely on the review report of another auditor. The investment in PharmaEngine, Inc. accounted for using the equity method amounted to \$789,192 thousand and \$578,778 thousand, constituting 8.29% and 6.47% of the consolidated total assets as of September 30, 2019 and 2018, respectively, and the share of profit of associates accounted for using the equity method amounted to \$3,005 thousand, \$11,534 thousand, \$11,710 thousand and \$15,197 thousand, constituting 0.73%, 2.86%, 1.05% and 1.16% of the total profit before tax, for the three months and nine months ended September 30, 2019 and 2018, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
November 13, 2019

Notes to Readers

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

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

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2019, December 31, 2018, and September 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a) and (x))	\$ 2,287,051	24	2,372,294	27	2,297,216	27
1120 Current financial assets at fair value through other comprehensive income (note 6(c) and (x))	123,950	2	132,560	1	163,761	2
1150 Notes receivable, net (note 6(d), (x) and 7)	29,629	-	40,063	-	42,201	-
1170 Accounts receivable, net (note 6(d) and (x))	1,076,919	11	837,003	9	865,291	10
1180 Accounts receivable due from related parties, net (note 6(d), (x) and 7)	23,585	-	16,156	-	16,052	-
1200 Other receivables, net (note 6(e), (x) and 7)	72,528	1	76,821	1	43,941	-
130X Inventories (note 6 (f))	748,927	8	750,888	8	730,762	8
1410 Prepayments	41,289	-	23,749	-	24,689	-
1476 Other current financial assets (note 6(a), (l), and (x))	428,750	5	398,271	4	398,032	4
1470 Other current assets (note 6(l))	10,269	-	6,796	-	10,640	-
	<u>4,842,897</u>	<u>51</u>	<u>4,654,601</u>	<u>50</u>	<u>4,592,585</u>	<u>51</u>
Non-current assets:						
1510 Non-current financial assets at fair value through profit or loss (note 6(b) and (x))	6,009	-	5,496	-	3,550	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c) and (x))	368,850	4	322,276	4	312,285	3
1550 Investments accounted for using equity method, net (note 6(g) and (x))	1,189,407	12	901,648	11	891,768	11
1600 Property, plant and equipment (note 6(i))	2,392,413	25	2,474,331	28	2,484,293	29
1760 Investment property, net (note 6(j))	100,789	1	88,150	1	88,222	1
1780 Intangible assets (note 6(k))	139,234	2	153,188	2	157,963	2
1840 Deferred tax assets	37,229	-	38,072	-	30,788	-
1915 Prepayments for business facilities	205,067	2	188,633	2	193,137	2
1920 Refundable deposits paid (note 6(x))	27,908	-	26,252	-	22,686	-
1981 Cash surrender value of life insurance (note 6(x))	13,357	-	13,357	-	7,275	-
1984 Other non-current financial assets (note 6(l), (x) and 8)	153,505	2	143,678	2	124,349	1
1990 Other non-current assets (note 6(l))	44,093	1	43,453	-	43,450	-
	<u>4,677,861</u>	<u>49</u>	<u>4,398,534</u>	<u>50</u>	<u>4,359,766</u>	<u>49</u>
Total assets	<u>\$ 9,520,758</u>	<u>100</u>	<u>9,053,135</u>	<u>100</u>	<u>8,952,351</u>	<u>100</u>
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (note 6(m) and (x))	\$ 1,750,000	18	1,150,000	13	1,450,000	16
Contract liabilities-current(note 6 (t))	8,881	-	6,405	-	24,845	-
Notes payable (note 6(x))	2,323	-	3,761	-	14,931	-
Notes payable to related parties (note 6(x) and 7)	3,135	-	-	-	87	-
Accounts payable (note 6(x))	207,755	2	154,621	2	87,107	1
Accounts payable to related parties (note 6(x) and 7)	-	-	14,382	-	-	-
Other payables, others (note 6(x))	453,320	5	469,037	5	447,928	5
Current tax liabilities	232,260	2	132,286	1	110,969	1
Other current liabilities	37,121	-	41,391	-	30,587	-
Long-term liabilities, current portion (note 6(n) and (x))	350,000	4	-	-	-	-
	<u>3,044,795</u>	<u>31</u>	<u>1,971,883</u>	<u>21</u>	<u>2,166,454</u>	<u>23</u>
Non-current liabilities:						
Long-term borrowings (note 6(n) and (x))	-	-	350,000	4	350,000	4
Deferred tax liabilities	278,723	3	278,723	3	298,136	3
Net defined benefit liability, non-current	58,509	1	58,459	1	54,351	1
Guarantee deposits received (note 6(x))	2,951	-	2,445	-	6,044	-
	<u>340,183</u>	<u>4</u>	<u>689,627</u>	<u>8</u>	<u>708,531</u>	<u>8</u>
	<u>3,384,978</u>	<u>35</u>	<u>2,661,510</u>	<u>29</u>	<u>2,874,985</u>	<u>31</u>
Total liabilities						
Equity attributable to owners of parent (note 6(r)):						
Share capital:						
Capital stock	2,486,500	26	2,486,500	28	2,486,500	28
Capital surplus:						
Capital surplus	338,278	4	348,819	4	359,437	4
Retained earnings:						
Legal reserve	1,003,556	11	857,418	9	857,419	10
Special reserve	110,154	1	110,154	1	110,154	1
Unappropriated retained earnings	1,558,206	16	1,954,321	22	1,599,464	18
Other equity interest	59,670	1	46,821	1	72,272	1
	<u>5,556,364</u>	<u>59</u>	<u>5,804,033</u>	<u>65</u>	<u>5,485,246</u>	<u>62</u>
Equity attributable to the parent company:						
Non-controlling interests (note 6(r))	579,416	6	587,592	6	592,120	7
	<u>6,135,780</u>	<u>65</u>	<u>6,391,625</u>	<u>71</u>	<u>6,077,366</u>	<u>69</u>
Total liabilities and equity	<u>\$ 9,520,758</u>	<u>100</u>	<u>9,053,135</u>	<u>100</u>	<u>8,952,351</u>	<u>100</u>

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2019 and 2018

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

	For the three months ended September 30				For the nine months ended September 30				
	2019		2018		2019		2018		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(t) and 7)	\$ 1,149,819	100	906,793	100	3,355,344	100	2,944,610	100
5000	Operating costs (note 6(f), (p) and 12)	393,189	34	307,691	34	1,160,675	35	1,000,547	34
	Gross profit	756,630	66	599,102	66	2,194,669	65	1,944,063	66
5910	Less: Unrealized profit (loss) from sales	(545)	-	188	-	6,921	-	8,749	-
5920	Add: Realized profit (loss) from sales	-	-	-	-	7,046	-	6,346	-
	Gross profit, net	757,175	66	598,914	66	2,194,794	65	1,941,660	66
6000	Operating expenses (note 6(p) and 12):								
6100	Selling expenses	232,712	21	211,368	24	697,200	21	653,640	23
6200	Administrative expenses	103,654	9	84,674	9	282,985	8	269,792	9
6300	Research and development expenses	81,635	7	85,324	9	230,029	7	270,726	9
6450	(Reversal of) expected credit losses	22	-	(286)	-	17	-	(5,731)	-
		418,023	37	381,080	42	1,210,231	36	1,188,427	41
	Net operating income	339,152	29	217,834	24	984,563	29	753,233	25
	Non-operating income and expenses (note 6(v) and 7):								
7010	Other income	12,319	1	9,590	1	39,094	1	28,526	1
7020	Other gains and losses, net	40,225	3	162,932	17	65,983	2	517,524	17
7050	Finance costs, net	(3,760)	-	(4,140)	-	(10,236)	-	(13,249)	-
7060	Share of profit of associates accounted for using equity method, net	21,075	2	17,542	2	39,618	1	29,664	1
7055		69,859	6	185,924	20	134,459	4	562,465	19
	Profit before tax	409,011	35	403,758	44	1,119,022	33	1,315,698	44
7950	Less: Income tax expenses (note 6(q))	78,210	7	61,828	7	227,584	7	216,986	7
	Profit for the period	330,801	28	341,930	37	891,438	26	1,098,712	37
8300	Other comprehensive income:								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316	Unrealized (loss) gains from investments in equity instruments measured at fair value through other comprehensive income	(13,802)	(1)	(12,888)	(1)	(12,207)	-	33,288	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(13,802)	(1)	(12,888)	(1)	(12,207)	-	33,288	1
8360	Components of other comprehensive income (loss) that may be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(10,273)	(1)	791	-	22,903	1	36,905	1
8370	Share of other comprehensive loss of associates accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss (note 6(w))	(4,936)	-	(8,682)	(1)	(1,776)	-	(12,441)	-
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive (loss) income that may be reclassified to profit or loss	(15,209)	(1)	(7,891)	(1)	21,127	1	24,464	1
8300	Other comprehensive income	(29,011)	(2)	(20,779)	(2)	8,920	1	57,752	2
	Total comprehensive income for the period	\$ 301,790	26	321,151	35	900,358	27	1,156,464	39
	Profit attributable to:								
	Owners of parent	\$ 316,304	27	343,192	37	868,948	25	1,094,253	37
	Non-controlling interests	14,497	1	(1,262)	-	22,490	1	4,459	-
		\$ 330,801	28	341,930	37	891,438	26	1,098,712	37
	Comprehensive income attributable to:								
	Owners of parent	\$ 291,653	25	326,760	36	881,797	26	1,144,112	39
	Non-controlling interests	10,137	1	(5,609)	(1)	18,561	1	12,352	-
		\$ 301,790	26	321,151	35	900,358	27	1,156,464	39
	Earnings per share, net of tax (note 6(s))								
	Basic earnings per share	\$ 1.27		1.38		3.49		4.40	
	Diluted earnings per share	\$ 1.27		1.38		3.49		4.40	

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital			Retained earnings			Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2018	\$ 2,486,500	396,113	722,945	110,154	1,758,633	(99,734)	-	122,165	22,431	5,496,776	614,861	6,111,637
Effects of retrospective application	-	-	-	-	(43)	-	122,167	(122,165)	2	(41)	-	(41)
Equity at beginning of period after adjustments	2,486,500	396,113	722,945	110,154	1,758,590	(99,734)	122,167	(122,165)	22,433	5,496,735	614,861	6,111,596
Profit for the period	-	-	-	-	1,094,253	-	-	-	49,859	1,094,253	4,459	1,098,712
Other comprehensive income	-	-	-	-	-	36,811	13,048	-	49,859	49,859	7,893	57,752
Total comprehensive income	-	-	-	-	1,094,253	36,811	13,048	-	49,859	1,144,112	12,352	1,156,464
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	134,474	-	(134,474)	-	-	-	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)	(35,093)	(1,154,018)
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	(85)	-	-	-	-	-	-	-	(85)	-	(85)
Disposal of investments accounted for using equity method	-	(36,591)	-	-	-	-	-	-	-	(36,591)	-	(36,591)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20	-	(20)	-	(20)	-	-	-
Balance on September 30, 2018	\$ 2,486,500	359,437	857,419	110,154	1,599,464	(62,923)	135,195	-	72,272	5,485,246	592,120	6,077,366
Balance on January 1, 2019	\$ 2,486,500	348,819	857,418	110,154	1,954,321	(56,694)	103,515	-	46,821	5,804,033	587,592	6,391,625
Profit for the period	-	-	-	-	868,948	-	-	-	-	868,948	22,490	891,438
Other comprehensive income	-	-	-	-	-	22,908	(10,059)	-	12,849	12,849	(3,929)	8,920
Total comprehensive income	-	-	-	-	868,948	22,908	(10,059)	-	12,849	881,797	18,561	900,358
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	146,138	-	(146,138)	-	-	-	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)	(26,737)	(1,145,662)
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	(10,541)	-	-	-	-	-	-	-	(10,541)	-	(10,541)
Balance on September 30, 2019	\$ 2,486,500	338,278	1,003,556	110,154	1,558,206	(33,786)	93,456	-	59,670	5,556,364	579,416	6,135,780

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>For the nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Profit before tax	\$ 1,119,022	1,315,698
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	102,590	95,614
Amortization expense	14,562	13,313
(Reversal of) Allowance for expected credit losses	17	(5,731)
Net (income) loss on financial assets or liabilities at fair value through profit or loss	(513)	14
Interest expense	10,236	13,249
Interest income	(30,371)	(20,772)
Dividend income	(6,250)	(308)
Share of profit of associates accounted for using equity method	(39,618)	(29,664)
Loss on disposal of property, plant and equipment	830	806
Gain on disposal of investments accounted for using equity method	-	(495,569)
Unrealized profit (loss) from sales	6,921	8,749
Realized loss (profit) from sales	(7,046)	(6,346)
Allocation of deferred income	(557)	(757)
Total adjustments to reconcile profit (loss)	<u>50,801</u>	<u>(427,402)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	10,434	31,138
(Increase) decrease in accounts receivable	(248,939)	49,078
Decrease (increase) in other receivable	3,511	(321)
Decrease (increase) in inventories	2,054	(37,149)
Increase in prepayments and other current assets	(20,488)	(17,337)
Total changes in operating assets	<u>(253,428)</u>	<u>25,409</u>
Changes in operating liabilities:		
Increase in contract liabilities	2,476	3,293
Increase (decrease) in notes payable	1,697	(44,849)
Increase (decrease) in accounts payable	38,619	(7,697)
Decrease in other payable	(14,408)	(48,272)
Decrease (increase) in other current liabilities	(8,672)	2,785
Increase in net defined benefit liability	50	41
Total changes in operating liabilities	<u>19,762</u>	<u>(94,699)</u>
Total changes in operating assets and liabilities	<u>(233,666)</u>	<u>(69,290)</u>
Total adjustments	<u>(182,865)</u>	<u>(496,692)</u>
Cash inflow generated from operations	936,157	819,006
Interest received	31,182	21,351
Dividends received	36,556	53,206
Interest paid	(10,153)	(13,241)
Income taxes paid	(126,715)	(237,898)
Net cash flows from operating activities	<u>867,027</u>	<u>642,424</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(50,172)	(156,617)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	50
Acquisition of financial assets at fair value through profit or loss	-	(3,169)
Acquisition of investments accounted for using equity method	(272,743)	-
Proceeds from disposal of investments accounted for using equity method	-	591,629
Acquisition of property, plant and equipment	(19,400)	(26,673)
Proceeds from disposal of property, plant and equipment	19	115
(Increase) decrease in refundable deposits	(1,654)	5,681
Acquisition of intangible assets	(608)	(12,117)
(Increase) decrease in other financial assets	(40,306)	1,379,167
Increase in prepayments for business facilities	(20,219)	(30,049)
(Increase) decrease in other non-current assets	(636)	182
Net cash flows (used in) from investing activities	<u>(405,719)</u>	<u>1,748,199</u>
Cash flows used in financing activities:		
Increase in short-term loans	3,600,000	3,922,692
Decrease in short-term loans	(3,000,000)	(4,122,730)
Proceeds from long-term debt	-	300,000
Repayments of long-term debt	-	(500,000)
Increase (decrease) in guarantee deposits received	510	(4,042)
Payment of lease liabilities	(7,488)	-
Cash dividends paid	(1,118,925)	(1,118,925)
Change in non-controlling interests	(26,737)	(35,093)
Net cash flows used in financing activities	<u>(552,640)</u>	<u>(1,558,098)</u>
Effect of exchange rate changes on cash and cash equivalents	6,089	23,317
Net (decrease) increase in cash and cash equivalents	<u>(85,243)</u>	<u>855,842</u>
Cash and cash equivalents at beginning of period	<u>2,372,294</u>	<u>1,441,374</u>
Cash and cash equivalents at end of period	<u>\$ 2,287,051</u>	<u>2,297,216</u>

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

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

(1) Company history

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on November 13, 2019.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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

(Continued)

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020

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

(4) Summary of significant accounting policies:

- (a) Statement of compliance

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

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

- (b) Basis of consolidation

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

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

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	56.48 %	
The Company	EnhanX Inc.	Developing medicine	20.83 %	20.83 %	29.41 %	(Note 1)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	100.00 %	100.00 %	100.00 %	
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Inc.	Developing medicine	29.17 %	29.17 %	- %	(Note 1)
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	(Note 2)
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	- %	(Note 3)
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	- %	(Note 3)
EnhanX Inc.	EnhanX Biopharm B.V.	Developing medicine	100.00 %	- %	- %	(Note 4)

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

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

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

(Note 4) In July 2019, EnhanX Inc. established EnhanX Biopharm B.V. as a wholly owned subsidiary, and thus, EnhanX Biopharm B.V. is listed as a subsidiary of the consolidated financial statements.

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

(Continued)

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

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

(i) Identifying a lease

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

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

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

(ii) As a lessee

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

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

(iii) As a lessor

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

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

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

(d) Income taxes

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

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

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

(e) Employee benefits

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

(Continued)

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

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

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

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

(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 3,104	2,864	3,080
Cash in banks	2,255,334	2,309,430	982,574
Time deposits	<u>28,613</u>	<u>60,000</u>	<u>1,311,562</u>
	<u>\$ 2,287,051</u>	<u>2,372,294</u>	<u>2,297,216</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(1).
- (iii) Please refer to Note 6(x) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Designated as financial assets measured at fair value through profit or loss			
Domestic preferred stock ETFs	<u>\$ 6,009</u>	<u>5,496</u>	<u>3,550</u>

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

(Continued)

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

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Equity instrument measured at fair value through other comprehensive income:			
Domestic common stock listed in Stock Exchange	\$ 18,273	18,815	6,734
Domestic common stock listed in Taipei Exchange	164,402	176,580	226,161
Domestic common stock listed in emerging stock market	79,144	83,081	69,851
Domestic preferred stock listed in Stock Exchange	181,710	176,360	173,300
International preferred stock — non — public offering	49,271	-	-
Total	<u>\$ 492,800</u>	<u>454,836</u>	<u>476,046</u>

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

(ii) Please refer to Note 6(x) for credit and market risk information.

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

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes receivable	\$ 29,629	40,063	42,201
Accounts receivable	1,104,419	864,486	892,899
Accounts receivable-related parties	23,585	16,156	16,052
Less: Allowance for expected credit losses	<u>(27,500)</u>	<u>(27,483)</u>	<u>(27,608)</u>
	<u>\$ 1,130,133</u>	<u>893,222</u>	<u>923,544</u>

(Continued)

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

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

	September 30, 2019		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 1,126,878	0%~1%	6,869
Past due less than 90 days	10,171	0%~1%	47
Past due 91-180 days	-	-	-
Past due more than 181 days	<u>20,584</u>	100%	<u>20,584</u>
	<u>\$ 1,157,633</u>		<u>27,500</u>
	December 31, 2018		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 896,800	0%~1%	8,585
Past due less than 90 days	5,070	3%~5%	223
Past due 91-180 days	337	50%~54%	177
Past due more than 181 days	<u>18,498</u>	100%	<u>18,498</u>
	<u>\$ 920,705</u>		<u>27,483</u>
	September 30, 2018		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 925,576	0%~1%	8,499
Past due less than 90 days	6,734	4%~6%	330
Past due 91-180 days	125	48%~52%	62
Past due more than 181 days	<u>18,717</u>	100%	<u>18,717</u>
	<u>\$ 951,152</u>		<u>27,608</u>

(Continued)

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

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

	For the nine months ended	
	September 30,	
	2019	2018
Balance at January 1	\$ 27,483	33,339
Expected credit losses recognized	17	-
Reversal of expected credit losses	-	(5,731)
Balance at September 30	<u>\$ 27,500</u>	<u>27,608</u>

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

(e) Other receivables

	September 30,	December 31,	September 30,
	2019	2018	2018
Other receivable	\$ 4,814	64,187	33,302
Other receivable—related parties	67,714	12,634	10,639
	<u>\$ 72,528</u>	<u>76,821</u>	<u>43,941</u>

(i) As of September 30, 2019, December 31, 2018 and September 30, 2018, other receivables were no expected credit loss.

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

(iii) As of September 30, 2019, December 31, 2018 and September 30, 2018, other receivables were not pledged as collateral.

(f) Inventories

	September 30,	December 31,	September 30,
	2019	2018	2018
Merchandise	\$ 244,031	236,594	254,800
Finished goods	121,623	127,517	128,542
Work in process	106,288	92,944	96,832
Raw materials	205,410	208,287	221,317
Materials	39,408	32,666	34,316
Subtotal	716,760	698,008	735,807
Goods in transit	71,980	90,602	44,221
Total	788,740	788,610	780,028
Less: Allowance for inventory market decline and obsolescence	(39,813)	(37,722)	(49,266)
Net amount	<u>\$ 748,927</u>	<u>750,888</u>	<u>730,762</u>

(Continued)

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

The cost of inventories recognized as operating cost for the three months and nine months ended September 30, 2019 and 2018 amounted to \$388,231, \$311,156, \$1,155,137 and \$1,001,804, respectively. The main item was the costs from selling goods. The cost for the three months and nine months ended September 30, 2019 included the amounts of \$1,511 and \$2,091, respectively, which the Group wrote down from cost to net realizable value; while the cost for the three months and nine months ended September 30, 2018 included the amounts of \$(3,465) and \$(1,257), as a result of the reversal of allowance for inventory market decline and obsolescence.

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

(g) Investments accounted for using equity method

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Associates	<u>\$ 1,189,407</u>	<u>901,648</u>	<u>891,768</u>

- 1) As of September 30, 2019, December 31, 2018 and September 30, 2018, the carrying value of associates had a quoted market price amounted to \$876,926, \$631,554 and \$631,914 respectively, while fair value amounted to \$2,179,435, \$2,745,907 and \$3,180,481, respectively.
- 2) For the nine months ended September 30, 2019 and 2018, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased the treasury stocks, which resulted in a change in the shareholding ratio, and such change was (debit) credit of \$(10,541) and \$(85), respectively, to its capital reserve. In September 2019, the Group acquired 2.06% of the shares of PharmaEngine, Inc. for \$237,466 in cash. For the nine months ended September 30, 2018, the Group disposed its investment shares of PharmaEngine, Inc. for a gain of \$495,569, which was included in the "other gains or losses" in the consolidated income statement. For the nine months ended September 30, 2019 and 2018, the Group's shareholding ratio rose from 15.52% to 17.76% and declined from 18.22% to 15.54%, respectively.

(ii) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership		
			September 30, 2019	December 31, 2018	September 30, 2018
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	17.76 %	15.52 %	15.54 %

(Continued)

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

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

- Summary financial information on PharmaEngine, Inc.

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 3,657,387	3,820,100	3,742,058
Non-current assets	28,172	26,685	29,552
Current liabilities	(160,230)	(152,671)	(47,021)
Non-current liabilities	(6,667)	-	-
Net assets	<u>\$ 3,518,662</u>	<u>3,694,114</u>	<u>3,724,589</u>
Net assets attributable to non-controlling interests	<u>\$ 624,914</u>	<u>573,462</u>	<u>578,778</u>
Net assets attributable to investee owners	<u>\$ 2,893,748</u>	<u>3,120,652</u>	<u>3,145,811</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ <u>81,570</u>	<u>139,081</u>	<u>239,112</u>	<u>215,131</u>
Profit for the period	\$ 23,673	74,226	79,509	95,231
Other comprehensive (loss) income	(126)	11	(196)	(13)
Comprehensive income	<u>\$ 23,547</u>	<u>74,237</u>	<u>79,313</u>	<u>95,218</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 2,981</u>	<u>11,536</u>	<u>11,675</u>	<u>15,195</u>
Comprehensive income attributable to investee owners	<u>\$ 20,566</u>	<u>62,701</u>	<u>67,638</u>	<u>80,023</u>

	For the nine months ended September 30,	
	2019	2018
Net assets attributable to the Group, January 1	\$ 573,462	712,642
Retained earnings impacted by applying new standard for the period	-	(41)
Changes in capital surplus of affiliated companies for the period	(10,541)	(85)
Comprehensive income attributable to the Group for the period	11,675	15,195
Cash dividends received from associates	(22,870)	(45,734)
Addition of investments for the period	237,466	-
Disposal of investments for the period	-	(103,199)
Net assets attributable to the Group, September 30	<u>789,192</u>	<u>578,778</u>
Carrying amount of interest in associates, September 30	<u>\$ 789,192</u>	<u>578,778</u>

(Continued)

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

(iii) Summary financial information on individually insignificant associates

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Carrying amount of interest in individually insignificant associates	<u>\$ 400,215</u>	<u>328,186</u>	<u>312,990</u>
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
	2019	2018	2019
Attributable to the Group:			
Profit for the period	\$ 18,070	6,008	27,908
Other comprehensive (loss) income	(3,924)	(2,592)	15,599
Comprehensive income	<u>\$ 14,146</u>	<u>3,416</u>	<u>43,507</u>

(iv) Collateral

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

(h) Subsidiaries with significant non-controlling interest

Subsidiaries with significant non-controlling interest were as follows:

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

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

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current assets	\$ 839,312	895,718	928,567
Non-current assets	411,032	324,603	298,460
Current liabilities	(119,478)	(99,417)	(94,404)
Non-current liabilities	(1,061)	(23)	-
Net assets	<u>\$ 1,129,805</u>	<u>1,120,881</u>	<u>1,132,623</u>
Net assets attributable to non-controlling interest	<u>\$ 491,470</u>	<u>487,724</u>	<u>492,759</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ <u>131,404</u>	<u>111,443</u>	<u>388,398</u>	<u>401,958</u>
Profit for the period	\$ 45,524	9,235	79,214	48,550
Other comprehensive income	(10,208)	(10,009)	(8,853)	18,088
Comprehensive income (loss)	\$ <u>35,316</u>	<u>(774)</u>	<u>70,361</u>	<u>66,638</u>
Profit attributable to non-controlling interest	\$ <u>19,697</u>	<u>4,019</u>	<u>34,336</u>	<u>21,129</u>
Comprehensive income (loss) attributable to non-controlling interest	\$ <u>15,255</u>	<u>(337)</u>	<u>30,483</u>	<u>29,001</u>

	For the nine months ended September 30,	
	2019	2018
Cash flows from operating activities	\$ 82,656	47,698
Cash flows used in investing activities	(7,702)	(144,141)
Cash flows used in financing activities	(64,752)	(80,636)
Net increase (decrease) in cash	\$ <u>10,202</u>	<u>(177,079)</u>

(ii) Summary financial information on EnhancX Inc.

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 66,898	82,282	29,634
Non-current assets	112,602	119,999	113,680
Current liabilities	(3,296)	(1,856)	(1,985)
Net assets	\$ <u>176,204</u>	<u>200,425</u>	<u>141,329</u>
Net assets attributable to non-controlling interests	\$ <u>88,102</u>	<u>100,212</u>	<u>99,762</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ -	-	-	-
Loss for the period	\$ (10,438)	(7,281)	(24,087)	(23,557)
Other comprehensive loss	(134)	-	(134)	-
Comprehensive loss	\$ <u>(10,572)</u>	<u>(7,281)</u>	<u>(24,221)</u>	<u>(23,557)</u>
Loss attributable to non-controlling interest	\$ <u>(5,219)</u>	<u>(5,140)</u>	<u>(12,044)</u>	<u>(16,629)</u>
Comprehensive loss attributable to non-controlling interest	\$ <u>(5,286)</u>	<u>(5,140)</u>	<u>(12,111)</u>	<u>(16,629)</u>

(Continued)

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

	For the nine months ended	
	September 30,	
	2019	2018
Cash flows used in operating activities	\$ <u>(15,656)</u>	<u>(17,304)</u>
Net decrease in cash	\$ <u>(15,656)</u>	<u>(17,304)</u>

(i) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amounts:								
Balance on January 1, 2019	\$ <u>816,169</u>	<u>994,759</u>	<u>356,407</u>	<u>3,149</u>	<u>151,959</u>	<u>2,977</u>	<u>148,911</u>	<u>2,474,331</u>
Balance on September 30, 2019	\$ <u>816,169</u>	<u>947,382</u>	<u>335,001</u>	<u>2,591</u>	<u>142,417</u>	<u>2,446</u>	<u>146,407</u>	<u>2,392,413</u>
Balance on January 1, 2018	\$ <u>816,169</u>	<u>1,030,985</u>	<u>383,543</u>	<u>4,043</u>	<u>153,144</u>	<u>3,688</u>	<u>156,434</u>	<u>2,548,006</u>
Balance on September 30, 2018	\$ <u>816,169</u>	<u>999,377</u>	<u>358,589</u>	<u>3,372</u>	<u>144,254</u>	<u>3,155</u>	<u>159,377</u>	<u>2,484,293</u>

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

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

(ii) Collateral

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

(iii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to \$146,407, and there were no capitalized loan cost for the nine months ended September 30, 2019 and 2018.

(j) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2019	\$ <u>69,152</u>	<u>18,998</u>	<u>88,150</u>
Balance on September 30, 2019	\$ <u>69,152</u>	<u>31,637</u>	<u>100,789</u>
Balance on January 1, 2018	\$ <u>69,152</u>	<u>19,871</u>	<u>89,023</u>
Balance on September 30, 2018	\$ <u>69,152</u>	<u>19,070</u>	<u>88,222</u>

(Continued)

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

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

(k) Intangible assets

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

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Cost:			
Balance on January 1, 2019	\$ 31,080	190,238	221,318
Additions	608	-	608
Disposals	(196)	-	(196)
Reclassifications	(556)	-	(556)
Balance on September 30, 2019	<u>\$ 30,936</u>	<u>190,238</u>	<u>221,174</u>
Balance on January 1, 2018	\$ 32,574	162,386	194,960
Additions	1,221	10,896	12,117
Disposals	(2,914)	-	(2,914)
Reclassifications	-	16,956	16,956
Effect of changes in foreign exchange rate	(1)	-	(1)
Balance on September 30, 2018	<u>\$ 30,880</u>	<u>190,238</u>	<u>221,118</u>
Amortization and impairment loss:			
Balance on January 1, 2019	\$ 25,157	42,973	68,130
Amortization for the period	3,263	11,299	14,562
Disposals	(196)	-	(196)
Reclassifications	(556)	-	(556)
Balance on September 30, 2019	<u>\$ 27,668</u>	<u>54,272</u>	<u>81,940</u>
Balance on January 1, 2018	\$ 23,456	29,301	52,757
Amortization for the period	3,407	9,906	13,313
Disposals	(2,914)	-	(2,914)
Effect of changes in foreign exchange rate	(1)	-	(1)
Balance on September 30, 2018	<u>\$ 23,948</u>	<u>39,207</u>	<u>63,155</u>
Carrying amount:			
Balance on January 1, 2019	<u>\$ 5,923</u>	<u>147,265</u>	<u>153,188</u>
Balance on September 30, 2019	<u>\$ 3,268</u>	<u>135,966</u>	<u>139,234</u>
Balance on January 1, 2018	<u>\$ 9,118</u>	<u>133,085</u>	<u>142,203</u>
Balance on September 30, 2018	<u>\$ 6,932</u>	<u>151,031</u>	<u>157,963</u>

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

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

(l) Other financial assets and other assets

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

	September 30, 2019	December 31, 2018	September 30, 2018
Other current financial assets	\$ 428,750	398,271	398,032
Other non-current financial assets	153,505	143,678	124,349
Long-term prepayments	43,366	43,366	43,366
Others	10,996	6,883	10,724
	<u>\$ 636,617</u>	<u>592,198</u>	<u>576,471</u>

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

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

(m) Short-term loans

	September 30, 2019	December 31, 2018	September 30, 2018
Secured bank loans	<u>\$ 1,750,000</u>	<u>1,150,000</u>	<u>1,450,000</u>
Unused credit line	<u>\$ 1,197,461</u>	<u>1,170,321</u>	<u>1,349,354</u>
Range of interests rates	<u>0.88%~0.98%</u>	<u>0.92%~0.96%</u>	<u>0.86%~0.96%</u>

For the nine months ended September 30, 2019 and 2018, the Group increased its capital by \$3,600,000, with an interest of 0.88%~0.98% and \$3,922,730 with an interest of 0.86%~3.70%, respectively. The amount paid back were \$3,000,000 and \$4,122,730, respectively. Please refer to Note 6(v) for interest expense and Note 6(x) for liquidity risk and interest rate analysis information.

(n) Long-term loans

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

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank loans	\$ 350,000	350,000	350,000
Less: Current portion	(350,000)	-	-
Total	<u>\$ -</u>	<u>350,000</u>	<u>350,000</u>
Unused credit line	<u>\$ 450,000</u>	<u>400,000</u>	<u>400,000</u>
Range of interest rate	<u>1.140%~1.180%</u>	<u>1.115%~1.180%</u>	<u>1.115%~1.180%</u>

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

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

(o) Operating leases

(i) Leases as lessee

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

	December 31, 2018	September 30, 2018
Less than one year	\$ 2,987	3,001
Between one and five years	<u>3,825</u>	<u>4,563</u>
	<u>\$ 6,812</u>	<u>7,564</u>

(ii) Leases as lessor

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

	December 31, 2018	September 30, 2018
Less than one year	\$ 9,200	6,739
Between one and five years	<u>11,811</u>	<u>10,003</u>
	<u>\$ 21,011</u>	<u>16,742</u>

(p) Employee benefits

(i) Defined benefit plans

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Operating cost	\$ 134	157	402	470
Selling expenses	125	143	374	429
Administrative expenses	64	72	191	218
Research and development expenses	83	97	249	292
Total	<u>\$ 406</u>	<u>469</u>	<u>1,216</u>	<u>1,409</u>

(Continued)

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

(ii) Defined contributions plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Operating cost	\$ 2,137	2,029	6,350	6,003
Selling expenses	2,139	2,028	6,394	6,067
Administrative expenses	1,252	1,151	3,620	3,618
Research and development expenses	1,423	1,409	4,280	4,091
Total	<u>\$ 6,951</u>	<u>6,617</u>	<u>20,644</u>	<u>19,779</u>

(q) Income Tax

(i) Income tax expense

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Current tax expense				
Current period incurred	\$ 78,197	61,828	217,960	215,453
Adjustment for prior periods	13	-	13	(7,600)
Additional 10% Surtax on Undistributed Retained Earnings	-	-	9,611	9,133
Income tax expense	<u>\$ 78,210</u>	<u>61,828</u>	<u>227,584</u>	<u>216,986</u>

(ii) Status of approval on income tax

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

(r) Capital and other equity

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(i) Capital surplus

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Share capital	\$ 484	484	484
Long term investment	<u>337,794</u>	<u>348,335</u>	<u>358,953</u>
	<u><u>\$ 338,278</u></u>	<u><u>348,819</u></u>	<u><u>359,437</u></u>

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

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

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

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

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

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

3) Earnings distribution

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

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

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Available for-sale investments	Total
Balance on January 1, 2019	\$ (56,694)	103,515	-	46,821
Exchange differences on foreign operations	22,982	-	-	22,982
Share of exchange differences of associates accounted for using equity method	(74)	-	-	(74)
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	(8,357)	-	(8,357)
The share of unrealized profit on financial assets measured at fair value through other comprehensive income	-	(1,702)	-	(1,702)
Balance on September 30, 2019	<u>\$ (33,786)</u>	<u>93,456</u>	<u>-</u>	<u>59,670</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Available for-sale financial assets	Total
Balance on January 1, 2018	\$ (99,734)	-	122,165	22,431
Effects of retrospective application	-	122,167	(122,165)	2
Balance on January 1, 2018 after adjustments	(99,734)	122,167	-	22,433
Exchange differences on foreign operations	36,884	-	-	36,884
Share of exchange differences of associates accounted for using equity method	(79)	-	-	(79)
Disposal of affiliated companies using the equity method reclassified to profit or loss	6	-	-	6
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	25,416	-	25,416
Disposal of equity instrument measured at fair value through other comprehensive income which was transferred to retained earnings	-	(20)	-	(20)
The share of unrealized loss on financial assets measured at fair value through other comprehensive income	-	(12,368)	-	(12,368)
Balance on September 30, 2018	<u>\$ (62,923)</u>	<u>135,195</u>	<u>-</u>	<u>72,272</u>

(iv) Non-controlling interests

	For the nine months ended September 30,	
	2019	2018
Balance on January 1	\$ 587,592	614,861
Attributable to non-controlling interests:		
Profit for the period	22,490	4,459
Foreign currency translation differences-foreign operations	(79)	21
Unrealized (losses) gains on financial assets	(3,850)	7,872
Cash dividend distributed	(26,737)	(35,093)
Balance on September 30	<u>\$ 579,416</u>	<u>592,120</u>

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Basic earnings per share				
Profit attributable to ordinary shareholders	\$ <u>316,304</u>	<u>343,192</u>	<u>868,948</u>	<u>1,094,253</u>
Weighted-average number of ordinary shares	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>
	<u>\$ 1.27</u>	<u>1.38</u>	<u>3.49</u>	<u>4.40</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	\$ <u>316,304</u>	<u>343,192</u>	<u>868,948</u>	<u>1,094,253</u>
Weighted-average number of ordinary shares	248,650	248,650	248,650	248,650
Employees' compensation	74	73	300	317
Weighted-average number of ordinary shares (diluted)	<u>248,724</u>	<u>248,723</u>	<u>248,950</u>	<u>248,967</u>
	<u>\$ 1.27</u>	<u>1.38</u>	<u>3.49</u>	<u>4.40</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2019					
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 580,773	57,248	195,216	128,338	1,309	962,884
European countries	119,629	-	-	-	-	119,629
Other countries	51,918	9,481	388	2,317	3,202	67,306
	<u>\$ 752,320</u>	<u>66,729</u>	<u>195,604</u>	<u>130,655</u>	<u>4,511</u>	<u>1,149,819</u>
Major products/services lines:						
Medicine and health food	\$ 737,285	66,729	195,604	120,928	3,202	1,123,748
Services	15,035	-	-	9,727	1,309	26,071
	<u>\$ 752,320</u>	<u>66,729</u>	<u>195,604</u>	<u>130,655</u>	<u>4,511</u>	<u>1,149,819</u>

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For the three months ended September 30, 2018						
	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 458,762	52,098	176,997	109,588	-	797,445
European countries	77,628	-	-	-	-	77,628
Other countries	<u>19,363</u>	<u>6,148</u>	<u>192</u>	<u>1,855</u>	<u>4,162</u>	<u>31,720</u>
	<u>\$ 555,753</u>	<u>58,246</u>	<u>177,189</u>	<u>111,443</u>	<u>4,162</u>	<u>906,793</u>
Major products/services lines:						
Medicine and health food	\$ 549,739	58,246	177,189	108,654	4,162	897,990
Services	<u>6,014</u>	<u>-</u>	<u>-</u>	<u>2,789</u>	<u>-</u>	<u>8,803</u>
	<u>\$ 555,753</u>	<u>58,246</u>	<u>177,189</u>	<u>111,443</u>	<u>4,162</u>	<u>906,793</u>
For the nine months ended September 30, 2019						
	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 1,661,089	161,650	590,519	383,171	6,414	2,802,843
European countries	351,271	-	-	-	-	351,271
Other countries	<u>168,325</u>	<u>20,011</u>	<u>388</u>	<u>4,478</u>	<u>8,028</u>	<u>201,230</u>
	<u>\$ 2,180,685</u>	<u>181,661</u>	<u>590,907</u>	<u>387,649</u>	<u>14,442</u>	<u>3,355,344</u>
Major products/services lines:						
Medicine and health food	\$ 2,161,293	181,661	590,907	356,890	8,028	3,298,779
Services	<u>19,392</u>	<u>-</u>	<u>-</u>	<u>30,759</u>	<u>6,414</u>	<u>56,565</u>
	<u>\$ 2,180,685</u>	<u>181,661</u>	<u>590,907</u>	<u>387,649</u>	<u>14,442</u>	<u>3,355,344</u>

(Continued)

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

For the nine months ended September 30, 2018

	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 1,429,874	150,496	535,853	400,103	-	2,516,326
European countries	294,787	-	-	-	-	294,787
Other countries	93,324	24,144	192	1,855	13,982	133,497
	<u>\$ 1,817,985</u>	<u>174,640</u>	<u>536,045</u>	<u>401,958</u>	<u>13,982</u>	<u>2,944,610</u>
Major products/services lines:						
Medicine and health food	\$ 1,784,898	174,640	536,045	364,301	13,982	2,873,866
Services	20,239	-	-	37,657	-	57,896
Royalty	12,848	-	-	-	-	12,848
	<u>\$ 1,817,985</u>	<u>174,640</u>	<u>536,045</u>	<u>401,958</u>	<u>13,982</u>	<u>2,944,610</u>

(ii) Contract balances

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Contract liability balances	<u>\$ 8,881</u>	<u>6,405</u>	<u>24,845</u>

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

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

(u) Remuneration of employees and directors

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

For the three months and the nine months ended September 30, 2019 and 2018, remuneration of employees were \$5,854, \$6,191, \$16,553 and \$20,048, respectively, and of directors' remuneration amounted to \$3,902, \$4,127, \$11,035 and \$13,365, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period. These remunerations were recognized under operating costs or operating expenses for the nine months ended September 30, 2019 and 2018. If there's any difference between the amount resolved at the Board of Directors meeting and the estimated amount, the Company will treat the difference as changes in accounting estimates and charged to profit or loss.

(Continued)

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

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

(v) Non-operating income and expenses

(i) Other income

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

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Interest income	\$ 9,685	7,104	30,371	20,772
Rental revenue	2,634	2,486	8,723	7,754
	<u>\$ 12,319</u>	<u>9,590</u>	<u>39,094</u>	<u>28,526</u>

(ii) Other gains and losses

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

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Losses on disposal of property, plant and equipment	\$ (622)	-	(830)	(806)
Gains on disposal of investments	-	149,530	-	495,569
Foreign exchange gains	1,763	5,733	5,133	10,768
Gains (losses) on financial assets measured at fair value through profit	42	(21)	513	(14)
Other gains and losses (net)	<u>39,042</u>	<u>7,690</u>	<u>61,167</u>	<u>12,007</u>
	<u>\$ 40,225</u>	<u>162,932</u>	<u>65,983</u>	<u>517,524</u>

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

(iii) Finance costs

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

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Interest expense	\$ 3,723	4,140	10,104	13,249
Imputed interest from deposits	1	-	3	-
Other finance costs	36	-	129	-
Interest expense	<u>\$ 3,760</u>	<u>4,140</u>	<u>10,236</u>	<u>13,249</u>

(Continued)

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

(w) Reclassification of other comprehensive income

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

	For the nine months ended September 30,	
	2019	2018
Equity method used to recognize the shares of other comprehensive profit or loss of related companies- Items that may be reclassified to profit or loss:		
Losses for the period	\$ (1,776)	(12,447)
Disposal of share of profit of associates accounted for using equity method	-	6
Net losses recognized in other comprehensive income	\$ (1,776)	(12,441)

(x) Financial instruments

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

(i) Credit risk of accounts receivable

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

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
September 30, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 2,100,000	2,104,851	2,104,851	-	-
Non-interest-bearing liabilities (including related parties)	666,533	666,533	666,533	-	-
Guarantee deposits received	2,951	2,951	2,951	-	-
	\$ 2,769,484	2,774,335	2,774,335	-	-

(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>
December 31, 2018					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,500,000	1,507,059	1,155,290	351,769	-
Non-interest-bearing liabilities (including related parties)	641,801	641,801	641,801	-	-
Guarantee deposits received	<u>2,445</u>	<u>2,445</u>	<u>2,445</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,144,246</u>	<u>2,151,305</u>	<u>1,799,536</u>	<u>351,769</u>	<u>-</u>
September 30, 2018					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,800,000	1,807,916	1,455,157	352,759	-
Non-interest-bearing liabilities (including related parties)	550,053	550,053	550,053	-	-
Guarantee deposits received	<u>6,044</u>	<u>6,044</u>	<u>6,044</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,356,097</u>	<u>2,364,013</u>	<u>2,011,254</u>	<u>352,759</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>September 30, 2019</u>			<u>December 31, 2018</u>			<u>September 30, 2018</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	16,649	31.04	516,785	17,808	30.72	546,973	15,986	30.53	487,973
CNY		6,216	4.35	27,040	4,151	4.47	18,563	4,171	4.44	18,503
JPY		67,320	0.29	19,286	67,702	0.28	17,444	4,407	0.27	1,186
EUR		1,882	33.95	63,894	1,067	35.20	37,558	1,885	35.48	66,800
<u>Nonmonetary items</u>										
USD		47,626	31.04	1,478,305	47,280	30.72	1,452,218	47,311	30.53	1,444,163
CNY		52,790	4.35	229,637	52,386	4.47	234,272	52,490	4.44	232,844
THB		260,430	1.02	265,769	240,499	0.95	229,244	244,779	0.92	226,102
KRW		1,164,085	0.03	33,082	1,498,607	0.03	41,587	1,520,478	0.03	41,832
MXN		12,397	1.63	20,208	16,011	1.60	25,618	-	-	-

(Continued)

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

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

A strengthening (weakening) of 1% of the NTD against the USD, RMB, JPY and EUR as of September 30, 2019 and 2018 would have increased (decreased) the net profit after tax by \$5,016 and \$4,596, respectively. The analysis is performed on the same basis for 2019 and 2018.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the nine months ended September 30, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to \$5,133 and \$10,768, respectively.

(iv) Interest rate analysis

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

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

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

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$937 and \$1,473 for the nine months ended September 30, 2019 and 2018, respectively, assuming all other variable factors remained constant.

(v) Other market value risk

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

	For the nine months ended September 30,			
	2019		2018	
	Other		Other	
Security Price	Comprehensive	Net income	Comprehensive	Net income
	income after tax		income after tax	Net income
Increase by 10%	\$ <u>49,280</u>	<u>601</u>	<u>47,605</u>	<u>355</u>
Decrease by 10%	\$ <u>(49,280)</u>	<u>(601)</u>	<u>(47,605)</u>	<u>(355)</u>

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

(vi) Fair value of financial instruments

1) Categories of financial instruments

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

	September 30, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 6,009	6,009	-	-	6,009
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 199,983	199,983	-	-	199,983
Domestic stock- listed company at Taipei Exchange	164,402	164,402	-	-	164,402
Domestic stock- listed company at emerging stock market	79,144	79,144	-	-	79,144
International stock	49,271	-	-	49,271	49,271
subtotal	<u>492,800</u>	<u>443,529</u>	<u>-</u>	<u>49,271</u>	<u>492,800</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,287,051	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,130,133	-	-	-	-
Other receivables (including related party)	72,528	-	-	-	-
Other financial asset	582,255	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	27,908	-	-	-	-
Total	<u>4,113,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,612,041</u>	<u>449,538</u>	<u>-</u>	<u>49,271</u>	<u>498,809</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,100,000	-	-	-	-
Notes payable and accounts payable (including related party)	213,213	-	-	-	-
Other payables (including related party)	453,320	-	-	-	-
Guarantee deposit received	2,951	-	-	-	-
Total	<u>\$ 2,769,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	September 30, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 3,550	3,550	-	-	3,550
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 180,034	180,034	-	-	180,034
Domestic stock- listed company at Taipei Exchange	226,161	226,161	-	-	226,161
Domestic stock- listed company at emerging stock market	69,851	69,851	-	-	69,851
subtotal	<u>476,046</u>	<u>476,046</u>	<u>-</u>	<u>-</u>	<u>476,046</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,297,216	-	-	-	-
Notes receivable and accounts receivable (including related party)	923,544	-	-	-	-
Other receivables (including related party)	43,941	-	-	-	-
Other financial asset	522,381	-	-	-	-
Cash surrender value of life insurance	7,275	-	-	-	-
Refundable deposits paid	22,686	-	-	-	-
	<u>3,817,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,296,639</u>	<u>479,596</u>	<u>-</u>	<u>-</u>	<u>479,596</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,800,000	-	-	-	-
Notes payable and accounts payable (including related party)	102,125	-	-	-	-
Other payables (including related party)	447,928	-	-	-	-
Guarantee deposit received	6,044	-	-	-	-
Total	<u>\$ 2,356,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

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

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

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

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

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

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

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

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

5) Transfer between levels

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

(y) Financial risk management

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(z) Capital management

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

(7) Related-party transactions:

(a) List of subsidiaries

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

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

(b) Significant transactions with related parties

(i) Operating revenue

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

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Associates	<u>\$ 26,033</u>	<u>16,169</u>	<u>62,964</u>	<u>54,444</u>

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

(ii) Purchases

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

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Associates	<u>\$ 2,971</u>	<u>-</u>	<u>6,147</u>	<u>7,110</u>

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

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(iii) Rent revenue

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

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Rental revenue	Associate—Chuang Yi Biotech Co., Ltd.	\$ <u>783</u>	<u>783</u>	<u>2,349</u>	<u>2,349</u>

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

(iv) Other income

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Other income	Associates	\$ <u>252</u>	<u>-</u>	<u>643</u>	<u>-</u>
Other income	Associate-American Taiwan Biopharm (Thailand)	\$ <u>3,194</u>	<u>2,956</u>	<u>9,414</u>	<u>8,855</u>

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

(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Notes receivable	Associates	\$ <u>645</u>	<u>34</u>	<u>-</u>
Accounts receivable	Associates	\$ <u>23,585</u>	<u>16,156</u>	<u>16,052</u>
Other receivables	Associate-American Taiwan Biopharm (Thailand)	\$ 17,376	12,241	10,211
	Associates	338	393	428
Other receivables-loans to associates	Associates-Chuang Yi Biotech Co., Ltd.	<u>50,000</u>	<u>-</u>	<u>-</u>
		\$ <u>67,714</u>	<u>12,634</u>	<u>10,639</u>
Notes and accounts payable	Associate-Chuang Yi Biotech Co., Ltd.	\$ <u>3,135</u>	<u>14,382</u>	<u>87</u>

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

According to the Articles of Incorporation, the interest charged by the Company to its related parties was based on the average interest rate that charged by the financial institutions, with an additional markup rate of 5% on the Company's borrowings. The loans to related parties were unsecured. There were no expected credit losses after the management's assessment.

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

(d) Key management personnel compensation

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Salaries and other short-term employee benefits	\$ 22,041	29,070	68,963	76,673
Post-employment benefits	310	305	920	909
	<u>\$ 22,351</u>	<u>29,375</u>	<u>69,883</u>	<u>77,582</u>

(8) Pledged assets:

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

Asset	Purpose of pledge	September 30, 2019	December 31, 2018	September 30, 2018
Other financial asset—non-current	Guarantee for provision attachment	\$ <u>149,380</u>	<u>139,380</u>	<u>120,010</u>

(9) Commitments and contingencies:

- (a) The Group signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Group obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to \$34,515 and \$32,404 for the nine months ended September 30, 2019 and 2018, respectively.
- (b) As of September 30, 2019, December 31, 2018 and September 30, 2018, due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$625,907, \$619,601 and \$647,516, and the unpaid amount was \$176,269, \$188,431 and \$230,396, respectively.
- (c) As of September 30, 2019, December 31, 2018 and September 30, 2018, the financial institutions provide guarantee for the sale of medicine amounted to \$52,539, \$49,679 and \$50,646, respectively.
- (d) In June 2015, the Taipei District Prosecutors Office filed a charge against the ex-chairman of the Company, Rong-Jin Lin, for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, the ex-chairman was found guilty for violating the Securities and Exchange Act. Currently, the case has been appealed and moved to the second instance at the Taiwan High Court. The relevant incidental civil action was later transferred to the civil court for further trial as a different case in September 6, 2017. Further on April 23, 2018, the Taipei District Prosecutors Office requested the Taiwan High Court to hear the case of ex-chairman Rong-Jin Lin's offense of the Securities and Exchange Act because of the dispute of contract relevant with Risperidone entered into by and between the Group and Center Laboratories, Inc. together with the aforementioned case in a consolidated procedure. As of June 29, 2018, the Group supplemented and raised the amount of its damage claim against the ex-chairman in the incidental civil action of the second appeal.

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	For the three months ended September 30,					
	2019			2018		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 56,751	157,750	214,501	52,906	149,852	202,758
Health and labor insurance	4,264	9,672	13,936	3,896	8,803	12,699
Pension	2,270	5,087	7,357	2,186	4,900	7,086
Others	5,226	17,638	22,864	3,790	16,605	20,395
Depreciation expense	25,656	8,401	34,057	25,150	6,651	31,801
Amortization expense	73	4,778	4,851	92	4,792	4,884

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By item	For the nine months ended September 30,					
	2019			2018		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 161,795	461,497	623,292	161,029	444,463	605,492
Health and labor insurance	13,074	28,355	41,429	12,316	26,493	38,809
Pension	6,751	15,109	21,860	6,473	14,715	21,188
Others	13,276	57,924	71,200	9,894	57,344	67,238
Depreciation expense	77,140	25,450	102,590	75,116	20,498	95,614
Amortization expense	260	14,302	14,562	228	13,085	13,313

(b) Seasonality of operations:

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

(c) Others

The Group donated \$27,336 and \$30,013 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the nine months ended September 30, 2019 and 2018, respectively.

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(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period (Note 1)	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		Maximum limit of fund financing (Note 3)
													Item	Value	
0	The Company	Chuang Yi Biotech Co., Ltd	Receivables from related parties	Yes	50,000	50,000	50,000	6.756%	1	-	Operating capital	-	-	1,111,273	1,111,273
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	52,768 USD 1,700	37,248 USD 1,200	37,248 USD 1,200	0.5%	2	-	Operating capital	-	234,270 CNY 52,386	-	234,270 CNY 52,386
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	77,600 USD 2,500	77,600 USD 2,500	-	0.9%	2	-	Operating capital	-	93,706 CNY 20,954	-	93,706 CNY 20,954
2	Xudong Haiyu International Co., Ltd.	The Company	Receivables from related parties	Yes	527,680 USD 17,000	-	-	0.9%	2	-	Operating capital	-	569,088 USD 18,528	-	569,088 USD 18,528

The exchange rate of USD to NTD as of the reporting date was 1:31.040.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The exchange rate of CNY to NTD as of the reporting date was 1:4.350.

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

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

Note 2): The total amount for lending to a company shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

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

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

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

(ii) Guarantees and endorsements for other parties: None

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	1,600	45,360	1.36 %	45,360

(In Thousands of New Taiwan Dollars)

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income—current	4,199	119,042	3.58 %	119,042
"	Cathay Financial Holding Co., Ltd. common stock	-	"	120	4,908	- %	4,908
"	Handa Pharmaceuticals Inc. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	2,625	79,144	2.27 %	79,144
"	Fubon Financial Holding Co., Ltd. common stock	-	"	300	13,365	- %	13,365
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	2,500	159,750	0.38 %	159,750
"	Union Bank of Taiwan Preferred Shares A	-	"	400	21,960	0.20 %	21,960
"	CellMax Ltd. preferred stock	-	"	1,593	49,271	2.03 %	49,271
"	Fubon S&P US preferred stock ETFs	-	Financial assets measured at fair value through profit and loss- non-current	300	6,009	- %	6,009

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

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Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Worldco. International Co., Ltd.	I	Royalty revenue	51,617	By contract	1.54%
0	"	"	I	Accounts receivable	32,985	"	0.35%
0	"	TSH Biopharm Co., Ltd.	I	Sale revenue	95,536	"	2.85%
0	"	"	I	Other receivables	2,234	"	0.02%
0	"	"	I	Rental revenue	3,120	"	0.09%
0	"	"	I	Other revenue	6,032	"	0.18%
0	"	"	I	Accounts receivable	10,062	"	0.11%
0	"	American Taiwan Biopharma Philis Inc.	I	Other receivables	8,838	"	0.09%
0	"	EnhancX Inc.	I	Other receivables	1,813	"	0.02%
0	"	"	I	Service revenue	2,513	"	0.07%
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	I	Other receivables	37,248	"	0.39%
1	"	"	I	Other Payables	8,814	"	0.09%
1	"	"	I	Other receivables	55,528	"	0.58%

Note 1): The numbering is as follows:

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

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

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

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

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2019		Share of profits/losses of investee	Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership				
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,431,104	8,117	8,117	Subsidiary
"	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	229,637	1,362	1,362	Subsidiary
"	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(1,698)	1,303	1,106	Subsidiary
"	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	631,828	79,214	44,561	Subsidiary
"	EnhancX Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	36,703	(24,087)	(5,017)	Subsidiary
Xudong Haipu International Co., Ltd.	EnhancX Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	51,399	(24,087)	(7,027)	Subsidiary
"	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	33,082	(6,256)	(6,256)	Subsidiary
"	TTY Biopharm Mexico S.A.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	10,104	(5,828)	(2,914)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	10,104	(5,828)	(2,914)	Subsidiary
EnhancX Inc.	EnhancX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	-	100	100.00 %	3,069	(335)	(335)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,564	299,098	25,867	17.76 %	789,192	79,509	11,710	Investments accounted for using equity method
"	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	265,769	54,064	21,626	Investments accounted for using equity method
"	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	47,201	33,093	13,237	Investments accounted for using equity method
"	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	82,059	6,326	27.54 %	53,215	(23,518)	(6,477)	Investments accounted for using equity method
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	35,276	-	1,118	4.87 %	34,519	(23,518)	(478)	Investments accounted for using equity method

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(c) Information on investment in Mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of		Investment flows		Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
				January 1, 2019	September 30, 2019	Outflow	Inflow					
Worldco Biotech Pharmaceutical Ltd. (Beijing)	Marketing consulting regarding chemical medicine	316,608 USD 10,200 CNY	(2)	323,433	323,433	-	-	(1,249) CNY (276)	100 %	CNY (1,249) (276) CNY	(68,856) (15,829)	-
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	51,765 CNY 11,900 CNY	(2)	87,566 CNY 20,130 CNY	87,566 CNY 20,130 CNY	-	-	349 CNY 77 CNY	100 %	CNY 349 77 CNY	47,854 11,001	-

The exchange rate of USD to NTD as of the reporting date was 1:31.040, and the average exchange rate of USD to NTD for the reporting period was 1:31.026.

The exchange rate of CNY to NTD as of the reporting date was 1:4.350, and the average exchange rate of CNY to NTD for the reporting period was 1:4.526.

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

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

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

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Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 423,982	NTD 1,440,157 (USD 46,728)	NTD 3,681,468

(iii) Significant transactions: None

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(14) Segment information:

(a) General information

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

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

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

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

<u>For the three months ended September 30, 2019</u>	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>China Medicine Business Unit</u>	<u>Other Segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:								
Revenue from external customers	\$ 752,320	66,729	195,604	130,655	-	4,511	-	1,149,819
Intersegment revenues	69,219	-	-	749	-	-	(69,968)	-
Total revenue	<u>\$ 821,539</u>	<u>66,729</u>	<u>195,604</u>	<u>131,404</u>	<u>-</u>	<u>4,511</u>	<u>(69,968)</u>	<u>1,149,819</u>
Reportable segment profit or loss	<u>\$ 271,771</u>	<u>20,212</u>	<u>66,662</u>	<u>57,075</u>	<u>4,402</u>	<u>(9,558)</u>	<u>(1,554)</u>	<u>409,010</u>
<u>For the three months ended September 30, 2018</u>								
Revenue:								
Revenue from external customers	\$ 555,753	58,246	177,189	111,443	-	4,162	-	906,793
Intersegment revenues	25,147	-	-	-	-	-	(25,147)	-
Total revenue	<u>\$ 580,900</u>	<u>58,246</u>	<u>177,189</u>	<u>111,443</u>	<u>-</u>	<u>4,162</u>	<u>(25,147)</u>	<u>906,793</u>
Reportable segment profit or loss	<u>\$ 332,598</u>	<u>15,879</u>	<u>53,559</u>	<u>11,688</u>	<u>4,544</u>	<u>(6,993)</u>	<u>(7,517)</u>	<u>403,758</u>
<u>For the nine months ended September 30, 2019</u>								
Revenue:								
Revenue from external customers	\$ 2,180,685	181,661	590,907	387,649	-	14,442	-	3,355,344
Intersegment revenues	150,390	-	-	749	-	-	(151,139)	-
Total revenue	<u>\$ 2,331,075</u>	<u>181,661</u>	<u>590,907</u>	<u>388,398</u>	<u>-</u>	<u>14,442</u>	<u>(151,139)</u>	<u>3,355,344</u>
Reportable segment profit or loss	<u>\$ 819,818</u>	<u>49,681</u>	<u>203,830</u>	<u>99,199</u>	<u>3,829</u>	<u>(16,830)</u>	<u>(40,505)</u>	<u>1,119,022</u>

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<u>For the nine months ended September 30, 2018</u>	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>China Medicine Business Unit</u>	<u>Other Segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:								
Revenue from external customers	\$ 1,817,985	174,640	536,045	401,958	-	13,982	-	2,944,610
Intersegment revenues	<u>126,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,072)</u>	<u>-</u>
Total revenue	<u>\$ 1,944,057</u>	<u>174,640</u>	<u>536,045</u>	<u>401,958</u>	<u>-</u>	<u>13,982</u>	<u>(126,072)</u>	<u>2,944,610</u>
Reportable segment profit or loss	<u>\$ 1,116,984</u>	<u>43,088</u>	<u>188,006</u>	<u>60,682</u>	<u>(42,810)</u>	<u>(25,644)</u>	<u>(24,608)</u>	<u>1,315,698</u>
Reportable segment assets								
Balance on September 30, 2019	<u>\$ 8,467,655</u>	<u>32,893</u>	<u>331,599</u>	<u>1,250,344</u>	<u>269,586</u>	<u>1,650,840</u>	<u>(2,482,159)</u>	<u>9,520,758</u>
Balance on December 31, 2018	<u>\$ 7,823,178</u>	<u>230,600</u>	<u>310,827</u>	<u>1,220,321</u>	<u>240,783</u>	<u>1,657,841</u>	<u>(2,430,415)</u>	<u>9,053,135</u>
Balance on September 30, 2018	<u>\$ 7,684,403</u>	<u>234,312</u>	<u>340,826</u>	<u>1,227,027</u>	<u>239,387</u>	<u>1,571,771</u>	<u>(2,345,375)</u>	<u>8,952,351</u>