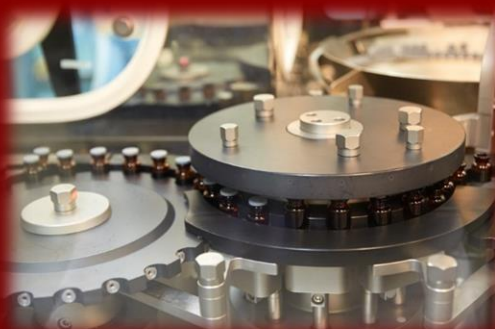


Annual Report 2020



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I. Letter to Shareholders

Dear Ladies and Gentlemen,

In year 2020, more than 180 countries were affected by coronavirus which is not yet exterminated completely from current prevention measures. In addition to its pursuit of a comprehensive corporate governance, TTY Biopharm is also dedicated to assume its social and environmental responsibilities. The company explores and develops opportunities amidst changes of circumstances and fulfills its duty towards the country and society hoping to create a positive circulation from this pandemic.

At the time when the pandemic was heating up, TTY Biopharm echoed government's pandemic prevention concept of "preemptive preparation" and initiated a series of measures which included "remote office," "self-health monitoring form," "pandemic prevention caring leave" and "pandemic prevention bus" in April, 2020. The company also paid close attention to anti-coronavirus medicine development progress among international community and obtained agency for cell-cultured flu vaccine in order to offer more choices to our citizens and contribute to the public health and pandemic prevention efforts. Furthermore, for the purpose of facilitating sustained development for ecological environment, TTY Biopharm is dedicated to improve manufacturing process as well as aggressive exploration of technologies for drug recycle and disposal. For instance, three years ago the company collaborated with the National Central University and had successfully developed arsenic ion recycling technology for anti-cancer drug "Asadin". This technology has been adopted in TTY Biopharm's laboratory. Through innovative technologies of arsenic ion absorbent, absorption duct equipment and evaporative crystallization, contents of "arsenic" in waste water as well as total amount of water needed for processing were both reduced. This also allows "arsenic" heavy metal in recycled liquid to be used again and accordingly it brings positive contributions to environmental conservation, biotechnology and circular economy.

In terms of corporate governance, TTY Biopharm is always conscientious in its pursuit of excellence. In 2020, the company's Board of Directors approved risk management policy and procedures, established "Risk Management Center" under the Sustainable Development Committee, monitored regularly on changes of risk environment, identified major risks and reviewed risk management measures adopted by the company in order to identify potential risks incurred from operations, and assess, monitor and establish pragmatic risk controls and mitigation plan in a rigorous and practical manner. To respond the fast-changing future, it is imperative that preemptive preparation be in place to enhance the company's capability to respond crisis, build up risk awareness in corporate culture and cultivate employee's risk management awareness for the purpose of establishing an effective risk management mechanism.

TTY Biopharm has been engaged in in-depth cultivation of this land for over 60 years. What we take from the society shall be used for the society. Hence, the company must play the role of a

company of action and contribute our efforts to a sustainable Taiwan. Despite the abundant challenges in this “post pandemic era,” TTY Biopharm still hopes to become a force directed towards virtue in Taiwan society and move towards a better future together with Taiwan through actions taken from three perspectives of promotion of a sustainable environment, assumption of corporate social responsibility and dedication to corporate governance.

The Company’s Business Result for year 2020

(1) Business Plan Implementation Result

The Company’s consolidated net business revenue for year 2020 reached NT\$4,221,836 thousands, which represents a decrease by NT\$244,472 thousands (-5.47%) compared to that of NT \$4,466,308 thousands for year 2019. The decrease was mainly caused by the decline of oversea sales resulted from COVID-19 and the drop of CDMO revenue. Net profit attributed to the parent company for year 2020 totaled NT\$924,178 thousands which represented addition by NT\$24,097 thousands (+2.68%) compared to that of NT\$900,081 thousands in year 2019. The increase was mainly caused by the recognition of milestones revenue from an associate and the Company recognized this investment profit in equity method.

(2) Budget Implementation Status

The Company’s net business revenue for year 2020 is NT\$ 3,721,161 thousands, Pre-tax net profit is NT\$ 1,129,455 thousands, achieving 89.37% of the annual budget target.

(3) Income & Expenditure and Profitability Analysis

Item		Year	2020	2019
Income & Expenditure	Interest Income (in thousands)		1,126	2,495
	Interest Expenditure (in thousands)		17,358	14,717
Profitability Analysis	Return on Assets %		10.95	10.76
	Return on Equity %		16.77	15.83
	Net Profit Margin %		24.84	22.25
	Earnings Per Share (NTD)		3.72	3.62

(4) Research & Development Status

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

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

Looking forward, the Company shall continue to utilize innovation as core value, develop strategies based on broad and enhanced technology platform and think strategically to maintain the Company's competitiveness leading position for the purpose of maximizing respective stakeholders' values.

Overview of Business Plan in year 2021

(1) Operation Policy

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

(2) Quantity and Basis for Projected Sales

In year 2021, the Company expects to sell 360 million tablets of oral products and 5.5 million s vials of injection. The Company's projected sales volume has been established in accordance with IQVIA statistic report and under considerations of possible changes in market

supply and demand going forward, new product development speed as well as national health insurance policy.

(3) Critical Production and Marketing Policies

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

With respect to “marketing strategy,” we shall continue to evaluate major countries in Asia, global primary markets, and emerging markets in addition to our in-depth exploration of Taiwan market. Exploration of TTY product revenue and brand efficiency will be conducted through management of direct sales and strategic partner collaboration. As for “Research & Development Strategy,” we shall continue to enhance the development of specialty pharma platform. In the meantime, we shall balance our needs for short/medium/long term R&D and be engaged in aggressive and cautious search for and assessment of development targets in a bid to enhance product assortments for respective business divisions in the Company. With respect to “Production Strategy,” we shall continue to establish and maintain drug manufacturing bases meeting international quality requirements and enhance production capacity planning which comes with flexibility and economies of scale for the purpose of ensuring our cost and competitive advantages.

The Company’s Future Development Strategy

Corporate Vision: *“Enhance Human Life Quality with Technology”*

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

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

- (1) Balanced evaluations and investment on early/middle/final phase drug development targets for the purpose of enhancing product assortments and competency (specialty pharma, biopharma, new drug) and sustaining this organization's short/long term growth momentum and integration of value chain;
- (2) Collaboration with international cooperation partners in order to speed up development for specialty pharma and new drugs which come with unmet medical needs, high entry barrier (technology, manufacturing) and high drug economic values;
- (3) Concentrate in an ongoing basis on the implementation of "localized" business activities and life cycle management "best suited for local community" in respective target markets;
- (4) Development of specialty pharma through competitive self-owned and joint developments for the purpose of creating stable operation patterns for Contract Development and Manufacturing Organization (CDMO) and expanding TTY international business;
- (5) Monitoring, renewal and maintenance of drug manufacturing bases which comply with international quality standards and requirements;
- (6) Enhance production capacity and supply chain management and complete optimal integration and management encompassing from R&D to production through critical strategic events of M&A, strategic alliance and joint venture.
- (7) Continued implementation of production process improvement and enhancement of production capacity planning (capable of supplying international mass production demand) which comes with flexibility and economies of scale for the purpose of ensuring cost advantage and competency;
- (8) Rapid acquisition and cultivation of local talents with "entrepreneurial spirit" and continued enhancement over product development, operation, and marketing talents possessing balanced developments in the fields of "science, regulation, business management;"
- (9) Accelerate expansion of overseas business footprints, enhance agency sales target management over existing collaborating partners and continue to establish powerful and preeminent overseas self-operated teams for the purpose of generating the Company's mid-and-long term revenue growth potential and diversified development for internationalization.

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

Under the policy of stricter controlling drug expenditure conducted by governments and the impact of regional industrial competition, China, India, and Southeast Asian countries have successively stepped into generic drug industry, which has led to a status of cut-throat price war.

In addition, Taiwanese drug manufacturers lack economic scale, coupled with challenging export sales resulted from regulatory obstacles, have caused excessive domestic competition and staggers development of the drug market in Taiwan.

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

Year 2020 operational environment was full of challenges due to COVID-19 pandemic. Geopolitical instability and US-China trade war caused impact to global economy. Looking into the year 2021, trend for global economy has not yet exposed a silver lining. Economic growth for major countries is still weak, testing again corporate's capability to respond to contingency and effectiveness in cost control. TTY Biopharm shall continue to exploit and develop suitable drugs, explore channels, acquire drugs approval or obtain applications of new drugs to boost revenue growth and expand corporate territory. At the meantime, the Company shall exert aggressive control over expenses for the purpose of maximizing shareholder's equities.

TTY Biopharm Co., Ltd.

Chairman of the Board: Lin, Chuan

II. Company Introduction

1. Founding date: July 22, 1960

2. History of the Company :

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

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

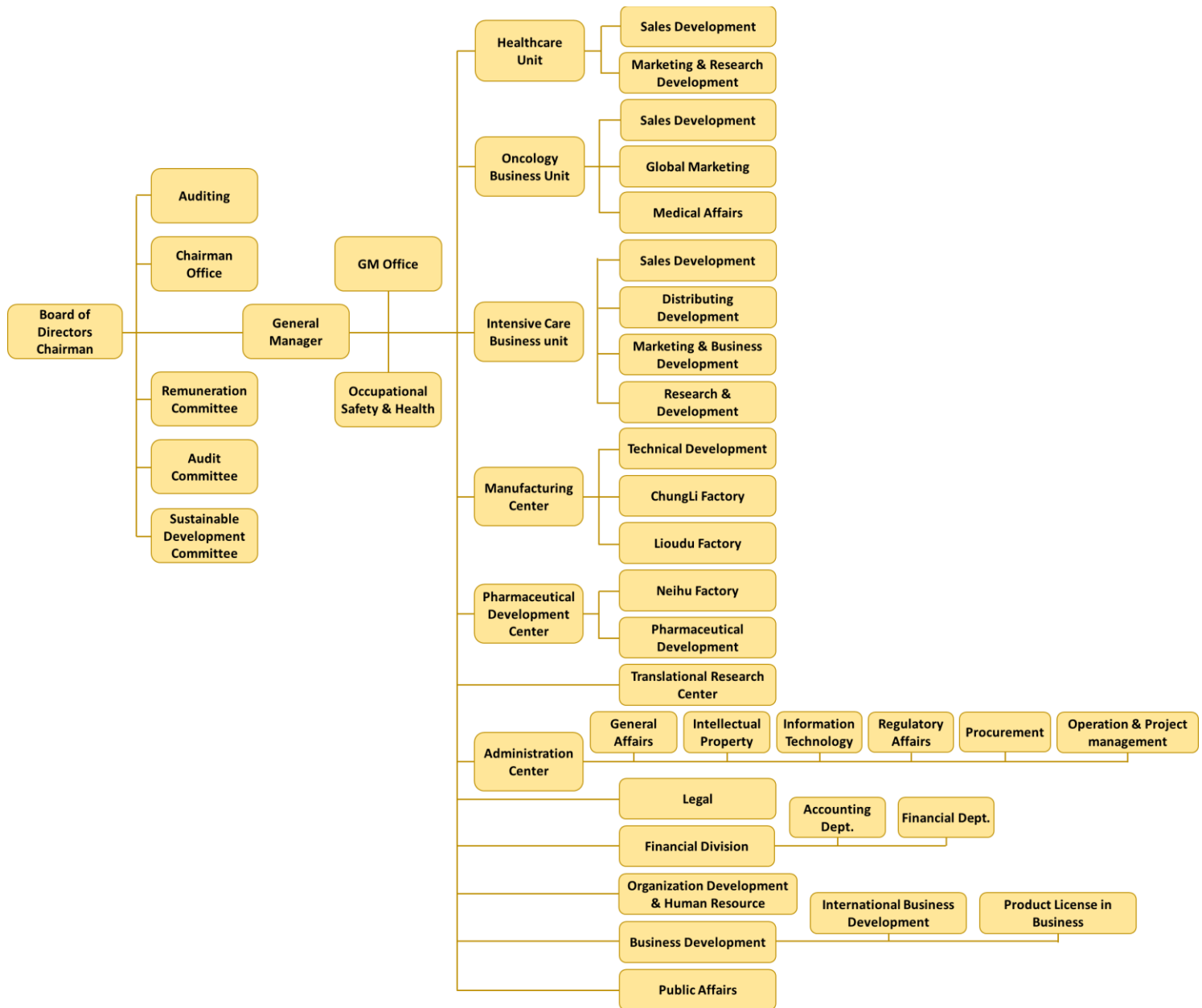
<p>2010</p>	<ul style="list-style-type: none"> • Establishment of TOT Shanghai R&D Center Company Limited. in China • Acquisition of the Taiwan Shionogi Liodu Factory • Establishment of TOT Biopharm Company Limited in China • Acquisition of drug permit license for TS-1 Capsule • Establishment of TSH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

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

III. Corporate Governance Report

1. Organization

(1) Organization Chart



(2) Department Functions

Department	Segregation of duties
GM Office	Assist General Manager to realize respective strategy under business model.
Auditing	Execute a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and control governance processes.
Occupational Safety & Health	Planning and execution for Company's environment, health and safety management; improving work place, safety protection equipment and factory hygiene as well as conducting the Company's industry safety risk assessment operation to reduce or control potential damage in work.
Oncology Business Unit	Develop, assess and explore efficiently products to align Company's strategic directions in the realm of cancer based on the Company's disease categories; and execute marketing planning and business promotion before and after product launch.
Intensive Care Business Unit	Develop strategies in accordance with the Company's disease categories; execute strategic planning, development and project management over anti-infective drugs; conduct marketing planning before and after product launch and execute sales promotion on prescription drug.
Healthcare Unit	Manage TTY Healthcare team on operations and implementing strategic movements by encompassing the latest market trend to promote its products and comb out the niche market.
Pharmaceutical Development Center	Allocate and coordinate resources to R&D formulation programs to ensure smooth transfer of new know-how to other departments in a timely manner.
Manufacturing Center	Integrate and maintain PIC/S GMP management system to ensure TTY's products meet and exceed global quality standard.
Administration Center	<ol style="list-style-type: none"> 1. Execute the Company's operations on business administration, general affairs and raw material procurement; and is responsible for monitoring project execution schedule, establishing and maintaining relationship with critical clients of government, congress/association, fulfilling operation goal and concepts. 2. Devote in global pharmaceutical regulatory affairs and strengthening regulatory negotiation and overcome barriers in order to speed up product launch. 3. Provide professional assessment on intellectual property protection and launch risks over the Company's products, assist in eliminating intellectual property barriers and provide intellectual property intelligence. 4. Maintain company's IT infrastructure by developing software and constantly updating hardware to meet company's ever-changing needs. 5. Strengthen company's mid/long term development and improve company's administrative decision-making procedure and efficiency.
Financial Division	Responsible for daily transactions for the business such as preparing the budgets and forecasts, and to report back on the progress against these throughout the year. This information can be used to plan asset purchases and expansions and cash needs while maintaining investor relationship and BOD. function and stock affairs °
Legal Department	Responsible for establishment and assessment of the Company's prevention system on legal risks, including agreement review, legal opinion consultation, compliance of laws and regulations, intellectual property rights litigation and cross-border or domestic litigation or dispute handling.

Department	Segregation of duties
International Business Development	In charge of oversea company's operation including strategic alliance, new venture evaluation, merger and acquisition
Organization Development & Human Resource Department	Manage the full spectrum of Human Resource functions including recruitment, training, performance evaluation, compensation and benefits. Also responsible for safeguard TTY's core value in order to maintain competitive edge.
Translational Research Center	In charge of new project, focus on early-stage drug inquiry, verification, evaluation, license-in, and cooperative development, and use scientific technology to develop and validate the best clinical candidates to reduce development risks and accelerate the license-in and development.
Public Affairs	Real-time responses to changes in the business environment and effectively enhance the company's brand, product image and reputation.

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

(1) Director

1 Director

Apr 11, 2021, Unit: share: %

Title/ Name	Nationality or Place of Registration	Gender	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company	Directors or Supervisors who are Spouses or within Two Degrees of Kinship
						Shares	%	Shares	%	Shares	%	Shares	%			
Chairman Lin, Chuan	R.O.C.	Male	2018.11.22	3 years	2018.11.22	56,000	0.02	120,000	0.05	50,000	0.02	0	0	【Note】	【Note】	【Note】
Vice Chairman Chang, Wen-Hwa	R.O.C.	Female	2018.11.22	3 years	1995.7.24	4,308,800	1.73	4,409,800	1.77	0	0	0	0	【Note】	【Note】	【Note】
Director Dawan Technology Company Limited.	R.O.C.		2018.11.22	3 years	1995.7.24	22,123,732	8.90	22,590,732	9.09	0	0	0	0	【Note】	【Note】	【Note】
Representative: Carl Hsiao	U.S.A.	Male			2019.3.26	881,712	0.35	881,712	0.35	0	0	0	0			
Director Yang, Tze-Kaing	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	500,000	0.20	【Note】	【Note】	【Note】
Director Chang, Hsiu-Chi	R.O.C.	Male	2018.11.22	3 years	2016.6.24	2,143,686	0.86	1,943,686	0.78	2,772,062	1.11	0	0	【Note】	【Note】	【Note】
Director Liao, Ying-Ying	R.O.C.	Female	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Tsai, Duei	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Hsueh, Ming-Ling	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Lin, Tien-Fu	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】

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

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

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company	Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
			Title	Name	Relation	
Director Liao, Ying-Ying	MBA, University of Missouri, USA	Supervisor cnYES.com Company Limited	—	—	—	
Independent Director Tsai, Duei	Ph.D., Graduate Institute of Electrical Engineering, National Taiwan University	Independent Director Independent Director Compal Electronics, Inc. Taiwan High Speed Rail Corp.	—	—	—	
Independent Director Hsueh, Ming-Ling	MBA, Bloomsburg University, Pennsylvania, USA MS., Graduate Institute of Accounting, Soochow University	Independent Director Independent Director Independent Director Independent Director Lite-On Technology Corp. Walsin Lihwa Corporation Yuanta Financial Holdings Yuanta Commercial Bank 【Note】	—	—	—	
Independent Director Lin, Tien-Fu	Center for Public Administration and Business Management Education, National Chengchi University, Accounting Training Common Accounting Group and Intermediate Accounting Group	Chairman Yuanta Futures Co., Ltd.	—	—	—	

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

2 Major Shareholders of Institutional Shareholders

Apr 11, 2021

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

3 Major Shareholder of Corporate Shareholders with a institutionas its Main Shareholder: None.

4 Professionalism and Independence of Directors and

Apr 11, 2021

Qualification	Has over five years work experience and following professional qualifications			Independence Attribute (Note 2)												Number of Director Posts Held Concurrently for Other Publicly Listed Companies
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related Departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Lin, Chuan	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chang, Wen-Hwa	-	-	✓	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	None
Dawan Technology Company Limited. Representative: Carl Hsiao	-	-	✓	-	-	✓	-	-	✓	✓	-	✓	✓	✓	-	None
Yang, Tze-Kaing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chang, Hsiu-Chi	-	-	✓	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	None
Liao, Ying-Ying	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tsai, Duei	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hsueh, Ming-Ling	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4(Note 1)
Lin, Tien-Fu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

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

Note 2: If the respective director or supervisor meets any of the following conditions within 2 years prior to his/her service and during the service period, please put a check mark (“✓”) in the blank space under the code representing the respective condition.

- (1) Not an employee of the Company or its affiliated companies
- (2) Not a director or supervisor of the Company’s affiliates (unless the person is an independent director of the Company, the Company’s parent company or any subsidiary of the Company)
- (3) Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others’ names, reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders
- (4) Not a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to the managers listed in (1) and persons listed in (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total issued shares of the Company, a top-five shareholder, or authorized representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- (6) Not a director, supervisor, or employee of another company where more than half of the director positions or voting shares of that other company and the Company are controlled by the same person (however, this does not apply when serving concurrently and mutually as independent director established by the Company or its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- (7) Not a director (managing director), supervisor (managing supervisor) or employee of another company or institution where any of its chairmen, presidents, or other equivalent positions are served by the same person or is the spouse of the Company’s chairmen, presidents, or other equivalent positions (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- (8) Not a director (managing director), supervisor (managing supervisor), manager, or shareholder with 5% or more shareholding of a specific company or institution with which the Company has financial or business dealings (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations, if that specific company or institution holds no less than 20%, but no more than 50%, of the total issued shares of the Company).
- (9) Not a professional who provides auditing to the Company or its affiliates, or a professional who provides commercial, legal, financial, accounting, or related services to the Company or its affiliates with a total remuneration of less than NT\$500,000 in the past two years, nor is an owner, partner, director (managing director), supervisor (managing supervisor), or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee or Special Committee for Merger/Consolidation and Acquisition who perform their functions in accordance with laws relevant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative within second degree by affinity to other directors
- (11) Not in contravention of Article 30 of the Company Act
- (12) Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act

(2) Information of Management Team

Apr 11, 2021; Unit: share; %

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship
					Shares	%	Shares	%	Shares	%			
General Manager	R.O.C.	Shih Chun-Liang	Male	2020.07.01	60,000	0.02	5,000	0	0	0	【Note】	【Note】	【Note】
Vice General Manager, Pharmaceutical Development Center	R.O.C.	Hu Yu-Fang	Male	2021.01.20	6,607	0	813	0	0	0	【Note】	【Note】	【Note】
Vice General Manager, Intensive Care Business Unit	R.O.C.	Qu, Zhi-Yuan	Male	2017.05.03	0	0	0	0	0	0	【Note】	【Note】	【Note】
Vice General Manager, Healthcare Unit	R.O.C.	Wu, Yong-Liang	Male	1989.01.01	2,085	0	0	0	0	0	【Note】	【Note】	【Note】
Vice General Manager, GM Office	R.O.C.	Liu, Chih-Ping	Male	2020.02.01	0	0	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, Manufacturing Center	R.O.C.	Lin, Shih-Chuan	Male	2020.08.04	0	0	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President and Chief Financial Officer, Financial Division,	R.O.C.	Chang , Kuo-Chiang	Male	2015.12.31	0	0	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice	R.O.C.	Lin, Jin-Rong	Male	2017.11.03	0	0	0	0	0	0	【Note】	【Note】	【Note】

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship
					Shares	%	Shares	%	Shares	%			
President, Legal Division													
Senior Assist Vice President, Administration Center	R.O.C.	Liu, Nai-Wei	Female	2018.12.04	18,000	0.01	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, GM Office	R.O.C.	Wu, Ruei-Wen	Male	2021.04.01	0	0	0	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Oncology Business Unit	R.O.C.	Hung, Hsiang-Ju	Female	2020.04.01	13,000	0.01	0	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, General Affairs	R.O.C.	Tseng , Chu-Lan	Female	2006.01.11	0	0	0	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Pharmaceutical Development Center	R.O.C.	Cai, Shi-Hua	Male	2013.04.01	3,000	0	0	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Zhongli Factory	R.O.C.	Xie, Cong-Yong	Male	2015.01.01	0	0	2,283	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Oncology Business Unit	R.O.C.	Wu, Shih-Chung	Male	2020.04.01	20,000	0.01	3,000	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Public Affairs Department	R.O.C.	Yin, Wei-Ying	Female	2018.10.01	0	0	3,161	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Organization Development & Human Resource Department	R.O.C.	Chang, Jen-Yang	Male	2019.05.01	0	0	0	0	0	0	【Note】	【Note】	【Note】
Accounting Officer	R.O.C.	Wang, Shu-Wen	Female	2015.08.13	0	0	0	0	0	0	【Note】	【Note】	【Note】

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

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship			Rematk
				Title	Name	Relation	
General Manager	Shih Chun-Liang	BS., School of Pharmacy, Taipei Medical University	Director TTY Biopharm Korea Co. Ltd. Supervisor Enhax Inc.	—	—	—	
Vice General Manager, Pharmaceutical Development Center	Hu Yu-Fang	PhD, College of Pharmacy and Health Science, St. John's University	Chairman Enhax Inc.	—	—	—	
Vice General Manager, Intensive Care Business Unit	Qu, Zhi-Yuan	MS, Royal Roads University	Chairman Chuang Yi Biotech Co. Ltd.	—	—	—	
Vice General Manager, Healthcare Unit	Wu, Yong-Liang	BS., School of Pharmacy, Taipei Medical University	Supervisor Dawan Technology Company Limited	—	—	—	
Vice General Manager, GM Office	Liu, Chih-Ping	MBA, University of Leicester, UK		—	—	—	
Senior Assist Vice President, Manufacturing Centetr	Lin, Shih-Chuan	BS., Department of Soil and Environmental Sciences, National Chung Hsing University		—	—	—	
Senior Assist Vice President and Financial Officer, Financial Division,	Chang , Kuo-Chiang	MS, College of Management, National Taiwan University	Supervisor TTY Biopharm Mexico S.A DE C.V. Supervisor TTY Biopharm Korea Co., Ltd.	—	—	—	
Senior Assist Vice President, Legal	Lin, Jin-Rong	MS, Undergraduate Program, Department of Law, National Chung Hsing University MS, Undergraduate Program, Department of Law, University of Washington, USA	Director PharmaEngine, Inc	—	—	—	

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship			Rematk
				Title	Name	Relation	
Senior Assist Vice President,, Administration Center	Liu, Nai-Wei	MBA, Department of Business Administration, National Central University		—	—	—	
Senior Assist Vice President, GM Office	Wu, Ruei-Wen	MS, Institute of Interdisciplinary Studies for Social Sciences,, Chinese Culture University	Director PharmaEngine, Inc Director Chuang Yi Biotech Co. Ltd.	—	—	—	
Assist Vice President, Oncology Business Unit	Hung, Hsiang-Ju	MS. Institute of Biochemical Sciences, National Taiwan Unviersity		—	—	—	
Assist Vice President, General Affairs	Tseng , Chu-Lan	MBA, University of Leicester, UK		—	—	—	
Assist Vice President, Pharmaceutical Development Center	Cai, Shi-Hua	PhD., Department of Biological Science and Technology, National Chiao Tung University		—	—	—	
Assist Vice President, Zhongli Factory	Xie, Cong-Yong	BS., Department of Aquaculture, National Taiwan Ocean University		—	—	—	
Assist Vice President, Oncology Business Unit	Wu, Shih-Chung	MS. Graduate Institute of Pharmacy, Taipei Medical University		—	—	—	
Assist Vice President, Public Affairs Department	Yin, Wei-Ying	BS, Department of Politics, Tunghai University		—	—	—	
Assist Vice President, Organization Development & Human Resource Department	Chang, Jen-Yang	MS, Department of Human Resource Management, Rutgers, The State University of New Jersey		—	—	—	
Accounting Officer	Wang, Shu-Wen	BS, Department of Accounting, Soochow University		—	—	—	

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

1 Payment of Remuneration to Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Remuneration								Ratio Of Total Remuneration (A+B+C+D) To Net Income (%)	
		Base Remuneration (A)		Severance Pay (B)		Bonus To Directors (C)		Allowances (D)		The Company	All Companies In The Consolidated Financial Statements
		The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements		
Chairman	Lin, Chuan	8,106	8,461	16	16	14,950	14,950	250	294	2.52	2.57
Vice Chairman	Chang, Wen-Hwa										
Director	Dawan Technology Co. Ltd. Representative: Carl Hsiao										
Director	Yang, Tze-Kaing										
Director	Chang, Hsiu-Chi										
Director	Liao, Ying-Ying	6,480	6,480	0	0	0	0	315	315	0.74	0.74
Independent Director	Tsai, Duei										
Independent Director	Hsueh, Ming-Ling										
Independent Director	Lin, Tien-Fu										

Title	Name	Relevant Remuneration Received By Directors Who Are Also Employees								Ratio Of Total Compensation (A+B+C+D+E+F+G) To Net Income (%)		Remuneration From The Reinvested Companies Other Than The Company's Subsidiaries or From Parent Company
		Salary, Bonuses, And Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company		All Companies In The Consolidated Financial Statements		The Company	All Companies In The Consolidated Financial Statements	
						Cash	Stock	Cash	Stock			
Chairman	Lin, Chuan	414	414	0	0	0	0	0	0	2.57	2.61	None
Vice Chairman	Chang, Wen-Hwa											
Director	Dawan Technology Co. Ltd. Representative: Carl Hsiao											
Director	Yang, Tze-Kaing											
Director	Chang, Hsiu-Chi											
Director	Liao, Ying-Ying	0	0	0	0	0	0	0	0	0.74	0.74	None
Independent Director	Tsai, Duei											
Independent Director	Hsueh, Ming-Ling											
Independent Director	Lin, Tien-Fu											

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

Remuneration Bracket

Unit: NT\$

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

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

2 Remuneration of General Manager and Vice General Manager

Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance pay and Pension (B)		Bonus and Special Allowance (C)	
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
General Manager	Shih Chun-Liang	18,071	20,789	682	682	7,109	7,171
General Manager	Hsiao, Ying-Chun (Note1)						
Vice General Manager	Qu, Zhi-Yuan						
Vice General Manager	Wu, Yong-Liang						
Vice General Manager	Liu, Chih-Ping						
Vice General Manager	Chang, Chih-Meng (Note2)						
Vice General Manager	Wu, Hsueh-Liu (Note3)						

Note1: General Manager Hsiao, Ying-Chum retired on Jun. 30, 2020.

Note2: Vice General Manager Chang, Chih-Meng retired on Mar. 15, 2021.

Note3: Vice General Manager Wu, Hsueh-Liu retired on Feb. 29, 2020.

Title	Name	Employee Bonus Amount from Earnings Distribution (D)				The total of A+B+C+D / Net Income Ratio (%)		Remuneration From The Reinvested Companies Other Than The Company's Subsidiaries or From Parent Company
		The Company		All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	
		Cash	Stock	Cash	Stock			
General Manager	Shih Chun-Liang	5,880	0	5,880	0	3.43	3.74	None
General Manager	Hsiao, Ying-Chun (Note1)							
Vice General Manager	Qu, Zhi-Yuan							
Vice General Manager	Wu, Yong-Liang							
Vice General Manager	Liu, Chih-Ping							
Vice General Manager	Chang, Chih-Meng (Note2)							
Vice General Manager	Wu, Hsueh-Liu (Note3)							
Vice General Manager	Shih Chun-Liang							

Note1: General Manager Hsiao, Ying-Chun retired on Jun. 30, 2020.

Note2: Vice General Manager Chang, Chih-Meng retired on Mar. 15, 2021.

Note3: Vice General Manager Wu, Hsueh-Liu retired on Feb. 29, 2020.

Remuneration Bracket

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

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

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

Dec 31, 2020; Unit: NT\$ Thousand

	Title	Name	Amount of stock dividend	Amount of cash dividend	Total	Portion of Net Income (%)
Managerial Officers	General Manager	Shih Chun-Liang	0	14,520	14,520	1.57
	Vice General Manager	Wu, Yong-Liang				
	Vice General Manager	Liu, Chih-Ping				
	Vice General Manager	Chang , Chih-Meng				
	Vice General Manager	Qu, Zhi-Yuan				
	Senior Assist Vice President and Financial Officer	Chang , Kuo-Chiang				
	Senior Assist Vice President	Lin, Jin-Rong				
	Senior Assist Vice President	Liu, Nai-Wei				
	Senior Assist Vice President	Lin, Shih-Chuan				
	Senior Assist Vice President	Wu, Ruei-Wen				
	Assist Vice President	Hung, Hsiang-Ju				
	Assist Vice President	Tseng , Chu-Lan				
	Assist Vice President	Cai, Shi-Hua				
	Assist Vice President	Xie, Cong-Yong				
	Assist Vice President	Yin, Wei-Ying				
	Assist Vice President	Chang, Jen-Yang				
	Assist Vice President	Wu, Shih-Chung				
	Accounting Officer	Wang, Shu-Wen				

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

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

	2020(%)	2019(%)
The Company	6.74	8.02
All companies in the consolidated financial statements	7.08	8.23

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

Article 25 of the Company’s Articles of Incorporation prescribes that directors are entitled to remuneration upon performance of the Company’s duties, regardless of profit or loss on the Company’s business. Remuneration hereto shall be authorized to Board of Directors to determine accordingly based on director’s participation and contribution to the Company as well as referred from industry’s normal standards. Remuneration of the Company’s independent directors shall be submitted by the Remuneration Committee in accordance with the “Guidelines for Distribution of Director’s Remuneration” for assessment and suggestions before being approved by Board of Directors. Payment of average director’s remuneration shall comply with Article 21 of the Company’s Articles of Incorporation, which prescribes that, in the event of profits for current year, a payment of not higher than 2% of profits shall be disbursed as director’s remuneration. Determination of director’s remuneration is conducted through assessments on director and Board of Directors’ comprehensive performance in accordance with the Company’s “Performance Assessment Guidelines for Board of Directors and Functional Committees.” Criteria for director assessment items include: mastering of the Company’s goal and mission, recognition of director’s duty, level of participation to the Company, management and communication of internal relationship as well as director’s professionalism, continuous education and internal control. Furthermore, references from the Company’s comprehensive operation performance are made as a basis for assessment before reasonable remuneration is offered accordingly. Distribution of the Company’s director remuneration shall be submitted by the “Salary & Remuneration Committee,” under considerations of the Company’s operation performance, level of individual person’s participation to operations and performance assessment and relevance to future risks as well as review based on the Company’s remuneration policy, to the Board of Directors for approval. Article 21 of the Company’s Articles of Incorporation prescribes that, in the event of profits for current year, a payment from 0.5% to 10% of profits shall be disbursed as employee’s remuneration. Manager’s remuneration includes salary and bonus. Salary is determined under

references of industry standards and items of job title, education (career) background, professional capability and responsibility as well as in accordance with the Company's "Salary Structure Table." While determination of bonus is based on the Company's "Guidelines of Performance Development Plan and Bonus " and is under considerations of assessment items for manager's annual performance such as achievement rate for annual target, core occupational capability indicators (trust and achievement-oriented, integrity and teamwork, active aggressiveness, ambition and customer-oriented) and occupational capability management indicators. Meanwhile, annual revenue and profit after tax are also considered as indicators for assessment. In addition, the Company has established a separate performance achievement incentive program for the purpose of encouraging senior managers to lead their teams to grow and create even higher operating profits for the Company. Distribution of the Company's manager remuneration is submitted by the Salary and Remuneration Committee, under considerations of items such as the Company's operation performance and with its suggested distribution principles, to the Board of Directors for approval.

3. Implementation of Corporate Governance

(1) Information for the Board of Directors

The meeting of Board of Directors has been held for 7 times in the current year and the attendance status of the directors is listed below:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Chairman	Lin, Chuan	7	0	100.00	
Vice Chairman	Chang, Wen-Hwa	7	0	100.00	
Director	Dawan Technology Company Limited. Representative: Carl Hsiao	7	0	100.00	
Director	Yang, Tze-Kaing	7	0	100.00	
Director	Chang, Hsiu-Chi	7	0	100.00	
Director	Liao, Ying-Ying	7	0	100.00	
Independent Director	Tsai, Duei	7	0	100.00	
Independent Director	Hsueh, Ming-Ling	7	0	100.00	
Independent Director	Lin, Tien-Fu	7	0	100.00	

Other matters to be disclosed:

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

- (a) Matters prescribed in Article 14-3 of Securities and Exchange Act .
- (b) With the exception of aforementioned matters, dissent or reservation which have been documented and with statements in writing over other Board of Directors' Meeting resolutions.

Board of Directors' Meeting Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-3 of Securities & Exchange Act	Dissent or Reservation by Independent Director
Mar 16, 2020 1 st Meeting for 2020 (13 th Meeting for Former Session)	1. Proposal of the Company's year 2019 Director Remuneration Distribution.	✓	
	2. The Company's Intended Commitment to KPMG International for Support of Subsidiary's Continued Operations.	✓	
	3. Intended Capital Loan to Invested Company.	✓	

Board of Directors' Meeting Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-3 of Securities & Exchange Act	Dissent or Reservation by Independent Director
	4. The Amendment of "Regulations for Lending Funds to Other Parties"	✓	
	5. Planned Drafting of the Company's year 2019 "Internal Control System Statement"	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution : The 1 st resolution which was asked for opinion by deputy chairman--Independent Director Tsai, Duei was approved unanimously as proposed by all attending directors except Chairman Lin, Chuan, Vice Chairman Chang, Wen-Hwa, Director Carl Hsiao, Director Yang, Tze-Kaing, Director Chang, Hsiu-Chi and Director Liao, Ying-Ying who recused himself/herself due to a conflict of interest; the 2 nd to 5 th resolutions were approved unanimously as proposed by all attending directors.		
May 05, 2020 2 nd Meeting for 2020 (14 th Meeting for Former Session)	1. Proposal of year2020 Assessment of Attesting CPA's Retainment, Independence and Competence and Audit Fee for Finance/Tax Compliance Audit.	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution : Approved unanimously as proposed by all attending directors.		
Aug 03, 2020 4 th Meeting for 2020 (16 th Meeting for Former Session)	1. Planned Issue of Compensations in year 2019 for the Exercise of Functions and Powers by Director Representatives of Investees Designated by the Company.	✓	
	2. Discussion on Monthly Remuneration for the Chairman of the Company.	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
Resolution : The 1 st resolution was approved unanimously as proposed by all attending directors except Director Carl Hsiao who recused himself due to a conflict of interest. The 2 nd resolution which was asked for opinion by deputy chairman--Vice Chairman Chang, Wen-Hwa was approved unanimously as proposed by all attending directors except Chairman Lin, Chuan who recused himself due to a conflict of interest.			
Nov 03, 2020 5 th Meeting for 2020 (17 th Meeting for Former Session)	1. Commissioning of the Company by a Subsidiary to Manufacture Pharmaceuticals.	✓	
	2. A Subsidiary Commissions the Company to Provide IT Service.	✓	
	3. The invested Company has Commissioned the Company to Provide Product Marketing Research and Investigate Consulting Services and Professional Product Operating Management Services.	✓	
	4. Planned Formulation of the year 2021 Audit Plan.	✓	

Board of Directors' Meeting Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-3 of Securities & Exchange Act	Dissent or Reservation by Independent Director
	5. Planned Amendments of "Other Management System-Management of Capital Loan to Others".	✓	
	6. Planned Amendments of internal auditing system.	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution : The 1 st and 2 nd resolutions which were asked for opinion by deputy chairman--Vice Chairman Chang, Wen-Hwa were approved unanimously as proposed by all attending directors except Chairman Lin, Chuan who recused himself due to a conflict of interest. The 3 rd resolution was approved unanimously as proposed by all attending directors except Director Carl Hsiao who recused himself due to a conflict of interest. The 4 th to the 6 th resolutions were approved unanimously as proposed by all attending directors.		
Dec 28, 2020 7 th Meeting for 2020 (19 th Meeting for Former Session)	1. Subsidiary Leased Office from the Company and Entered Lease Agreement accordingly.	✓	
	2. Subsidiary's Intention to Commission the Company to Provide Drug Inspection and Registration Service.	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution The 1 st and 2 nd resolutions which were asked for opinion by deputy chairman--Vice Chairman Chang, Wen-Hwa were approved unanimously as proposed by all attending directors except Chairman Lin, Chuan and Director Carl Hsiao who recused himself due to a conflict of interest.		

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

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
Mar. 16, 2020	Lin, Chuan Chang, Wen-Hwa Carl Hsiao Yang, Tze-Kaing Chang, Hsiu-Chi Liao, Ying-Ying	Total director compensation for directors in year 2019.	Compensation Distribution for Director	The aforementioned directors recused themselves from the voting due to a conflict of interest.
Aug. 03, 2020	Carl Hsiao	Planned issue of compensations in year 2019 for the exercise of functions and powers by director representatives of investees designated	The Company's director was re-invested company's director representative and received compensation for performing re-	The director recused herself from the voting due to a conflict of interest.

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
		by the Company.	invested company director's duties.	
Aug. 03, 2020	Lin, Chuan	Deliberation of Chairman monthly remuneration	Discussion of chairman compensation	The chairman recused himself from the voting due to a conflict of interest.
Nov. 03, 2020	Lin, Chuan	Proposal of contract renewal for subsidiary's commissioning the Company on drug manufacturing.	Chairman of the Company was a chairman for invested company.	The chairman recused himself from the voting due to a conflict of interest.
Nov. 03, 2020	Lin, Chuan	Proposal of invested company's commissioning the Company for IT service.	Chairman of the Company was a chairman for invested company.	The chairman recused himself from the voting due to a conflict of interest.
Nov. 03, 2020	Carl Hsiao	The-invested Company has Commissioned the Company to Provide Product Marketing Research and Investigate Consulting Services and Professional Product Operating Management Services.	Director of the Company was a director for invested company.	The director recused herself from the voting due to a conflict of interest.
Dec. 28 2020	Lin, Chuan Carl Hsiao	Subsidiary Leased Office from The Company and Entered Lease Agreement accordingly.	Both directors of the Company were directors for invested company.	The director recused himself from the voting due to a conflict of interest.
Dec. 28 2020	Lin, Chuan Carl Hsiao	Subsidiary's Intention to Commission The Company to Provide Drug Inspection and Registration Service.	Both directors of the Company were directors for the subsidiary.	Both directors recused themselves from the voting due to a conflict of interest.

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

Situation for Execution of Board of Directors Assessment

Cycle of Assessment	Period of Assessment	Range of Assessment	Method of Assessment	Content of Assessment
Once a year	2020.01.01 	Performance assessments on the Board of Directors	Self-assessments by the	Under considerations of the Company's conditions and demands the Company hereby establishes

Cycle of Assessment	Period of Assessment	Range of Assessment	Method of Assessment	Content of Assessment
	2020.12.31	as a whole, individual director member and functional committees (including Audit Committee, Salary and Remuneration Committee and Sustainable Development Committee)	Board of Directors, functional committees and members of directors	<p>measurement items for performance assessments over Board of Directors and functional committees, and these items shall include the following five major perspectives:</p> <ol style="list-style-type: none"> (1) Level of participation to the Company's operations (2) Enhancement on Board of Directors' decision quality (3) Composition and structure for Board of Directors (4) Director's election and continuous education (5) Internal Control <p>Measurement items for director member's performance assessment shall include the following six major perspectives:</p> <ol style="list-style-type: none"> (1) Mastering of the Company's goal and mission (2) Knowledge of director's duties and responsibilities (3) Level of participation to the Company's operations (4) Management and communication of internal relationship (5) Director's professionalism and continuous education (6) Internal Control <p>Measurement items for functional committee's performance assessment shall include the following five major perspectives:</p> <ol style="list-style-type: none"> (1) Level of participation to the Company's operations (2) Knowledge on functional committee's duties and responsibilities (3) Enhancement of functional committee's decision quality (4) Composition and member election for functional committee (5) Internal control <p>Please refer to the Company's website for details of Performance Assessment Guidelines for Board of Directors and Functional Committee and year 2020 audit result.</p>

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

objectives and the performance evaluation:

- (1) On June 24, 2016, the Company established Audit Committee which is responsible for performing supervisor's duties prescribed in related laws and regulations.
- (2) For the purpose of enhancing information transparency, the Company voluntarily makes monthly announcement of consolidated income statement in addition to announcements of material information and monthly revenue prescribed by laws.
- (3) To fulfill corporate governance and enhance Board of Directors' Meeting functions, performance goal has been established to enhance Board of Directors' Meeting operation efficiency. "Performance Assessment Guidelines for Board of Directors' Meeting and functional committees" was drafted on December 29, 2016. Performance assessments over Board of Directors' Meeting and functional committees has been conducted accordingly and assessment results have been submitted to the Board of Directors' Meeting.
- (4) To enhance corporate governance capability and develop enterprise functions, and in addition to aggressive arrangements of learning lessons for directors in accordance with director learning hours required by competent authority, directors will also be arranged to visit factory and receive briefings on the Company's products and main businesses in order to enhance their professional knowledge and skills.
- (5) A corporate governance supervisor who is responsible for the handling of director requirements and provides timely and effective assistance to directors in the performance of their duties was appointed on March 26, 2019.
- (6) To realize corporate governance, environmental sustainability, social welfare, corporate sustainability, and CSR, on October 7th, 2019, the Sustainable Development Committee was established under the Board of Directors.
- (7) To reduce the uncertain threats for business and conduct risk management, the Risk Management Center was established under the Sustainable Development Committee on December 28th, 2020.
- (8) The official website of this company fully discloses governance related information.

(2) Function of Audit Committee

The Audit Committee is comprised of the three independent directors. Its duties and responsibilities include the deliberation of financial statements, internal control and internal audits, acquisition or disposal of material assets or derivative trading, lending of capital, endorsements or guarantees, placement or issue of securities, legal compliance, potential insider trading and conflicts of interest of managers and directors, malpractice survey reports, risk management of the Company, CPA appointment, dismissal, or remuneration, and appointment and dismissal of finance, accounting, or internal audit officers. In 2020 Audit Committee operations can be summarized as follows:

① Attendance record of independent directors in Audit Committee meetings

The meeting of Audit Committee has been held for 5 times in 2020 and the attendance status of the Independent directors is listed below:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Independent Director	Tsai, Duei	5	0	100.00	
Independent Director	Hsueh, Ming-Ling	5	0	100.00	
Independent Director	Lin, Tien-Fu	5	0	100.00	

② Audit Committee deliberations

In year 2020, the committee reviewed a total 9 proposals and deliberated a total of 15 proposals,

Reviewed Items

- (i) Quarterly consolidated reports for the first three quarters.
- (ii) Internal audit reports
- (iii) Risk management reports

Deliberated Items

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

③ Key tasks of the Audit Committee

- (i) Review of financial reports

The board of directors has compiled and submitted the Company's year 2020 Business Report, Financial Reports (including the Consolidated Financial Reports), and the earnings distribution proposal. The Financial Statement (including the Consolidated Financial Statement) has already been audited by two CPAs (Tseng, Kuo-Yang and Han, Yi-Lien) of KPMG Taiwan and an audit report has been issued. The aforementioned reports and statements have been audited and verified by the Audit Committee.

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

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

- (iii) CPA appointment

The Audit Committee assesses the independence and qualifications of CPAs with reference to Article 47 of the Certified Public Accountant Act and Statement No.10 on the code of professional ethics for accountants. Independence qualifications encompass the individual independence of the accounting firm and all its members which includes policies and procedures pertaining to business relations with customers, accountant rotation system, and non-auditing services. Conformity to independence criteria and competency qualifications of the four accountants in charge of audits of the financial statements and profit-seeking enterprise income tax (Mr. Tseng, Kuo-Yang, Chi, Shi-Qin, Han, Yi-Lien and Ms. Chang, Chih from KPMG Taiwan) was reviewed by the Audit Committee in the 2nd meeting of the 2nd session in 2020 on May 05, 2020 and approved by board resolution in the 2nd meeting of the board on May 05, 2020.

(iv) 2020 committee operations

Broad of Directors Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by 2/3 or more of all directors
Mar 16, 2020 1 st Meeting for 2020 (13 th Meeting for Former Session)	1. Year 2019 Business Report and financial statements	✓	
	2. Year 2019 Profit Distribution		
	3. The Amendment of the “Regulations for Lending Funds to Other Parties”	✓	
	4. Formulation of the year 2019 Internal Control Statement	✓	
	Result from Audit Committee’s resolution (Mar 16, 2020): The 1 st , 2 nd and 4 th resolutions were approved unanimously as proposed by all attending committee members. The 3 rd resolution- Amending the wording- “The interests-bearing rate of fund loans shall not be lower than the application of Bank of Taiwan’s <u>benchmark interest rate (monthly)</u> , the interest is calculated on a daily rate, and the interest is settled and charged at the end of the month.” in the Section 2, Paragraph 1, Article 7 of “Regulations for Lending Funds to Other Parties”; and All board members approved the amendment unanimously. The Company’s handling of Audit Committee’s opinions: Approved unanimously as proposed by all attending directors.		
May 5, 2020 2 nd Meeting for 2020 (14 th Meeting for Former Session)	1. Year 2020 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.	✓	
	2. Planned Drafting of The Company’s “Organization Regulations for Audit Committee”		
	Result from Audit Committee’s resolution (May 5, 2020): Approved unanimously as proposed by all attending directors. The Company’s handling of Audit Committee’s opinions: Approved unanimously as amended by all attending directors.		
Aug 3, 2020 4 th Meeting for 2020 (16 th Meeting for Former Session)	1. The Overdue Accounts Receivables of the Company’s Oversea Customers are not categorized as Lending Funds.		
	Result from Audit Committee’s resolution (Aug 3, 2020): Approved unanimously proposed by all attending directors. The Company’s handling of Audit Committee’s opinions: Approved unanimously as amended by all attending directors.		
Nov 03, 2020 5 th Meeting for 2020 (17 th Meeting for This Session)	2. The invested Company has Commissioned the Company to Provide Product Marketing Research and Investigate Consulting Services and Professional Product Operating Management Services.	✓	
	2. Planned Formulation of the year 2021 Audit Plan.	✓	
	3. Planned Amendment of the Company’s “Other Management System – Management of Capital Loan to Others”.	✓	
	4. Planned Amendment of Internal audit system	✓	
Result from Audit Committee’s resolution (Nov 03, 2020): The 1 st to the 3 rd resolutions were approved unanimously as proposed by all attending directors; the 4 th resolution amends the wordings of item (1) the internal audit system “1. General Provisions 3 Division of Powers and Responsibilities”. The revised content reads “The audit office of the company is subordinate to the board of directors and handles the internal audit work of the company. The appointment, dismissal, evaluation, and salary remuneration of auditors are handled in accordance with the company’s recruitment,			

Broad of Directors Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by 2/3 or more of all directors	
	performance development plans, performance bonus evaluation, salary management and other relevant regulations, except the appointment and removal of the internal audit supervisor should be approved by the audit committee and submitted to the board of directors for resolution. And the other items will be approved by the chairman of the board of directors signed by the audit supervisor.” The amendment are approved unanimously as proposed by all attending members.			
	The Company’s handling of Audit Committee’s opinions: The 1 st resolution was approved unanimously as proposed by all attending directors except Director Carl Hsiao who recused himself due to a conflict of interest. The 2 nd to the 4 th resolutions were approved unanimously as proposed by all attending directors.			
Dec 28,2020 7 th Meeting for 2020 (19 th Meeting for This Session)	1. Subsidiary Leased Office from The Company and Entered Lease Agreement accordingly.	✓		
	2. Subsidiary’s Intention to Commission the Company to Provide Drug Inspection and Registration Service.	✓		
	3. Planned Drafting of The Company’s “Risk Management Policy and Procedure”			
	Result from Audit Committee’s resolution (Dec 28, 2020): Approved unanimously as proposed by all attending directors.			
	The Company’s handling of Audit Committee’s opinions: The 1 st and 2 nd resolutions which were asked for opinion by deputy chairman--Vice Chairman Chang, Wen-Hwa were approved unanimously as proposed by all attending directors except Chairman Lin, Chuan and Director Carl Hsiao who recused himself due to a conflict of interest. The 3 rd resolution was approved unanimously as proposed by all attending directors.			

Other matters to be disclosed:

- A. Matters Prescribed in Article 14-5 of Securities and Exchange Act, and agendas which were not approved by the Audit Committee but otherwise resolved by two thirds or more of all directors:
Detailed description of 2020 Audit Committee operations
- B. With respect to implementation of independent director’s avoiding of conflict of interest resolutions, director’s name, resolution contents, reason for avoidance and participation in voting should be prescribed accordingly: N/A.
- C. Communications between independent director and internal audit head and accountant (This should include major issues, measures and results for communications over the Company’s finance and business conditions.)
 - (a) Communication between Independent Director and chief internal auditor:
The internal audit officer reports audit operations to the independent directors in Audit Committee meetings and conducts annual conferences to discuss audit plans, communicate audit conditions, and report tracking execution and results to attending independent directors. Two-way communication is conducted by e-mail and phone as required. Please refer to the Company’s website on details of such communications.
 - (b) Communication between Independent Director and CPAs of the Company:
CPAs appointed by the Company attend Audit Committee meetings on a quarterly basis to communicate the results of review and audits of financial reports issued by the Company and its subsidiaries, adjustment of entries, or impacts of accounting principle updates on financial statements. They also conduct annual conferences to discuss internal control audit conditions and independence related matters with independent directors. Please refer to the Company’s website on details of such communications.

(3) Compensation Committee Composition, Responsibilities and Operation:

1 The Member of Compensation Committee

Identity	Conditions Name	Whether The Person Has Work Experience Over Five Years And Possesses Any Of The Following Qualifications			Conformed to the Requirements of Independence (Note)										The Number of Public Companies that the Members Also Serves as Compensation Committee Member	Remark	
		Lecturer or Higher Level Qualification of a Public/Private University Or College For Teaching the Relevant Departments in Relation to the Business, Legal, Finance, Accounting or Other Business Requirement.	Judge, Prosecutor, Lawyer, Certified Public Accountant or Other Professional/Tec hnician Who Has Acquired Certificates or Operation Qualifications Through the National Examinations	Work Experiences Required for Commercial , Legal, Financial, Accounting or Corporate Business	1	2	3	4	5	6	7	8	9	10			
Independent Director	Tsai, Duei	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Hsueh, Ming-Ling	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	
Independent Director	Lin, Tien-Fu	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Lin, Wen-Cheng	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Other	Chou, Te-Yu	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: If the respective member meets any of the following conditions within 2 years prior to his/her service and during the service period, please put a check mark (✓) in the blank space under the code representing the respective condition:

- (1) Not an employee of the Company or its affiliated companies
- (2) Not a director or supervisor of the Company's affiliates (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)
- (3) Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others' names, reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders
- (4) Not a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to the managers listed in (1) and persons listed in (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total issued shares of the Company, a top-five shareholder, or authorized representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- (6) Not a director, supervisor, or employee of another company where more than half of the director positions or voting shares of that other company and the Company are controlled by the same person (however, this does not apply when serving concurrently and mutually as independent director established by the Company or its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- (7) Not a director (managing director), supervisor (managing supervisor) or employee of another company or institution where any of its chairmen, presidents, or other equivalent positions are served by the same person or is the spouse of the Company's chairmen, presidents, or other equivalent positions (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- (8) Not a director (managing director), supervisor (managing supervisor), manager, or shareholder with 5% or more shareholding of a specific company or institution with which the Company has financial or business dealings (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations, if that specific company or institution holds no less than 20%, but no more than 50%, of the total issued shares of the Company).
- (9) Not a professional who provides auditing to the Company or its affiliates, or a professional who provides commercial, legal, financial, accounting, or related services to the Company or its affiliates with a total remuneration of less than NT\$500,000 in the past two years, nor is an owner, partner, director (managing director), supervisor (managing supervisor), or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee or Special Committee for Merger/Consolidation and Acquisition who perform their functions in accordance with laws relevant to the Securities and Exchange Act or the Business Mergers And Acquisitions Act.
- (10) Not in contravention of Article 30 of the Company Act

2 Operation of the Compensation Committee

- (i) The Company's Compensation Committee is composed of with 5 members.
- (ii) The tenure for the members of the Compensation Committee is from Dec. 24, 2018 to Nov. 21, 2021. In the most recent year, 5 meetings had been held and their attendances illustrated as follows:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Convener	Tsai, Duei	5	0	100.00	
Committee member	Hsueh, Ming-Ling	5	0	100.00	
Committee member	Lin, Tien-Fu	5	0	100.00	
Committee member	Lin, Wen-Cheng	4	1	80.00	
Committee member	Chou, Te-Yu	3	0	100.00	Newly-Elected Assume Office on Jun. 29 th , 2020
Committee member	Chou, Kang-Chi	1	0	100.00	Resigned on March 25, 2020

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

- Duties and responsibilities for the Company's Salary and Remuneration Committee:
 - ① Establish policies, systems, standards and structures for director and manager's performance assessment and salary and remuneration and reviewed periodically.
 - ② Periodically assess and establish director and manager's salary and remuneration.
 - ③ Periodically review related matters of organization charts which shall be provided to Board of Directors for reference.
- Salary and Remuneration Committee's performance of duties shall be conducted in accordance with the principles hereunder:
 - ① Director and manager's performance assessment and salary and remuneration shall take references from industry's normal standards, and shall consider reasonable connection with individual's performance, the Company's operation performance and future risks.
 - ② Director or manager shall not be directed to conduct actions exceeding the Company's risk tolerance for the purpose of pursuing salary or remuneration.
 - ③ With respect to compensation distribute percentage for short term performance and time of payment for partial changes of salary or remuneration, determination shall be made under references of

- industry characteristics and the Company's business nature.
- ④ To ensure the company's salary and compensation systems comply with relevant laws and regulations and be able to attract outstanding talents.
 - ⑤ The content and amount of compensation for board of directors and managers should be considered reasonable and not deviated from financial performance materially.
 - ⑥ The Committee members shall not participate in discussion and vote on their personal salary compensation decisions.

(iv) The Board meeting date, the term, the contents of the Proposals, the Resolution result and the Company's feedback of Compensation Committee's opinion in 2020.

Compensation Committee	Contents of Proposal	Resolution result	Company's feedback of Compensation Committee's opinion
4 th session 8 th Meeting Mar 16, 2020	1. Proposal of The Company's Employee Remuneration Distribution in year 2019.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/03/16 and unanimous approval by all directors in attendance and execution shall be conducted in accordance with resolutions. In addition, the resolution shall be submitted to year 2020 annual general meeting for report accordingly.
	2. The Compensation for Directors in year 2019.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/03/16 and unanimous approval by all directors in attendance for total employee compensation; Unanimous approval by all directors in attendance except the chairman, Lin, Chuan, the vice chairman, Chang, Wen-Hwa, the director, Carl Hsiao, the director, Yang, Tze-Kaing, the director, Chang, Hsiu-Chi and the director, Liao, Ying-Ying who recused himself/herself from the voting due to a conflict of interest for director compensation for directors in 2019. The execution shall be conducted in accordance with resolutions and distribution of compensation has already been reported to competent authority within required period, and has been submitted to year 2020 shareholders' meeting for report accordingly.

Compensation Committee	Contents of Proposal	Resolution result	Company's feedback of Compensation Committee's opinion
	3. The Company's Salary Adjustment Proposal in year 2020.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/03/16 and unanimous approval by all attending directors.
	4. Proposal of Manager's Performance Bonus in year 2019.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/03/16 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.
	5. Intended Distribution of Rewards for Special Contribution Program in year 2019.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/03/16 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.
4 th session 9 th Meeting May 05, 2020	1. Proposal of Chief Operating Officer and Senior Business Manager's Bonus for Achievement in year 2020.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/05/05 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.
	2. Proposal of Discussion for Chief Operating Officer's Compensation	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/05/05 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.
	3. Intended Amendment of The Company's "Organization Regulations for Compensation Committee".	All members of the committee approved the withdrawal of the proposal. After the proposal is confirmed, the review will be proposed.	Not applicable.
4 th session 10 th Meeting Aug 03, 2020	1. Intended Amendment of The Company's Performance Assessment Guidelines for Board of Directors	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/08/03 and unanimous approval by all attending directors.

Compensation Committee	Contents of Proposal	Resolution result	Company's feedback of Compensation Committee's opinion
	and Functional Committee		
	2. Intended Amendment of The Company's "Organization Regulations for Compensation Committee"	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/08/03 and unanimous approval by all attending directors.
	3. Intention to distribute compensation to the Company's assigned -invested company director representative upon performance of year 2019 director duty.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/08/03 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.
	4. Intended Amendment of The Company's Salary Structure	Withdrew unanimously by all attending committee members	Not applicable.
	5. Intended Distribution of year 2019 Special Bonus for Managers	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/08/03 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.
	6. Discussion of The Company General Manager's Remuneration.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/08/03 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.
	7. Discussion of The Company Chairman's monthly Remuneration.	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/08/03 and unanimous approval by all attending directors except Chairman Lin, Chuan who rescued himself; the execution shall be conducted in accordance with the resolution.
4 th session 11 th Meeting Nov 03, 2020	1. Intended Drafting of The Company's Implementation of "Employee Stock Ownership Trust"	Postponed the matter by all attending members. The resolution can be discussed after complete	Not Applicable.

Compensation Committee	Contents of Proposal	Resolution result	Company's feedback of Compensation Committee's opinion
		information is submitted.	
	2. Proposal of Discussion over 2019 Management Personnel's Remuneration Distribution	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/11/03 and unanimous approval by all attending directors except Chairman Lin, Chuan who rescued himself; the execution shall be conducted in accordance with the resolution.
4 th session 12 th Meeting Dec 28, 2020	1. Intended Amendment of The Company's "The Salary Structure for Managers"	Approved unanimously by all attending committee members.	Submission to a board meeting on 2020/12/28 and unanimous approval by all attending directors and execution shall be conducted in accordance with the resolution.

Other matters to be disclosed:

- A. If the Board does not accept or amend the suggestions of the Compensation Committee, shall state the Board meeting date, the term, the contents of the motions, the resolution of the Board, and the Company's handling the opinions of the Compensation Committee (such as, when the remuneration resolved in the Board meeting is better than the remuneration recommended by the Compensation Committee, shall state the differences and the reasons for the differences):
- B. If there is any opposition or reservation against the resolutions of the Compensation Committee recorded or documented in writing, shall state the meeting date of the Compensation Committee, the term, the contents of the motions, the opinions of all members, and handling the opinions of the members: None.
- C. A new board was elected in the 1st extraordinary shareholders' meeting in 2018 on November 22, 2018. On December 24, 2018, the board approved the appointment of the members of the current Remuneration Committee.

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

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

① The Member and Authority of Sustainable Development Committee

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

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

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

② Operation of Sustainable Development Committee

Tenure for commissioners of this plenary is from October 7th, 2019 to November 21st, 2021. There were a total of 4 meetings held in the year of 2020. Attendance for commissioners is as follows:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Convener	Hsueh, Ming-Ling	4	0	100.00	
Committee member	Tsai, Dui	4	0	100.00	
Committee member	Lin, Tien-Fu	4	0	100.00	
Committee member	Chang, Wen-Hwa	4	0	100.00	
Committee member	Carl Hsiao	4	0	100.00	

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

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Does the company develop and disclose corporate governance practice principles in accordance with “Governance Best Practice Principles for TWSE/GTSM Listed Companies.”?	✓		The Company has already formed “Governance Best Practice Principles.” These principles are fully disclosed on the Company's website. (http://www.tty.com.tw)	No discrepancies
2. Corporate shareholding structure and shareholders' equity				
(1) Does the company develop internal operation procedures to process shareholders' suggestions, doubts, disputes, and complaints with implementation according to the procedures?	✓		(1) The Company has already form “Operating Procedures for the Processing of Material Internal Information” and has appointed a spokesperson and acting spokesperson and established a stock affairs unit. This enables the Company to process shareholders' suggestions, disputes, and related problems in a prompt and effective manner.	No discrepancies
(2) Does the company actually control the main shareholders and the final control list of major shareholders of the company?	✓		(2) The Company has assigned dedicated personnel to handle shareholder services and manage relevant information. A securities dealer has been commissioned as a stock affairs agent providing assistance in matters related to stock affairs. The Company applies for the shareholder's list with more than 5% shareholding from Taiwan Depository & Cleaning Corporation on a quarterly basis, and	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company establish and execute the risk control and firewall mechanism with the affiliated enterprise?	✓		<p>shareholding ratios of directors and managers are reported on monthly basis and the Company maintains a firm grasp of the main shareholders and the final control list of major shareholders of the Company. It also maintains positive relationships with major shareholder.</p> <p>(3) The Company has already formed “Operating Procedures for Transactions with Related Parties” which serve as norms for financial and business dealings with affiliated enterprises. Joint venture operations are handled pursuant to the Subsidiary Management Guidelines, the Internal Control System regulations as well as relevant laws and regulations. This is a transaction with major interested party and it is submitted to Audit Committee for review.</p>	No discrepancies
(4) Does the company develop internal specification to prohibit insiders from using undisclosed information from the market to buy or sell securities?	✓		<p>(4) Under compliance with existing regulations as well as practical business needs, the Company stipulates “Operating Procedures for the Processing of Material Internal Information” which shall serve as the basis for the Company’s critical information process and disclosure mechanisms. The Company also irregularly promotes importance and guidelines for internal critical information and prevention of insider trading to the Company’s employees and internal personnel. “Operation Process for Internal Critical Information”</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			is disclosed in the “Investor Column/Corporate Governance/Major Corporate Policies” on the Company’s website.	
<p>3. Composition and responsibility of Board of Directors</p> <p>(1) Does the Board of Directors develop diversified guidelines and implement execution in terms of member composition?</p>	✓		<p>(1) The Company established Board Meeting member diversification policy on Chapter Three “Enhancement of Board of Directors’ Meeting Duty” of the “Corporate Governance Guidelines.” Under requirements from the “Articles of Incorporation,” selection of directors will all adopt candidate nomination system. Assessment will be conducted on individual candidate’s academic background and experiences. “Director Election Requirements” and “Corporate Governance Guidelines” will be complied to ensure diversity and independence for director members. The current board of directors is comprised of nine directors. The two female directors and three independent directors account for 22.22% and 33.33% of the board membership, respectively. All independent directors served for 2nd term of office and their serving period is 5 years or less. The board directors have professional experience in the fields of business, finance, accounting, and different industries. Chairman Lin, Chuan has</p>	No discrepancies

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

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

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
guidelines and assessment measures, conduct periodic performance assessment each year, submit performance assessment results to Board of Directors, and utilize these results as references for individual director's salary and remuneration as well as for nomination of continued tenure?			Committees” on December 29th, 2016. The Guidelines hereto prescribe that performance assessment on Board of Directors shall be conducted at least once per year, Assessment period is at the end of each year and annual performance assessment for that year shall be conducted in accordance with the Guidelines hereto. Assessment result shall be reported to Board of Directors in the first quarter of next year, and shall serve as reference basis for selecting or nominating directors. Performance assessment result for individual director shall serve as reference basis for determination of individual's salary and remuneration. The performance evaluation of the board of directors is performed externally by professionals and independent organization or external experts and scholar team at least once within 3 years. The Company expects to perform the evaluation of external board in the fourth quarter of 2021. The Company completed year 2020 Board of Directors and functional committee performance assessments in January 2021, and submitted assessment results to Salary and Remuneration Committee for review and to Board of Directors for report on March 19 th , 2021. With this, Board of Directors and Salary and Remuneration Committee	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4)Does the company routinely assess the independence of attesting CPA?	✓		<p>recommended that the Company improves or continues to enhance the following matters:</p> <p>① The Board of Directors review the management performance of the operating team regularly and thoroughly. And giving rewards and punishments in a timely manner.</p> <p>② The Board of Directors can fully and timely obtain the Company’s operation performance report and realize various unfavorable trends.</p> <p>③ The Company has established rigorous and transparent selection procedures for directors and plans for successors.</p> <p>④ Directors shall rigorously assess and supervise the Company’s existing or potential various risks, and shall have discussions over execution and follow-up status on internal control systems.</p> <p>Please refer to the Company’s website for details of performance assessments for Board of Directors and functional committees.</p> <p>(4)According to the Company’s “Certified Accountant Selection Review Guidelines,” assessment on certified accountant’s independence and appropriateness shall be conducted at once each year. 2020 annual qualification review result was submitted to the Audit Committee and the Board of Directors’ Meeting on</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>May 05, 2020 and was approved after review. Financial statement was audited by KPMG accountants Tseng, Kuo-Yang, Chi, Shi-Qin, Han Yi-Lien (CPA have replaced from Tseng, Kuo-Yang, Chi, Shi-Qin to Tseng, Kuo-Yang, Han Yi-Lien since the second quarter of 2020) as well as profit enterprise income tax filing audit by accountant Chang, Chih have all been reviewed in line with accountant selection review chart (detailed in Chart 1) established by this Company. They all qualify for the Company's requirements with respect to independence and adequacy. These four accountants also issue statements declaring their audits qualify for related independence requirements on accountant occupational ethics norms.</p>	
<p>4. If exchange-listed and OTC-listed companies are equipped with competent and appropriate number of corporate governance personnel, and if corporate governance head has been assigned to take charge of the Company's corporate governance related matters (including but not limited to providing director and supervisor with materials needed to execute business, assisting director in regulation compliance,</p>	✓		<p>The appointment of Mr. Chang, Kuo-Chiang, Senior Assist Vice President of the Financial Division, as Corporate Governance Officer of the Company was approved by board resolution on March 26, 2019. He has many years' experience and a sound professional background in accounting, financial operations and services, and management of relevant procedures for public companies. His main responsibility lies in the provision of key governance-related information which is</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
conducting related matters of Board of Directors and shareholders' meeting in accordance with laws, establishing minutes for Board of Directors and shareholders' meeting, and so on)?			<p>required for the performance of board duties, implement Board of Directors' Meeting, Audit Committee, Sustainable Development Committee and Shareholders' Meeting related matters in accordance with laws, to assist directors to comply with regulations and conduct matters such as change of company registration.</p> <p>Business execution for year 2020 is as follows:</p> <p>(1) Assistance to independent director and average director in duty performance, provision of materials needed and arrangement of learning courses for director:</p> <p>① After the Company's announcement of material information, notify respective directors immediately via emails to ensure director's real-time awareness of the Company's material information.</p> <p>② Establish social media groups for the Board of Directors' Meeting to provide directors with the latest regulation modifications on biotechnology medical treatment, macro economy and corporate governance. Related industry information and corporate news are also provided as reference.</p> <p>③ Review information confidentiality class in accordance with the Company's systematic document management guidelines, provide director</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>with company information needed and assist to maintain smooth communication and exchange between respective management levels and directors.</p> <p>④ In addition to non-scheduled offering of research and training unit's courses to directors for reference and assistance in registration, "teaching at home" courses are also offered. A total of 2 courses with 6 hours were conducted in 2020.</p> <p>⑤ Arrange internal audit management and certified accountants to communicate with the Audit Committee and independent directors. Additionally, assist in contacting and communicating with respective parties in the event that independent directors have needs for communication in other time.</p> <p>(2) Assist in meeting procedures and regulation compliance matters for the Board of Directors' Meeting, the Audit Committee, Sustainable Development Committee and Shareholders' Meeting:</p> <p>① Corporate governance assessment for year 2019 result was reported in the Board of Directors' Meeting dated May 05, 2020. Non-executed corporate governance items were reviewed to enhance corporate governance capability 1 and</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>strengthen corporate social responsibility.</p> <p>② Integrate the 3-year goals of corporate sustainable development and the year of 2021 sustainable development plan and submit them to the Sustainable Development Committee and the Board of Directors on November 3, 2020.</p> <p>③ Ensure the holding of the Company's Board of Directors' Meeting, Audit Committee, Sustainable Development Committee and Shareholders' Meeting complies with related regulations and corporate governance guideline requirements.</p> <p>④ Assist and remind directors of regulations to be complied with upon execution of business or making Board of Directors' Meeting or Audit Committee official resolutions, and make recommendations in the event that the Board of Directors' Meeting or the Audit Committee may make illegal resolution.</p> <p>⑤ Assist respective units in making proposal to the Board of Directors' Meeting.</p> <p>⑥ Establish Board of Directors' Meeting, Audit Committee meeting and Sustainable Development Committee meeting agenda, send out notification within mandatory deadline to directors for holding meetings, provide meeting materials and send out</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>meeting minutes, and offer advance reminding to directors in the event that meeting subject requires conflict of interest avoidance or is at risk of insider trading.</p> <p>⑦ Conduct advance registration and report of various announcements prior to the date of Shareholders' Meeting in accordance with regulations, and send out meeting notices to shareholders within mandatory deadline.</p> <p>⑧ Assist chairman in presiding Board of Directors' Meeting, Audit Committee meeting, Sustainable Development Committee meeting and Shareholders' Meeting for the purpose of smooth execution of the meeting.</p> <p>⑨ After announcement of material information made by the Board of Directors' Meeting and Shareholders' Meeting, ensure legitimacy and accuracy of the critical information to protect balances of investor's trading information.</p> <p>(3) Maintain Investor Relationship:</p> <p>① Actively notify institutional investor of related information after the Company's announcement of financial information.</p> <p>② Maintain interaction and communication with existing and potential shareholders which include</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>domestic and offshore institutional investors, listen to suggestions and feedback to management for the purpose of maintaining shareholder's rights.</p> <p>③ Participate in domestic and offshore investor meeting and investment forum (participations of total 4 times in year2020), and report the Company's financial business status and operation performance to investors to ensure in-depth understanding of the Company.</p> <p>(4) Conduct company change registration Please refer to Chart 2 in the appendix for details of education situations for the Company's governance head.</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
5. Does the company establish communication channel with the stakeholders (including but not limited to shareholder, employee, customer and supplier), establish stakeholder section on the company website, and properly respond to the key corporate social responsibility issues concerned by the stakeholders?	✓		<p>The Company has multiple communication channels in place for different operations. A “Sustainability” section has been created on the company website in “Corporate Social Responsibility” section which lists issues of concern to stakeholders, communication channels, and communication frequency. The contact section lists e-mail addresses and phone numbers for the contacting of investors and plants as well as the reporting of adverse drug reactions (ADR). The goal lies in the sound handling of stakeholder affairs and maintenance excellent communication.</p> <p>Each year, the Company’s Corporate Social Responsibility Promotion Center shall report situations of its communication with respective stakeholders to the Sustainable Development Committee and Board of Directors. On March 19th, 2021, the Sustainable Development Committee and Board of Directors reported situations of communication with stakeholders. Please refer to “Sustainability/Stakeholder” section on the Company’s website for details.</p>	No discrepancies
6. Does the company commission professional registrar for handling of shareholder meeting affairs?	✓		The Company has commissioned the registrar agency department of Capital Securities Corp.	No discrepancies
7. Public information				

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(1) Does the company establish website to disclose information on the financial operations and corporate governance?	✓		(1) The Company discloses information on financial operations and corporate governance on website.	No discrepancies
(2) Does the company adopt other information disclosure methods (i.e. establishing English website, assigning specialist to collect and disclose the corporate information, implement spokesperson system and displaying corporate website at investor meeting)?	✓		(2) The Company has established an English website and appointed a spokesperson and acting spokesperson. Specialists have been assigned to collect and disclose corporate information. Information related to investor meetings is also disclosed on the website.	No discrepancies
(3) Has the Company made public announcement and report of annual financial statements within two months after end of accounting year? Have public announcements and report of financial statements for Q1, Q2 and Q3 as well as operation situations for respective months been made prior to required deadlines?	✓		(3) The Company has not made public announcement and report of annual financial report yet within two months after end of accounting year. Nevertheless, public announcements and reports of financial report and operation situations for respective months have already been made prior to required deadlines.	No significant discrepancies.
8. Does the company hold significant information that helps understand the operation of corporate governance (including but not limited to employees' rights, care for employees, investor relations, vendor relations, stakeholders' equity, advanced study of	✓		(1) Care and rights of Employees: The Company has established an employee welfare committee, implements a pension plan, and provides fair employment opportunities. Various employee training programs and employee group insurance policy are also available and the Company schedules health checks on a regular basis. A large number of	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
directors and supervisor, execution of risk management policy and risk measurement standards, execution of customer policy, and company buying liability insurance for directors and supervisors)?			<p>rights is better than the requirements set forth in the Labor Standards Act. In addition, the Company also provides diversified educational training programs (incl. orientation training, on-the-job training courses, professional courses, work safety courses, and other training courses related to work duties) for its employees to enhance their professional skills and turn them into outstanding professionals of international caliber. For more details on employee rights and employee care please refer to the chapter on labor-management relations in V. Overview of Operations.</p> <p>(2) Investor Relations: The Company actively notifies institutional investor of related information after the company's announcement of financial information, maintains reactions and communication with existing and potential shareholders which include domestic and offshore institutional investors, listens to suggestions and provides feedback to management for the purpose of maintaining shareholder's rights. Additionally, the Company participates in domestic and offshore investor meeting and investment forum, and reports the Company's financial business status and operation performance to investors to ensure in-depth understanding of the Company.</p> <p>(3) Vendor Relations:</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>The Company actively searches for a second and third source of raw materials provided by suppliers to meet the PIC/S GMP requirements and be able to provide API DMF which are purchased pursuant to the regulations set forth in the procurement management guidelines in order to provide the Company with the required quantities of high-quality supplies at reasonable prices in a timely manner and achieve projected goals.</p> <p>(4) Stakeholders' Rights: The Company has set up email boxes for the filing of grievances, contacting of investors and plants, and adverse drug reactions to ensure the sound handling of stakeholder affairs and safeguard shareholder rights and interests.</p> <p>(5) Advanced study and director analysis. The directors of the Company participate in relevant advanced training courses in accordance with their professional needs. For more details on advanced training for directors and supervisors in 2020 please refer to Chart 3 in the appendix.</p> <p>(6) Execution of risk management policy and risk measurement standards: The Company has established Risk Management Center, which is subordinate to the Sustainable Development Committee, responsible for drafting</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>“Risk Management Policy and Procedure” and implementing the company’s risk management. The company’s risk management operations was presented details in the “Corporate Governance/ Corporate Governance Operation” Section of the company’s website.</p> <p>(7) Execution of consumer protection or customer policy: The Company has already set up customer service hotlines and mailboxes for the reporting of adverse drug reactions to provide consumers with inquiry or grievance channels, while dedicated customer service personnel provides services and handles relevant problems.</p> <p>(8) The Company purchased liability insurance for director and managerial officers: The Company purchases liability insurance for its directors and managers on an annual basis to minimize or spread the risk of material damage to company and shareholder interests caused by mistakes or negligence of directors and managers. Coverage expired on January 13, 2021. The Company therefore renewed coverage provided by AIG Asia Pacific Insurance Pte. Ltd. for another year from January 13, 2021 to January 13, 2022. The insurance amount is US\$ 8 million. Relevant details were reported in a board meeting on November 03, 2020.</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			(9) For more details on the acquisition of certificates prescribed by the competent authority by personnel responsible for financial information transparency please refer to Chart 4 in the appendix	
<p>9. Please explain improvement over corporate governance assessment result published in the latest year by corporate governance center of Taiwan Stock Exchange Corporation, and present first priority enhancement matters and according measures on issues not yet improved.</p> <p>On May 6th, 2021, the Company reported Year 2020 corporate governance assessment result and reviewed items to the Sustainable Development Committee and Board of Directors, and presented improvement matters scheduled for year 2021 as follows:</p> <p>(1) The Company has achieved the top 5% of TPEX listed companies for the fifth consecutive year and top 10% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</p> <p>(2) Improvement in year 2020</p> <p>The company's board of directors passed a resolution on December 28, 2020. To formulate the "Risk Management Policy and procedure" as the highest management policy for the company's risk management. The risk management center will identify the company through an identification and evaluation mechanism on a regular basis each year. Significant risks and formulate risk management strategies and implement the supervision and control of major risks in accordance with the strategy. The company's important risk management strategies and risk management operations are detailed in the "Investor / Corporate Governance/ Corporate Governance Operations" section of the company's official website.</p> <p>(3) Improvement scheduled for year 2021</p> <p>① Assess existing and potential future risks and opportunities to enterprises from climate change, and review and establish management policies for climate change.</p> <p>② Assess to publish annual financial reports within 2 months after previous year end in terms of information transparency and protection of shareholders' rights.</p>				

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

Chart 1

Review items of CPA's Independence and Adequacy

Independence

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

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

3. If accountant's independence statement is obtained:

Adequacy

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

Chart 2

Advanced training received by corporate governance head in Year 2020

Date of Education		Organizer	Course Name	Education Hours	Total Education Hours for Current Year
From	To				
2020.02.07	2020.02.07	Taiwan Corporate Governance Association	Corporate Governance View and Board Operations View for Governance Corporate Governance Staff	3.0	12.0
2020.03.17	2020.03.17	Taiwan Corporate Governance Association	View from Corporate Governance on Contests for Corporate Control	3.0	
2020.09.30	2020.09.30	Taiwan Corporate Governance Association	Discussion on the dispute of management right from shareholder activism.	3.0	
2020.11.25	2020.11.25	Taiwan Corporate Governance Association	Ethical Management & ISO37001	3.0	

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

Chart 3

Advanced training received by directors in Year 2020

Title	Name	Organizer	Course Name	Education Hours
Chairman	Lin, Chuan	Taiwan Corporate Governance Association	Discussion on the dispute of management right from shareholder activism.	3.0
		Taiwan Corporate Governance Association	Ethical Management and ISO 37001	3.0
Vice Chairman	Chang, Wen-Hwa	Taiwan Academy of Banking and Finance	Corporate Governance and Substantial Corporate Workshop	3.0
		Taiwan Corporate Governance Association	Discussion on the dispute of management right from shareholder activism.	3.0
		Taiwan Corporate Governance Association	Ethical Management and ISO 37001	3.0
Director	Carl Hsiao	Taiwan Corporate Governance Association	Discussion on the dispute of management right from shareholder activism.	3.0
		Taiwan Corporate Governance Association	Ethical Management and ISO 37001	3.0
Director	Yang, Tze-Kaing	Taiwan Corporate Governance Association	Global investment trends and market practices	3.0
		Taiwan Corporate Governance Association	Corporate M&A Activities and the Responsibilities of company Leaders-Discussing Information Disclosure and Insider Transactions	3.0
		Taiwan Corporate Governance Association	Discussion on corporate governance from major corporate fraud cases	3.0

Item			Operations		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
			Y	N		Summary and Description
Director	Chang, Hsiu-Chi	Taiwan Corporate Governance Association			Discussion on the dispute of management right from shareholder activism.	3.0
		Taiwan Corporate Governance Association			Ethical Management and ISO 37001	3.0
Director	Liao, Ying-Ying	Taiwan Corporate Governance Association			Discussion on the dispute of management right from shareholder activism.	3.0
		Taiwan Corporate Governance Association			Ethical Management and ISO 37001	3.0
Independent Director	Tsai, Duei	Securities and Futures Institute			Talking about the management of intellectual property from the perspective of the Board.	3.0
		Taiwan Corporate Governance Association			Discussion on the dispute of management right from shareholder activism.	3.0
		Taiwan Stock Exchange			The Propaganda of Corporate Governance and Corporate Integrity Directors and Supervisors	3.0
		Taiwan Corporate Governance Association			Ethical Management and ISO 37001	3.0
Independent Director	Hsueh, Ming-Ling	Taiwan Corporate Governance Association			The trend of global enterprises sustainable development – the strategy thinking of integrating Circular economy	3.0
		Taipei Securities Association			On the risk Management Mechanism of Financial Industry from the Loss of Issuing Warrants of Securities.	3.0
		Taipei Securities Association			Money laundering prevention trend and policy development after the third round of mutual evaluation.	3.0
		Taipei Securities Association			Financial Consumer Protection Law and the Principle of fair Hospitality	3.0
		Taiwan Corporate Governance Association			The role of independent directors in corporate management and corporate governance (1)	3.0

Item			Operations		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
			Y	N		Summary and Description
		Taiwan Corporate Governance Association			Ethical Management and ISO 37001	3.0
		Taiwan Corporate Governance Association			The role of independent directors in corporate management and corporate governance (2)	3.0
		Taiwan Corporate Governance Association			The 16 th Corporate Governance Summit Forum- Corporate Governance Moving Forward	6.0
		Taiwan Corporate Governance Association			Advanced Practice of Audit Committee – The role of Independent Directors in Corporate Operation and Corporate Governance	3.0
		Taiwan Corporate Governance Association			At present environment, companies’ strategies for making good use of capital markets	1.0
Independent Director	Lin, Tien-Fu	Taipei Securities Association			On the risk Management Mechanism of Financial Industry from the Loss of Issuing Warrants of Securities.	3.0
		Taipei Securities Association			Money laundering prevention trend and policy development after the third round of mutual evaluation.	3.0
		Taipei Securities Association			Financial Consumer Protection Law and the Principle of fair Hospitality	3.0

Chart 4

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

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

(6) Social responsibility performance situation and its difference from the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, and the reasons

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Has the Company conducted risk assessments on environment, society and corporate governance issues relevant to the Company’s operations and established management policy or strategy for related risks?	✓		The company’s board of directors passed a resolution on December 28, 2020. To formulate the “Risk Management Policy and procedure” as the highest management policy for the company’s risk management. The risk management center will identify the company through an identification and evaluation mechanism on a regular basis each year. Significant risks and formulate risk management strategies and implement the supervision and control of major risks in accordance with the strategy. The important identified risks in 2020, is included industry and market changing, product safety, supply chain, safety of occupation, security of information, intellectual property right, the changes of exchanging rate, climate changing, and major infectious diseases. The company’s important risk management strategies and risk management operations are detailed in the “Investor/ Corporate Governance” section of the company’s official website.	No discrepancies
2. Does the company establish and promote full-time (part-time) corporate social responsibility department, where the Board of Directors authorize senior management to process and report to the	✓		The Company established Sustainable Development Committee on October 7 th , 2019. The Corporate Social Responsibility Promotion Team, which was established on December 29 th , 2016 and reported directly to Board of Directors, is now changed to be under the Sustainable Development Committee and its name is therefore	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
Board of Directors of the processing?			<p>changed to Corporate Social Responsibility Promotion Center. Department of Finance shall be responsible for the promotion of corporate social responsibility while General Manager shall assume the post of convener for the promotion center and the Finance Department is in charge of the promotion of related activities. Corporate Social Responsibility Promotion Center is divided, based on functions, into Corporate Governance Team, Employee Caring Team, Social Participation Team, Sustainable Environment Team and Product Service Team. During normal times, respective units conducts communication with stakeholders through measures of business interaction, routine investigation and interview analysis. Given the fact that there are differences in issues concerned by different stakeholders based on business nature, therefore, through diversified communication channels, stakeholders' needs and expectation can be precisely realized and operation management can therefore be adjusted accordingly by taking their perspectives into consideration. At the meantime, key points concerned by stakeholders are given appropriate responses. Through internal meeting discussions, respective teams present performance achievements and future enhancement goals on their responsible sustainable issues. Through identification and analysis of corporate</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			social responsibility issues, corporate management concepts and social responsibility obligations shall be promoted continuously. Corporate Social Responsibility Promotion Center establishes its next year's execution plan at the end of each year, and submits the plan to the Sustainable Development Committee and Board of Directors. 2021 work plan has already been submitted to and approved by the Sustainable Development Committee and to Board of Directors on November 3 rd , 2020 for report. Corporate Social Responsibility Promotion Center also periodically reports and reviews its operation effectiveness as well as issues concerned by stakeholders to the Sustainable Development Committee and Board of Directors each year. Execution effectiveness for year 2020 corporate social responsibility has been submitted to the Sustainable Development Committee and Board of Directors for report accordingly on March 19 th , 2021. Execution results for that year will be compiled into corporate social responsibility report, and all colleagues will be notified accordingly through email.	
3. Environmental issues (1) Does the company establish proper environmental management system in accordance with its characteristics of	✓		(1)The Company complies with environment management mechanism for biotechnological drug manufacturing industry. Our factories passed official factory inspections from Taiwan, Europe,	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
<p>industry?</p> <p>(2) Does the company devote in the improvement on the utilization efficiency of various resources and use recycled materials with low environmental impact?</p>	✓		<p>U.S. and Japan and obtained PIC/S GMP certifications from numerous countries. Besides, the Company implements the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) in all plants and attaches material safety labels to work areas to indicate which dangerous and harmful materials and substances employees are exposed to at their workplaces. Updated material safety data lists are also provided for the reference of employees. The goal is to enhance operational efficiency through improvements of the internal environment and effective environmental protection measures.</p> <p>(2) The Company's execution complies with domestic related laws and discharge standards established accordingly. In terms of air pollutant material, natural gas boiler is utilized to replace consumption of low-sulfur heavy oil in order to reduce nitrogen dioxide emission effectively. In terms of waste water handling, the Company installs circulation system, collects water resources in cooling tower for recycle and re-use, improves cooling procedures, enhances heat recovery rate to lower needs for cooling water and carefully recycles and uses used water for cleaning. In terms of waste disposal, certified waste disposal vendors are commissioned to handle wastes within factories. Garbage classification is</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
	Y	N	Summary and Description		
(3) Does the Company assess existing and future potential risks and opportunities to enterprise from climate change and adopt counter measures related to climate issues?	✓		<p>implemented rigorously and recycling rates are increased accordingly.</p> <p>(3) In recent years, global warming has led to abnormal climate patterns and more frequent natural disasters, which has caused a serious impact to the environment and enterprises. As a global citizen, TTY Biopharm has the moral responsibility to make every efforts to promote environmental protection and conservation. The measures adopted by the Company in the year of 2020 are as follows, for the purpose of efficient energy utilization and reduction of greenhouse gas:</p>	No discrepancies	
			Liudu Factory		Chungli Factory
			<p>(1) The cooling water pump at the former B Building process operates 24 hours a day, and the operation time was shortened to 08:00 ~ 20:00 in 2020.</p> <ul style="list-style-type: none"> ▪ Power saving 18,799.167 kWh ▪ Reduced energy consumption by 67,677 		<p>(1) Integrate factory C1 120RT and warehouse C2 60RT ice water main engine pipeline. Only 120RT is set as main engine, and set 60 RT system as backup engine, and 60 RT system only operates in summer according to the situation.</p> <ul style="list-style-type: none"> ▪ Power saving 29,414 kWh ▪ Reduced energy consumption by 105,890.4 million joules.

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>million joules.</p> <ul style="list-style-type: none"> ▪ Reduced 9,568.8 kgCo2e emissions <p>(2) The 20W*4 T8 light-steel frame lamps of the G laboratory are replaced with 14W*4 T5 light-steel frame lamps</p> <ul style="list-style-type: none"> ▪ Power saving 2,400 kWh ▪ Reduced energy consumption by 8,640 million joules. ▪ Reduced 1,221.6 kgCo2e emissions 	<ul style="list-style-type: none"> ▪ Reduced 14,971.7 kgCo2e emissions <p>(2) 51 T8 dust-free lamps in the B1 factory were replaced with LED lamps.</p> <ul style="list-style-type: none"> ▪ Power saving 7,663.333 kWh ▪ Reduced energy consumption by 27,588 million joules. ▪ Reduced 3,900.6 kgCo2e emissions <p>(3) The ice water pump in factory C1 is equipped with a frequency converter, and the operating frequency is reduced to 50 HZ.</p> <ul style="list-style-type: none"> ▪ Power saving 27,660 degrees ▪ Reduced energy consumption by 99,576 million joules. ▪ Reduced 14,078.9 kgCo2e emissions
The power saving plans for year 2021:				

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons				
	Y	N	Summary and Description					
			<table border="1"> <thead> <tr> <th>Liudu Factory</th> <th>Chungli Factory</th> </tr> </thead> <tbody> <tr> <td> <p>(1) The office light fixtures in Building A were replaced with LED lights.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 16,580 kWh ▪ Estimated reduction of energy consumption by 59,688 million joules ▪ Estimated emission reduction of 8,439.2 kgCO₂e <p>(2) The office light fixtures in Building C were replaced with LED lights.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 1,531.25 kWh ▪ Estimated reduction in energy consumption by 5,512.5 million joules ▪ Estimated emission reduction of 779.4 </td> <td> <p>(1) The 51 T8 dust-free lamps in the B1 factory were replaced with LED lamps. They were recognized for one month.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 696.667 kWh ▪ Estimated reduction in energy consumption by 2,508 million joules ▪ Estimated emission reduction of 354.6 kgCO₂e <p>(2) The C1 plant ice water pump is equipped with a frequency converter, and the operating frequency is reduced to 50 HZ.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 29,414 kWh ▪ Estimated reduction in energy consumption by 105,890.4 million joules ▪ Estimated emission reduction </td> </tr> </tbody> </table>	Liudu Factory	Chungli Factory	<p>(1) The office light fixtures in Building A were replaced with LED lights.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 16,580 kWh ▪ Estimated reduction of energy consumption by 59,688 million joules ▪ Estimated emission reduction of 8,439.2 kgCO₂e <p>(2) The office light fixtures in Building C were replaced with LED lights.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 1,531.25 kWh ▪ Estimated reduction in energy consumption by 5,512.5 million joules ▪ Estimated emission reduction of 779.4 	<p>(1) The 51 T8 dust-free lamps in the B1 factory were replaced with LED lamps. They were recognized for one month.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 696.667 kWh ▪ Estimated reduction in energy consumption by 2,508 million joules ▪ Estimated emission reduction of 354.6 kgCO₂e <p>(2) The C1 plant ice water pump is equipped with a frequency converter, and the operating frequency is reduced to 50 HZ.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 29,414 kWh ▪ Estimated reduction in energy consumption by 105,890.4 million joules ▪ Estimated emission reduction 	
Liudu Factory	Chungli Factory							
<p>(1) The office light fixtures in Building A were replaced with LED lights.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 16,580 kWh ▪ Estimated reduction of energy consumption by 59,688 million joules ▪ Estimated emission reduction of 8,439.2 kgCO₂e <p>(2) The office light fixtures in Building C were replaced with LED lights.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 1,531.25 kWh ▪ Estimated reduction in energy consumption by 5,512.5 million joules ▪ Estimated emission reduction of 779.4 	<p>(1) The 51 T8 dust-free lamps in the B1 factory were replaced with LED lamps. They were recognized for one month.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 696.667 kWh ▪ Estimated reduction in energy consumption by 2,508 million joules ▪ Estimated emission reduction of 354.6 kgCO₂e <p>(2) The C1 plant ice water pump is equipped with a frequency converter, and the operating frequency is reduced to 50 HZ.</p> <ul style="list-style-type: none"> ▪ Estimated power saving 29,414 kWh ▪ Estimated reduction in energy consumption by 105,890.4 million joules ▪ Estimated emission reduction 							

Item	Operations		Summary and Description		Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N			
			kgCO ₂ e (3) The 900 RT cooling water tower of Building C Oral Factory is equipped with an automatic dosing machine to control the water quality of the cooling water tower and pipeline's structure problems, and to improve the cooling efficiency of the ice water. <ul style="list-style-type: none"> ▪ Estimated power saving 47,457.591 kWh ▪ Estimated reduction of energy consumption by 170,847.3 million joules ▪ Estimated emission reduction of 24,155.9 kgCO₂e 	of 14,971.7 kgCO ₂ e (3) The cooling water pump of C1 plant is equipped with a frequency converter, and the operating frequency is reduced to 50 HZ <ul style="list-style-type: none"> ▪ Estimated power saving 36,880 kWh ▪ Estimated reduction of energy consumption by 132,768 million joules ▪ Estimated emission reduction of 18,771.9 kgCO₂e (4) Replace the T8 tubes in the C2 & B1 air-conditioning room with LED 20W tubes. <ul style="list-style-type: none"> ▪ Estimated power saving 1,830 degrees ▪ Estimated reduction of energy consumption by 6,588 million joules Estimated emission reduction of 931.5 kgCO ₂ e	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and does it formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?	✓		<p>Note:</p> <ol style="list-style-type: none"> 1. Calculation formula: purchased electricity 1 kWh=3,600,000 Joule 2. Since the power emission coefficient data of year 2020 has not been announced, the calculation is based on year 2019 power emission coefficient of 0.509 kgCo2e/ kWh announced by the Energy Bureau in June 2020. <p>(4) Being a professional domestic pharmaceutical company, the Company is fully aware that public health risks increase at the same time while climate change becoming more and more tremendous. Examples such as unclean air and water will become hotbeds for disease transmission. Furthermore, more and more domestic and offshore research data indicate that patterns for certain diseases might be related to changes of climate conditions. As such, the Company is hereby dedicated to promote environmental protection in respective perspectives of corporate operations:</p> <ul style="list-style-type: none"> • Compliance with environment-related regulations and international standards, appropriate protection of natural 	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>environment, dedicated to achieving sustainable environment goals upon respective location's execution of operating activities and internal management.</p> <ul style="list-style-type: none"> ● Regular host of environmental education courses, promotion of sustainable consumption concept to colleagues as a whole, compliance with 5 major principles of (1) Reduction of product resources and energy consumption; (2) Reduction of discharge in pollutants, hazardous materials and wastes; (3) Careful disposal of wastes; (4) Increase recycling and re-use of raw materials or products; (5) Extend product effectiveness and durability. ● Enhancement of water resource utilization efficiency and carefully utilize and recycle water resources. ● Vigilant on influence from climate change to operating activities; promote strategies of energy saving and carbon reduction and greenhouse gas reduction. <p>The Company calculates greenhouse gas emission, water consumption and total weight for wastes every year, and discloses accordingly in current year's Corporate Social Responsibility</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons																						
	Y	N	Summary and Description																							
			<p>Report. Data for the previous two years are as follows:</p> <p>① Greenhouse Gas Emission</p> <p style="text-align: right;">Unit: tonCO₂e</p> <table border="1"> <thead> <tr> <th>Factory</th> <th>Energy Type</th> <th>Year 2019</th> <th>Year 2020</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Liudu Factory</td> <td>Scope I</td> <td>579</td> <td>640</td> </tr> <tr> <td>Scope II</td> <td>4,169</td> <td>4,827</td> </tr> <tr> <td rowspan="2">Chungli Factory</td> <td>Scope I</td> <td>398</td> <td>313</td> </tr> <tr> <td>Scope II</td> <td>3,067</td> <td>2,913</td> </tr> <tr> <td colspan="2">Total</td> <td>7,780</td> <td>8,213</td> </tr> </tbody> </table> <p>(1) Scope 1 emission sources are mainly natural gas boilers, and the calculation method of natural gas greenhouse gas: Natural gas consumption (m³) *0.000033488(TJ)*56100(CO₂emission factor)/1000 (tonCo₂ TJ)</p> <p>(2) Scope 2 emission sources are mainly outsourced electricity, calculated based on the electricity emission coefficient 0.509 kgCO₂e/degree published by the Bureau of Energy in 2020.</p> <p>(3) The energy Administration announced that carbon dioxide emission equivalent coefficient was 0.525 kgCO₂e/degree in</p>	Factory	Energy Type	Year 2019	Year 2020	Liudu Factory	Scope I	579	640	Scope II	4,169	4,827	Chungli Factory	Scope I	398	313	Scope II	3,067	2,913	Total		7,780	8,213	
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Item	Operations		Summary and Description	Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons																														
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			<p>2015, 0.530 kgCO₂e/degree in 2016, 0.554 kgCO₂e/degree in 2017, 0.533 kgCO₂e/degree in 2018, 0.509 kgCO₂e/degree in 2019, since data in 2020 has not been announced, it is calculated based on 0.509 kgCO₂e/degree as 2019.</p> <p>② Water Consumption</p> <p style="text-align: right;">Unit: ton</p> <table border="1"> <thead> <tr> <th>Factory</th> <th>Year 2019</th> <th>Year 2020</th> </tr> </thead> <tbody> <tr> <td>Liudu Factory</td> <td>68,292</td> <td>76,961</td> </tr> <tr> <td>Chungli Factory</td> <td>37,739</td> <td>23,811</td> </tr> <tr> <td>Neihu Factory</td> <td>2,382</td> <td>2,429</td> </tr> <tr> <td>Total</td> <td>108,413</td> <td>103,201</td> </tr> </tbody> </table> <p>③ Total Weight of Wastes</p> <p style="text-align: right;">Unit: ton</p> <table border="1"> <thead> <tr> <th>Factory</th> <th>Year 2019</th> <th>Year 2020</th> </tr> </thead> <tbody> <tr> <td>Liudu Factory</td> <td>14.19</td> <td>27.87</td> </tr> <tr> <td>Chungli Factory</td> <td>3.09</td> <td>3.09</td> </tr> <tr> <td>Neihu Factory</td> <td>8.68</td> <td>8.17</td> </tr> <tr> <td>Total</td> <td>25.96</td> <td>39.13</td> </tr> </tbody> </table>	Factory	Year 2019	Year 2020	Liudu Factory	68,292	76,961	Chungli Factory	37,739	23,811	Neihu Factory	2,382	2,429	Total	108,413	103,201	Factory	Year 2019	Year 2020	Liudu Factory	14.19	27.87	Chungli Factory	3.09	3.09	Neihu Factory	8.68	8.17	Total	25.96	39.13	
Factory	Year 2019	Year 2020																																
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Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
4. Social issues				
(1) Does the company develop relevant management policy and procedures in accordance with relevant laws and regulations and International Bill of Human Rights?	✓		(1) The Company places strong emphasis on human rights issues with the goal of providing its employees with an equitable and safe work environment and minimizing potential dangers and risks. A human rights policy has been formulated with reference to internationally recognized human rights standards such as the Universal Declaration of Human Rights, the Ten Principles of the UN Global Compact, and the UN Guiding Principles on Business and Human Rights in strict compliance with local labor laws. The goal lies in the equitable and respectful treatment of all stakeholders. For more details on the Company's human rights policy please refer to the "Sustainability/Employee Care" Section of official website.	No discrepancies
(2) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits) and reflected operation performance or achievements on employee's salary or remuneration?	✓		(2) Article 21 of the Company's Articles of Incorporation prescribes that 0.5% to 10% of profits shall be appropriated as employee's remuneration in the event that the Company has obtained profits for that year. Nevertheless, amount for loss compensation shall be reserved in advance in the event that the Company still has accumulated losses. The Company has high emphasis on talents. Each year, senior employees are specifically recognized in public and gifts are awarded to thank for employee's contribution. This is	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>also an exhibition of TTY Biopharm Company's human-oriented initial commitment. In terms of retaining new employees, salary is determined in accordance with objective factors of each employee's previous experiences, capability possessed, and retaining position. The Company's salaries are based on the local basic salary, the internal monthly minimum salary is set at NTD\$24,000, and the ratio to the current basic salary is 1:1. After considering various conditions such as occupation category and education background, the stander salary of the company's grass-roots personnel has taken into account the ratio of the average salary of lowest rank to the basic salary, 1.54 times for women and 1.60 times for men, both are higher than the local basic salary. There's no difference due to gender. However, in 2020 there were more male managers, so the average salary ratio of women to men was 1:1.21. In addition, Taiwan Toyo also pay attention to the employee' annual salary adjustment and promotion system. Based on the internal performance appraisal of organization, the employees can obtain the best salary adjustment opportunities and the smoothest promotion channel.</p> <ul style="list-style-type: none"> • Salary Structure: Different salary structure designs in accordance with attributes of duties. 	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<ul style="list-style-type: none"> • Bonus Program: 0.5 month of salary will be rewarded for Mid-Autumn Festival and Dragon Boat Festival respectively each year and a 2-month full salary will be rewarded for Chinese New Year. In addition to regular rewards, there are separate performance bonuses distributed in accordance with the organization's internal performance review guidelines, the whole operations and individual's performance. There shall be at least 70% of connections between a colleague's performance and department performance goal. Lastly, multiples for bonus shall be calculated accordingly under considerations of current year the Company's total revenue and after-tax net profit achievement in order to fulfill high degrees of connections between rewards and performance. • Annual Salary Adjustment: There will be two salary adjustment opportunities (performance salary adjustment, special salary adjustment) In year 2020, non-management personnel and management personnel received an average of 3%~4% of salary adjustments. • Promotion Mechanism: The Company offers transparent promotion system and activates talent retention project. 	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education?	✓		<p>Employees with excellent performance are recognized and promoted accordingly.</p> <p>Please refer to 5. Labor Relations of V. Operational Highlights of the Company's annual report as well as "Talent Recruitment" and "Sustainability/Employee Care" section of the Company's website for details of the Company's Salary and Benefit Policy.</p> <p>(3) The Company firmly believes that the mental and physical health of its staff is a key prerequisite for work performance characterized by high efficiency and high quality. To protect employee's safety, TTY Biopharm Company Limited not only purchased labor insurance and health insurance for all employees, it also provides insurance items of group insurance, accident insurance, occupational disaster insurance, cancer insurance and business trip insurance. Employee health check is conducted each year to ensure employee's health. In addition, in response to the dual threats of fluenza and Covid-19, the Company provided flu vaccines to all employees and their family members for free. (4 quotas for each employee). Public accident liability insurance is also purchased for workplaces of the Company and factories. Factories also comply with regulations in their regular</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>applications to competent authority for public safety equipment check on buildings and fire-fighting equipment. Certificates for qualified fire-fighting management personnel have been obtained, and fire-fighting plans for work place have been established in order to maintain fire-fighting equipment safety for work place. For the purpose of preventing occupational disaster and protecting employee's safety and health, "Occupational Safety & Sanitation Work Rules" and "Occupational Safety & Sanitation Management Plan" are established in accordance with Occupational Safety & Health Act and related regulations. Respective factories established occupational safety & health units, management work staff and emergency rescue personnel as required by laws. Safety & health education and training are conducted each year. Given importance of protection measures on work environment and personnel, TTY Biopharm Company Limited conducts related education and training in factories and implements education trainings on "Occupational Safety & Health Education Series" to new employees and existing staffs. This training includes courses of normal safety and health education training, measures to provide safety consciousness, promotion of work place health and accurate selection of masks.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Does the company establish effective career competence development training program for employees?	✓		<p>Learning assessment is also utilized during education training process to verify accuracy of employee's learning direction as well as to ensure fulfillment of protection measure concepts on work environment and personal safety.</p> <p>Please refer to 5. Labor Relations of V. Operational Highlights of the Company's annual report for other protection measures on employee's physical safety and work environment.</p> <p>(4) The Company is dedicated to build a continuous learning work place which can also stimulate colleague's work passion. From the beginning of new employee's entering of this big family of TTY Biopharm, the Company has planned a series of new employee orientation courses for the purpose of assisting new employee to adapt to organization culture, understand self-positioning and exhibit performance as soon as possible. It is expected that new employees will be able to start from TTY Biopharm's vision and concept of value, organization strategy and direction, key points of duty, required core capability and resources available for organization's utilization to gradually understand the Company and accumulate capability in a solid way.</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>In addition, the Company has established a comprehensive corporate internal training system – “TTY College.” In addition to new employee training, universal knowledge courses and leadership management courses, physical and on-line classes (R&D, manufacturing and operation, quality control, marketing, business) have been integrated via biotechnology industry expertise and TTY Biopharm corporate culture across the fields mentioned above.</p> <p>For the purpose of incubating future talents with leadership capability for the organization, we have already invested enormous amount of efforts and resources to establish talent development culture within the Company’s group and install a comprehensive and fair “Talent Development Committee.”</p> <p>Through communication and integration of knowledge and resources within the Group, we provide colleagues with more diversified occupational career selections and a bigger stage. It is expected that the Company and colleagues can jointly find the best development goal and program which meet with organization needs as well as individual’s interest. After each year’s evaluation and recruitment by the “Talent Development Committee,” the Company establishes customized individual development goal for</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(5) Does the Company comply with related laws and international standards in terms of customer's health and safety related to products and services, customer's privacy, marketing and labeling, and establish related consumer rights protection policy and complaint procedures?	✓		<p>each core talent, and offers periodical and timely feedback and instructions accordingly. Appropriate development plan will be provided depending individual's development status and performances in respective phases.</p> <p>(5) In accordance with requirements from "PIC/S Guide to Good Manufacturing Practice for Medical Products" and "Good Distribution Practice (GDP)", the Company produces and manufactures drugs and executes operations of import, export, storage and transportation for the purpose of providing customers with safe and effective medical products. In terms of marketing and labeling for drugs, package inserts are attached in accordance with regulations and package insert linkages are posted on the Company's official website for enquiry. Promotional advertisements are submitted to health competent authority in advance as required by laws and advertisement registration numbers are obtained accordingly. In addition, the Company establishes appropriate information safety management mechanisms, enhances information security awareness and complies with stringent control requirements and protection measures in order to protect personal information and customer's</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(6) Does the Company establish supplier management policy and request suppliers to comply with related requirements in issues of environmental protection, occupational health and safety or labor human rights? What are their execution situations?	✓		<p>privacy. The Company posts responsible person's contact phone number and e-mail address on the "Contact Us" section of the Company's website for the purpose of processing issues related to complaint of the Company's consumer rights and handling customer's complaint fairly and timely.</p> <p>(6) In addition to requesting to invest resources in the issue of corporate social responsibility, the Company also urges supplier partners to echo accordingly and join in the parade of pursuing sustainable development. The Company conducts qualification assessment on new suppliers and annual and daily assessments to existing suppliers. Assessment items are categorized into three perspectives of economy, environment and human rights. Please refer to the "Sustainability" section on the Company's website for details of supplier management policy.</p>	No discrepancies
5. Does the Company take references from internationally applied guidelines or instructions for report compiling in its preparation of corporate social responsibility report which discloses the Company's non-financial information? Have opinions of assurance or guarantee	✓		The Company complies with GRI Sustainability Reporting Standards (GRI Standards) in preparing the 2020 corporate social responsibility report, and received Type 1 "The Moderate Assurance" of the "AA1000 Assurance Standard, 2008" established by the British Standards Institution ("BSI"), which is a third-party independent verification institute and a global non-profit organization.	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
from third party verification units been obtained for aforementioned report?				
<p>6. For companies having developed independent corporate social responsibility practice in accordance with “Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies,” please describe the discretion of operation with the independent practice developed: The Company establishes its “Corporate Social Responsibility Guidelines” in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed Companies” and complies accordingly without fail for the purpose of fulfilling corporate social responsibility promotion.</p>				
<p>7. Other critical information that helps understand the operation of corporate social responsibility:</p> <p>(1) Providing Work Opportunities to the Mentally/Physically Disadvantaged (Down Syndrome) TTY Biopharm hires employees with Down Syndrome to assist in cleaning services in designated office environments to enable these underprivileged individuals to lead fulfilling and dignified lives. This allows persons with Down Syndrome to acquire professional skills and facilitates their integration into society. It also gives our employees an opportunity to learn how to interact with these handicapped workers. A simple smile and friendly greeting fills them with confidence and joy.</p> <p>(2) Summer internship Program Since year 2008, the Company has held Summer Internship Program (SIP) for 13 consecutive years. It has organized many briefing sessions, group interviews, course content planning and project management learning classes for students from universities or research institutes in pharmacy and biosciences all over the country. From the perspective of a professional and forward-looking international pharmaceutical company, the Company shares industry experiences which cannot learnt from class. In past 13 years, there were 339 students joined this program. In year 2020, a total of 26 students from China Medical University, National Chiao Tung University, National Cheng Kung University, Kaohsiung Medical University, Yang-Ming University, Taipei Medical University, and National Taiwan University participated in summer internship program. In the future, we hope there will be more domestic and foreign students participate</p>				

Item	Operations		Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	
			<p>“SIP Summer Internship Program” enthusiastically.</p> <p>(3) Cancer Education and Local Care</p> <p>As a member of the pharmaceutical industry, TTY Biopharm constantly invests resources in the development of new anti-cancer drugs, makes donations to cancer patient families, and disseminates cancer-related information on the Internet in response to the gradually increasing number of cancer patients in Taiwan. Free health education events are organized in cooperation with relevant organizations to provide teenagers and children with a correct understanding of cancer and make a contribution to cancer prevention.</p> <p>① Cancer Education in Rural Areas and Schools</p> <p>Since year 1994, TTY Biopharm Cancer Science Development Group has organized and promote a series of cancer prevention and healthy diet education for junior high school students with some cancer-related nonprofit organizations. And dozens of events have been held every year in rural junior high school campuses, to prevent cancer and healthy diet. In 2020, we held 51 sessions in remote areas such as Yunlin, Chiayi, Tainan, Miaoli, Hualien and Taitung, and the outlying islands of Kinmen, Penghu, and other remote areas. We invited professional medical staffs from major medical centers to promote the prevention of cancer at campus. By passing the knowledge, let the teenagers play the role of assistant in family’s daily life, so the whole family has the right knowledge of preventing cancer life. Since 2012, the company employees have been relayed every year to organize anti-cancer and health promotion activities on the campuses of Taitung Green Island Elementary School and Taitung Gonguan Elementary School. By the health competition, the knowledge of cancer risk factors from childhood is brought in. The activity was deeply loved by students and got strong support from principals and teachers. We hope the anti-cancer activity will continue to be inherited and rooted.</p> <p>② Scholarships for children of cancer patients</p> <p>People of cancer-affected population in Taiwan continues to be younger, and most cancer patients are the breadwinner of the family. Disease and treatment expenses often become the burden of cancer families, which in turn affects the lives and studies of their children. To alleviate the economic burden of cancer families and help their children go to school smoothly, TTY Biopharm has sponsored the Cancer Hope Foundation for a long time since 1999. And has done its best to help children of cancer families in their education. In year 2020, a total of 75 college students were funded. The total amount of sponsorship for the event is NT\$ 1 million.</p>

Item	Operations		Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	
<p>③ Holding of Health Education Seminar</p> <p>For patients consistent cancer treatment, the company regularly organizes patient and family disease treatment and cancer pain nutrition and health education with cancer related NPOs (non-profit organizations), so that patients can survive the discomfort which is caused by treatment and diseases, and families can learn correct knowledge and fight against cancer positively. There were 7 sessions held with total of 507 people in year 2020. Since 1998, a total of 6,532 cancer friends have attended the lecture. In addition, the company also holds health education lectures on osteoporosis and bone health, we provide tests to prevent the causes of calcium and vitamin D deficiency. We also guide and advise how to achieve sufficient intake from diet and daily life. 33 events (including general hospital and community health education, patient associations, etc.) are held in year 2020 with 4,160 participants.</p> <p>(4) Establishment of Charity Association</p> <p>To echo corporate culture of “Be a Civilized Person” educated by Chairman, colleagues of the Company spontaneously established a charity club – BoshiYuan. Concept of Boshiyuan is to give at a broad range. Shiyuan comes from the same pronunciation of thinking of origin. Therefore, “Boshiyuan” is to take from the society and then feedback to the society with the heart of thinking of origins and feelings of assisting the weak and supporting the needed. The Company’s colleagues with the same vision are bonded together by this “Boshiyuan” to promote event and concept of social caring and environmental protection. Ultimately, it is hoped that DNA of charity concept will be implanted gradually into TTY culture and into colleague’s daily life for the purpose of jointly becoming civilized people and working for the shared benefits of the world.</p> <p>(5) Charity order and supporting social welfare groups</p> <p>Resources and support for social welfare institutes lacking of resources are usually scarce for numerous institutes. This has led financial shortage and difficulty in operations. Meanwhile, sheltered employees need social worker’s assistance when they work. This has made labor working hours extremely high and, accordingly, high costs in manufacturing products. Together with financial shortage, difficulty in marketing and low product visibility, these have made product sales even worse. For the purpose of offering feedback to shareholders and</p>			

Item	Operations		Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	
			<p>supporting social welfare groups, In year 2020, shareholders’ annual general meeting selected hand-made scrape soap package made and packaged by the Taiwan Foundation for The Blind as souvenir and total 21,000 packages were purchased. Handmade soap of Taiwan Foundation for The Blind is made by visually disadvantaged people. Therefore, more scrape soaps are generated during cutting. Additionally, defective rate is high for hand-cut soap because of visually disadvantaged people’s ill vision. This has led to more defective products. However, this does not affect quality for use although scrape soap does not look good on its appearance. Purchase of scrape soap will assist in consuming Taiwan Foundation for The Blind’s scrape soap while avoiding wastes. Bags for crape soap are PE bags made from recycled plastic particles. PE is non-hazardous plastic. It generates carbon dioxide and water when burned. It will not lead to air pollution and is a relatively environmental-friendly material. Exterior of product package adopts PLA biodegradable package bag. There is no extra packaging except for a little bookmark printed with QR code inside the package bag. Through scanning QR code, shareholders will be able to learn concepts of which the Company intends to convey to shareholders. We utilized minimized packaging and practical souvenir as our appeals for this purchase of souvenir. With the combination of charity and environmental protection, TTY Biopharm Company Limited is dedicated on corporate social citizen responsibility.</p> <p>(6) Donate organs In year 2020, the company held the company’s annual family day with the theme of “Sustainability, Co-prosperity, Love and unlimited”, and arranged the donation registration center to promote the concept. By professional explanations, many employees of TTY Biopharm turned their touch into actions and signed consent for Organ Donation” to promote the concept of organ donation. Therefore, the Company was awarded the “Corporate Charity Award” at the 13th Outstanding Organ Donation Organization and Personal Award Ceremony held by Organ Donation and Transplant Registration Center, affirming the Company’s response to social welfare, and inspiring the spirit of love for employee donation.</p> <p>(7) Daytime Care Service for Cancer Family To widen the effect of corporate social responsibility, the company has been cooperating with the affiliated hospital of China Medical</p>

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>University (hereinafter referred to as China Medical University) to plan daytime hospice care services since year 2021. We provide relief nursing after returning home for the Chinese Medical University Hospital patients who have died of cancer. In nursing medical services, home nurses from the hospice care will visit patients' home and perform hospice care and medical behaviors and help families solve the problems of terminal cancer patients, reducing pressure on caregivers, so that patients and families can calm down in the final process. The transportation expenses of hospice caring nurses are shared by China Medical University Hospital and the family applied for hospice care, and the Company voluntarily support the transportation expenses that palliative care families need to pay based on the concept of caring the family needs hospice care.</p> <p>(8) River Protection Commitment</p> <p>In June 2020, the Company responded to the “Do one Thing for Danshui River” imitated by Common Wealth Magazine, and announced five specific environmental commitments, including : the factories don't discharge wastewater that does not meet the discharge stander, and supervision the garbage collectors do not dump waste arbitrarily, pursue green procurement, encourage employees to participate in the public governance of the Danshui River system, and protect the environmental protection and creative actions of the Danshui River to jointly achieve the mission of sustainable development for the environment in Taiwan.</p>	

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

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

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

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

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established an unit which reports to Board of Directors and which is responsible for promoting corporate ethical management, and reported regularly (at least once a year) its ethical management policy and unethical behavior prevention program as well as its supervision and execution situations?	✓		<p>shall establish related requirements on unethical behavior prevention in transaction agreements of distribution, supply and commissioned service.</p> <p>(2) On March 29th, 2018, the Company drafted “Procedures for Ethical Management and Guidelines for Conduct” and established “Ethical Management Team”. “Sustainable Development Committee” was established on October 7th, 2019 and it reports to Board of Directors. The original “Ethical Management Team” previously reported to Board of Directors but now it reports to the Sustainable Development Committee and changes its name to “Ethical Management Center.” General Manager assumes the post of convener for “Ethical Management Center” and its members include Head of Management Center, Head of Department of Finance, Head of Audit, Head of Organization Development & Human Resource and Head of Legal Department. Additionally, independent directors are responsible for supervising accordingly. “Ethical Management Center” reports execution status to Board of Directors regularly each year. Operation achievements of year 2020 reported to</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company develop conflict of interest policy, provide proper petition channel and implement the execution?	✓		<p>Board of Directors and Sustainable Development Committee on March 19th, 2021 are as follows:</p> <p>① New hire orientation As of May 14, 2018, every newly inducted employee is educated on the Company’s ethical corporate management policy when he/she reports for duty.</p> <p>② Summary of Report Situation Each quarter, “Ethical Management Center” submits report mailbox’s report situations to Sustainable Development Committee. A total of 245 letters were received in 2020. Most of the mails were advertisements. No report letters had been received and there were no occurrences of unethical behavior of corruption.</p> <p>(3) On March 29th, 2018, the Company drafted “Procedures for Ethical Management and Guidelines for Conduct” which explicitly prescribes conflict of interest policy. The Company has established appropriate channels that allow a detailed description of potential conflicts of interests with the Company or the absence thereof by directors, the management</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Has the Company already established effective accounting system and internal control system in order to fulfill Ethical Management, and reached risk assessment result on unethical behavior conducted by internal audit unit, and established related audit plans which have been utilized accordingly to verify situations of compliance with unethical behavior prevention program, or commissioned accountants to conduct inspection accordingly?	✓		level, and all staff members. (4) The Company establishes accounting system and internal control system in accordance with related laws and regulations. In addition to ethical management status inspected by heads of respective units inside the Company, audit personnel also conducts inspections on related unethical behavior prevention for the purpose of insider trading prevention in accordance with annual audit plan.	No discrepancies
(5) Does the company routinely hold domestic and external educational training for ethical management?	✓		(5) The Company announces its “Procedures for Ethical Management and Guidelines for Conduct” all employees through emails, and discloses accordingly on internal employee website. Additionally, To enable new member of the company to understand and comply with company regulations as soon as possible, the company arranges a series of online and face-to-face training for new recruits. Including introduction of confidential document management, introduction of GMP management, introduction of pharmaceutical patent regulations, and introduction	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			of Taiwan intellectual property management regulations (TIPS), basic course on intellectual property rights, drug safety monitoring, information security education and training, introduction of good drug delivery practices (GDP) management, introduction of business secrets, environmental safety, and health, etc. A total of 68 newcomers participated in the training courses in year 2020. In terms of continuous training for colleagues, the company organizes various online and face-to-face courses from time to time. The online courses include drug safety monitoring, good drug shipping practices (GDP) management introduction, information security, introduction of business secrets, prevention of insider transactions, etc. In year 2020, except for the non-compulsory information security education and training, all colleagues have completed 100% of the remaining online course training. Preventing the briefing materials related to insider trading and provide the directors with e-mail for reference.	
3. Operations of company reporting system (1) Does the company develop specific reporting and	✓		(1) The Company's "Procedures for Ethical	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
incentive system and establishing convenient reporting channel in addition to assigning proper handling specialist for the target reported?			Management and Guidelines for Conduct” explicitly prescribes specific reporting and rewarding system. Report channels are also established on corporate official website and internal employee website, with “Ethical Management Center” designated personnel responsible for receiving cases reported.	
(2) Has the Company established investigation standard operation procedures for accepted report matters as well as subsequent measures and related confidentiality mechanisms after investigation is completed?	✓		(2) “Ethical Management Center Operation Rules” is drafted under the Company’s “Procedures for Ethical Management and Guidelines for Conduct.” These operation rules explicitly prescribe investigation standard operation procedures, subsequent measures after investigation and confidentiality mechanism for receiving matters reported.	No discrepancies
(3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?	✓		(3) The Company’s “Procedures for Ethical Management and Guidelines for Conduct” and “Ethical Management Center Operation Rules” explicitly prescribe measures protecting report person from inappropriate treatment because of such report. Internal disciplinary rules also explicitly prescribe that staff disclosing identity of report person and contents shall be severely disciplined.	No discrepancies

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

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

The Company has formed “Governance Best Practice Principles,” “Good Faith Operation Principles,” “Procedures for Ethical Management and Guidelines for Conduct” and “Corporate social responsibility practice guidelines.” These principles are fully disclosed in the unit of “investors/corporate governance/major corporate policies” on the Company’s website.

(9) Any Other Material Information That Would Afford a Better Understanding of the Status of the Company’s

Implementation of Corporate Governance May Also Be Disclosed :

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

(10)Internal Control System Execution Status

1 Statement of Internal Control System

TTY Biopharm Company Limited Statement of Internal Control System

March 19, 2021

TTY Biopharm Company Limited has conducted a self-check of internal control for the year of 2020. The results are as follows: :

1. The Company acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established. The purposes of the Internal Control System are to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance, safeguard of assets, etc.), the reliability of financial reports, and the compliance with applicable laws and regulations.
2. The Company also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three goals referred to above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The Company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the "Guidelines for the Establishment of Internal Control System by Public Companies" (referred to as the "Guidelines" hereinafter). The evaluation of the internal control system adopted by the said Guidelines has the internal control system divided into the following five factors based on the process of the management control: 1. Environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each component comprises certain factors. Please refer to the Guidelines for preceding items.
4. The Company has assessed and evaluated the effectiveness of the internal control system design and implementation in accordance with the internal control system criteria referred to above.
5. Based on the evaluation of the aforementioned system, the Company considered the Internal Control System as of December 31, 2020 (including supervision and management of subsidiaries), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and obeying the related internal control system of the relevant laws, are all effective, and it can ensure that the aforementioned goals to be reasonably reached.
6. This Statement of Internal Control System is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts like pretense and concealment involved in the above-mentioned statement, the Company will assume the legal responsibilities according to Article 20, 32, 171, and 174 of the Securities Exchange Act.
7. This Statement of Internal Control System had been approved by the Board of Directors at the meeting of March 19, 2021 with 9 directors presented at the meeting and none disagreeing with this Statement of Internal Control System.

TTY Biopharm Company Limited
Chairman : Lin Chuan
General Manager : Shih, Chun-Liang

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

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

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

Date and Types of Meetings	Important Resolutions
Board of directors Mar 16, 2020	<ol style="list-style-type: none"> 1. Proposal of Intended Purchase of Land. 2. Appointing Invested Company’s Director Representative. 3. The Company’s Intended Commitment to KPMG International for Support of Subsidiary’s Continued Operations. 4. Intended Loan to Invested Company. 5. Proposal of The Company’s year 2019 Employee Remuneration Distribution. 6. Proposal of The Company’s year 2019 Director Remuneration Distribution. 7. Year 2019 Business Report and Financial Statements. 8. Year 2019 Profit Distribution. 9. The Amendment of “Articles of Incorporation”. 10. The Amendment of “Rules of Procedure for Shareholders’ Meetings”. 11. The Amendment of “Regulations for Lending Funds to Other Parties”. 12. The Amendment of “Procedures and Guidance for Ethical Operation Conduct”. 13. Date, Location and Agenda for Convening the Company’s year 2020 annual general’ Meeting. 14. Planned Drafting of The Company’s 2019 “Internal Control System Statement”. 15. The Company’s year 2020 Salary Adjustment Proposal. 16. Year 2019 Manager Performance Reward Proposal. 17. Planned Distribution of year 2019 Special Contribution Program Rewards. 18. Planned Appointment of Vice General Manager Shih, Chun-Liang for The Post of Chief Operating Officer.

Date and Types of Meetings	Important Resolutions
	19. Planned Amendments over The Company’s “Internal Approval Authority Guidelines”.
Board of directors May 05, 2020	<ol style="list-style-type: none"> 1. Proposal of Increased Expense for Land Purchase. 2. The Company’s Intention to Develop Generic Drug. 3. Intended Offshore Investment to Establish Subsidiary. 4. Re-Appointment and Appointment of Subsidiary’s Legal Person Director Representative. 5. Lifting of non-compete restrictions for the management. 6. Proposal of year 2020 Assessment of Attesting CPA’s Retainment, Independence and Competence and Audit Fee for Finance/Tax Compliance Audit. 7. The Amendment of “Articles of Incorporation”. 8. The Amendment of “Rules of Procedure for Board of Directors Meetings”. 9. The Amendment of “Audit Committee Charter”. 10. Year 2020 Manager Performance Reward Program. 11. Discussion of Salary and Remuneration for The Company’s Chief Operating Officer.
Board of directors Jun 29, 2020	<ol style="list-style-type: none"> 1. Proposal of Subsidiary’s Distribution Products Authorized by The Company. 2. Proposal of Participating in Re-invested Company’s Issuance of Common Stock. 3. Proposal of Change of partial transaction terms for Subsidiary’s Commissioning the Company to Produce Drugs. 4. Set up Ex-dividend Date and Payment Date. 5. Appointment of Members for the 4th Term of the Remuneration Committee. 6. Hiring Mr. Shih, Chun-Liang as the General Manager of the Company.
Board of directors Aug 03, 2020	<ol style="list-style-type: none"> 1. Planned Commissioning of the Company by a Subsidiary to Provide Legal services. 2. Planned Commissioning of the Company by a Subsidiary to Provide Logistics Management Services. 3. The Amendment of the Company’s “Corporate Governance Best Practice Principles” 4. The Amendment of the Company’s “Corporate Social Responsibility Best Practice Principles” 5. The Amendment of the Company’s “Rules Governing the Scope of Powers of Independent Directors”.

Date and Types of Meetings	Important Resolutions
	<ol style="list-style-type: none"> 6. The Amendment of the Company's "Performance Assessment Guidelines for Board of Directors and Functional Committee". 7. The Establishment of the Company's "Regulation of Merger & Acquisition information reveal discipline" 8. The Amendment the "Remuneration Committee Charter". 9. Intention to distribute compensation to the Company's assigned re-invested company director representative upon performance of the year 2019 director duty. 10. Proposal of Distribution of Special Bonus for manager personnel in 2019 11. Discussion of remuneration for General Manager. 12. Discussion of monthly remuneration for Chairman. 13. The Overdue Accounts Receivables of the Company's Oversea Customers are not categorized as Lending Funds.
Board of directors Nov 03, 2020	<ol style="list-style-type: none"> 1. Proposal of Contract Renewal for Subsidiary's Commissioning the Company on Drug Manufacturing. 2. The invested Company has Commissioned the Company to Provide Product Marketing Research and Investigate Consulting Services and Professional Product Operating Management Services. 3. Proposal of Subsidiary's Distribution Products Authorized by the Company. 4. Planned Commissioning of the Company by a Subsidiary to Provide IT services. 5. Planned formulation of the year 2020 Audit Plan. 6. The Amendment of the Company's "Other Management System-Management of Capital Loan to Others" 7. The Amendment of the Company's Internal Control System. 8. Discussion over year 2021 Management Personnel's Remuneration Distribution.
Board of directors Nov 20, 2020	<ol style="list-style-type: none"> 1. Proposal of Hiring a Vice President and the Change of R&D Manager 2. Planned to Enter a Supplementary Agreement for Licensing Contract with a Subsidiary.
Board of directors Dec 28, 2020	<ol style="list-style-type: none"> 1. Establishment of the Company's year 2020 Operation Plan & Budget Proposal. 2. Planned to Purchase of "Patent Search System" and "Comprehensive Competitive Intelligence Database". 3. Subsidiaries Leased Office from the Company. 4. Subsidiary's Intention to Commission the Company to Provide Drug Inspection and Registration Service.

Date and Types of Meetings	Important Resolutions
	<ol style="list-style-type: none"> 5. Invested Company's Commissioning the Company to Provide the Company with Human Resource Service. 6. The Establishment of the Company's "Risk Management Policies and Procedures". 7. Amendment of The Company's "The Salary Structure for Managers" 8. The Amendment of partial terms of licensing contract for the Company's acquisition of exclusive distribution right of X product in Taiwan.
Board of directors Feb 5, 2021	<ol style="list-style-type: none"> 1. The Re-election of the Company's directors and independent directors. 2. Date, venue, and agenda for the year 2021 Annual General Shareholders' Meeting. 3. Planned to sign Licensing Agreement with Partners. 4. Planned to Co-develop European Market of Pegylipo with Germany Pharmaceutical Company.
Board of directors Mar 19, 2021	<ol style="list-style-type: none"> 1. Proposal of Upgrade of Injection Facility in ZhongLi Plant. 2. Proposal of Improvement of Microsphere Facility in Liudu Plant. 3. The Employees' Compensation of the Company in 2020. 4. The Directors' Compensation of the Company in 2020. 5. Year 2020 Business Report and Financial Report 6. Year 2020 Earnings Distribution Proposal. 7. Year 2021 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees. 8. Formulation of the year 2018 Internal Control Statement. 9. Planned Amendment of the Company's "Regulation of election of directors" 10. Planned Amendment of the Company's "Organization Regulations for Sustainable Development Committee" 11. Proposal of Change of Acting Spokesperson. 12. Proposal of Change and Designation of the Custodian of the Company's Seal Registered in the Ministry of Economic Affairs. 13. Planned Commissioning of the Company by a Subsidiary to Provide Logistics Management Service. 14. Proposal of Renewal of Professional Medical Information Provided by IQVIA AG and the Expense Shared by the Re-invested Company. 15. 2021 Pay Raise Strategy. 16. Discussion of Fixed Remuneration for the Company's General Manager. 17. Discussion of Fixed Remuneration for the Company's Chairman.
Board of directors Apr 23, 2021	<ol style="list-style-type: none"> 1. Commissioning of the Company by a Subsidiary to Provide Legal Service.

Date and Types of Meetings	Important Resolutions
	<ol style="list-style-type: none"> 2. Proposal of Adding Appropriation of Special Surplus Reserve in accordance with the Regulation of Financial Supervisory Commission. 3. Planned Nomination of the list of Directors (including Independent Directors) for the 2021 Election of Directors. 4. The Release of non-compete restrictions for new-elected director and its representative.
Board of directors May 06, 2021	<ol style="list-style-type: none"> 1. The Consolidated Report for the first quarter of year 2021. 2. Planned Amendment of the Company's "Best Practices of Corporate Social Responsibility" 3. Commissioning of the Company by a Subsidiary to Provide Human Resource Service. 4. The Budget for the Company's Product Development.
General Shareholders' Meeting Jun 12, 2020	<ol style="list-style-type: none"> 1. Year 2019 Business Report and financial statements 2. Year 2019 Profit Distribution Execution Status: Ex-dividend date is Jul. 25, 2020, and cash dividend of NTD 994,599,836 dollars (with NTD 4.0 dollars for each share) were distributed to shareholders. Cash dividend was distributed on August 20th, 2020. 3. The Amendment of "Article of Corporation" Execution Status: The amended "Article of Corporation" has been registered and approved by the Ministry of Economic Affairs on July 02, 2020 and has been disclosed in the "Investors/Corporate Governance/Company Regulations and Systems" section of the Company's website. 4. The Amendment of "Rules of Procedure for Shareholders' Meeting" Execution Status: Executed in accordance with the amended "Rules of Procedure for Shareholders' Meeting" 5. The amendment of "Regulations for Lending Funds to Other Parties" Execution Status: The amended "Regulations for Lending Funds to Other Parties" has been disclosed in the "Investors/Corporate Governance/Company Regulations and Systems" section of the Company's website.

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

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

Of The Publication Date Of The Annual Report:

Summary of Resignation/Discharge Over Company Stakeholders

May 10, 2021

Title	Name	Date Of Employment	Date Of Discharge	Reason For Resignation / Discharge
General Manager	Hsiao, Yin-Chun	2018.01.15	2020.06.30	Retirement
Executive Operating Officer	Shih, Chun-Liang	2020.03.17	2020.06.30	Promotion to General Manager

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

4. Information on Accountants' Fees

(1) Information on Accountants' Fees:

Unit: NT\$ Thousand

CPA Firm	Name of CPAs	Auditing fee	Non-auditing fee					Auditing period	Remark
			System Design	Industrial and Commercial Registration	Human Resources	Others	Sub-total		
KPMG Taiwan	Tseng, Kuo-Yang, Chi, Shi-Qin	3,090	—	—	—	900	900	2020/01/01 2020/03/31	Non-Audit Public Expense: Transfer pricing \$ 300
	Tseng, Kuo-Yang, Han, Yi-Lien							2020/04/01 2020/12/31	

(2) If The Auditing Fee Paid In the Year of Changing To another CPA Firm Is Less Than the Auditing Fee Paid In the Prior Year, Shall State the Amount of Reduction, Ratio, and Reasons: None.

(3) When The Auditing Fee Is Decreased By Over 10% from the Prior Year, Shall State the Amount of Auditing Fee Reduced, Ratio, And Reasons: None.

5. Alternation of CPA

(1) Information Regarding Previous Accountants

Date of Change	Approval by Board of Directors on May 5 th , 2020 (Starting from the 2 nd quarter of 2020)		
Reasons & Explanations for Replacement	KPMG International, Taiwan's Adjustments on Internal Operations and Personnel; Since the 2 nd quarter of year 2020, the CPAs were replaced from Tseng, Kuo-Yang and Chi, Shi-Qin to Tseng, Kuo-Yang and Han, Yi-Lien.		
Explanation is that either principal or accountant terminated or refused to accept mandate.	Party	Accountant	Principal
	Circumstance	Ineligible	
	Active Termination of Mandate		
No More Acceptance of (Continued) Mandate			
Comments and Reasons for Issuance of An Audit Report Containing Opinions Other Than Unqualified Opinions in Last Two Years	N/A		
Any Different Opinions with Issuer's Opinions	Yes		Accounting Principles or Practices
			Disclosure of Financial Statement
			Scope or Step of Audit
			Others
	No	✓	
Explanation			
Other Disclosure Matters (Matters shall be disclosed in accordance with point 1-4 to 1-7, clause 6, Article 10 of Guidelines hereto)	N/A		

(2) Information Regarding Succeeding Accountants

Name of Accounting Firm	KPMG International, Taiwan
Names of Accountants	Tseng, Kuo-Yang, Han, Yi-Lien
Date of Retainment	Approval by Board of Directors on May 5 th , 2020
Prior to engagement, consultation matters and results on opinions might be rendered on accounting processing measures or accounting principles of specific transactions and financial statement.	N/A
Succeeding Accountant's Written Opinion on Former Accountant's Matters of Different Opinion	N/A

- (3) Former accountant's response through mail regarding matters prescribed in point 1 and point 2-3, clause 6, article 10 of guidelines hereto: None.

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

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

Officers and Holders Of 10% or More of Company Shares

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

Title	Name	2020		Up to April 11 of the year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Chairman	Lin, Chuan	21,000	0	0	0
Vice Chairman	Chang, Wen-Hwa	0	0	0	0
Director	Dawan Technology Company Limited.	0	0	0	0
	Representative: Carl Hsiao	0	0	0	0
Director	Yang, Tze-Kaing	0	0	0	0
Director	Chang, Hsiu-Chi	0	700,000	0	0
Director	Liao, Ying-Ying	0	0	0	0
Independent Director	Tsai, Duei	0	0	0	0
Independent Director	Hsueh, Ming-Ling	0	0	0	0
Independent Director	Lin, Tien-Fu	0	0	0	0
General Manager	Shih Chun-Liang	40,000	0	0	0
Senior Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	0	0	0	0
Vice General Manager, Intensive Care Business Unit	Qu, Zhi-Yuan	0	0	0	0
Vice General Manager, Healthcare Unit	Wu, Yong-Liang	0	0	0	0
Vice General Manager, GM Office	Liu, Chih-Ping	0	0	0	0
Senior Assist Vice President, Manufacturing Center	Lin, Shih-Chuan	0	0	0	0
Senior Assist Vice President and Financial Officer, Financial Division,	Chang, Kuo-Chiang	0	0	0	0
Senior Assist Vice President, Legal	Lin, Jin-Rong	0	0	0	0
Senior Assist Vice President, Administration Center	Liu, Nai-Wei	7,000	0	2,000	0
Senior Assist Vice President, GM Office	Wu, Ruei-Wen	0	0	0	0
Assist Vice President, Oncology Business Unit	Hung, Hsiang-Ju	3,000	0	0	0

Title	Name	2020		Up to April 11 of the year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Assist Vice President, General Affairs	Tseng , Chu-Lan	0	0	0	0
Assist Vice President, Pharmaceutical Development Center	Cai, Shi-Hua	0	0	0	0
Assist Vice President, Zhongli Factory	Xie, Cong-Yong	0	0	0	0
Assist Vice President, Oncology Business Unit	Wu, Shih-Chung	2,000	0	0	0
Assist Vice President, Public Affairs	Yin, Wei-Ying	0	0	0	0
Assist Vice President, Organization Development & Human Resource Department	Chang, Jen-Yang	0	0	0	0
Accounting Officer	Wang, Shu-Wen	0	0	0	0

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

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

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

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

April 11, 2021

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	22,590,732 4,985,524	9.09 2.01	- -	- -	- -	- -	Hsiao, Ying-Chun	Chairman	
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming-Hsing	9,050,000	3.64	-	-	-	-	None	None	
Nan Shan Life Insurance Co., Ltd Representative: Chen, Tang	6,848,000	2.75	-	-	-	-	None	None	
Chang, Wen-I	6,144,831	2.47	-	-	-	-	Chang, Chun-Jen	Second-degree relative	
							Chang, Wen-Hwa	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	
Hsiao, Ying-Chun	4,985,524	2.01	-	-	-	-	Dawan Technology Chairman		
Chang, Chun-Jen	4,520,420	1.82	2,909,207	1.17	-	-	Chang, Wen-Hwa	Second-degree relative	
							Chang, Wen-I	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	
Fubon Insurance Co., Ltd. Representative: Chen, Bo-Yao	4,500,000	1.81	-	-	-	-	None	None	
Chang, Wen-Ling	4,460,960	1.79	1,792,894	0.72	-	-	Chang, Wen-Hwa	Second-degree relative	
							Chang, Chun-Jen	Second-degree relative	
							Chang, Wen-I	Second-degree relative	
Chang, Wen-Hwa	4,409,800	1.77	-	-	-	-	Chang, Chun-Jen	Second-degree relative	
							Chang, Wen-I	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	3,065,160	1.23					None	None	

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

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

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

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

Unit: Share

Reinvested Companies (Note)	Investment of the Company		Investment of the directors, supervisors, managers, and companies that are directly or indirectly controlled by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Xudonghaipu International Company Limited (Cayman)	25,000,000	100.00%	0	0	25,000,000	100.00%
American Taiwan Biopharm Company Limited	380,000	40.00%	142,500	15.00%	522,500	55.00%
PharmaEngine, Inc.	25,866,808	17.64%	13,000	0.01%	25,879,808	17.65%
American Taiwan Biopharma Philippines Inc.	481,168	87.00%	0	0	481,168	87.00%
Worldco International Limited(HK)	39,600,000	100.00%	0	0	39,600,000	100.00%
Gligio International Limited(HK)	620,427	40.00%	0	0	620,427	40.00%
TSH Biopharm Company Limited	21,687,177	56.48%	884,101	2.30%	22,571,278	58.78%
EnhancX Biopharm Inc.	5,000,000	20.83%	7,000,000	29.17%	12,000,000	50.00%
CY Biotech Company Limited	16,645,697	49.05%	1,325,808	3.91%	17,971,505	52.96%

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

IV. Company Shares And Fund Raising

1. Company Capital and Shares

(1) Source of Paid-in Capital

Unit: Thousand Shares; NT\$ Thousand

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

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

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

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

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

Unit: Share

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

Note 1: Over-the-Counter Company Stock

Note 2: Shelf Registration Form Related Information: None.

(2) Structure of Shareholders

April 11, 2021(Unit: Number; Share)

Structure of Shareholders	Governmental Institution	Financial Institution	Other Institutions	Foreign Institutions and Foreign Individuals	Individuals	Total
Number of Persons	0	8	272	171	40,924	41,375
Shareholding (shares)	0	25,025,000	30,674,621	29,903,210	163,047,128	248,649,959
Shareholding Ratio (%)	0.00%	10.06%	12.34%	12.03%	65.57%	100.00%

(3) Status of Ownership Dispersion

April 11, 2021

Shareholding class	Number of Shareholders	Shareholding (shares)	Shareholding Ratio (%)
1 to 999	17,741	1,212,059	0.49
1,000 to 5,000	18,889	37,738,623	15.18
5,001 to 10,000	2,499	19,800,750	7.96
10,001 to 15,000	751	9,585,276	3.86
15,001 to 20,000	489	9,037,757	3.64
20,001 to 30,000	393	10,064,870	4.05
30,001 to 40,000	176	6,274,324	2.52
40,001 to 50,000	99	4,607,898	1.85
50,001 to 100,000	182	12,882,850	5.18
100,001 to 200,000	69	10,115,351	4.07
200,001 to 400,000	34	9,358,722	3.76
400,001 to 600,000	9	4,092,494	1.65
600,001 to 800,000	8	5,594,104	2.25
800,001 to 1,000,000	13	11,622,537	4.67
More than 1,000,001	23	96,662,344	38.87
Total	41,375	248,649,959	100.00

Note: No preferred share issued.

(4) List of Major Shareholders

April 11, 2021

Major Shareholders	Shareholding (shares)	Shareholding Ratio (%)
Dawan Technology Company Limited	22,590,732	9.09
Fubon Life Insurance Co., Ltd.	9,050,000	3.64
Nan Shan Life Insurance Co., Ltd.	6,848,000	2.75
Chang, Wen-I	6,144,831	2.47
Hsiao, Ying-Chun	4,985,524	2.01
Chang, Chun-Jen	4,520,420	1.82
Fubon Insurance Co., Ltd.	4,500,000	1.81
Chang, Wen-Ling	4,460,960	1.79
Chang, Wen-Hwa	4,409,800	1.77
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	3,065,160	1.23

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

Unit: NT\$; share

Item		2019	2020	1Q 2021	
Market Price Per Share	Highest	84.4	90.3	75.4	
	Lowest	76.5	54.2	60.8	
	Average	81.97	75.92	68.23	
Book Value Per Share	Before Distribution	22.40	21.92	22.63	
	After Distribution	18.40	—	—	
EPS (Earning Per Share)	Weighted Average Number Of Shares	248,650	248,650	248,650	
	EPS (Earning Per Share)	3.62	3.72	0.82	
Dividend Per Share	Cash Dividend	4.50	4 (Note)	—	
	Stock Dividend	Stock Dividend from Retained Earnings	0	0	—
		Stock Dividend from Capital Surplus	0	0	—
	Cumulative Un-paid Dividend	None	None	None	
Analysis of Return on Investment	Price-Earnings (P/E) Ratio	22.64	20.41	—	
	Price-Dividend Ratio	20.49	18.98	—	
	Cash Dividend Yield (%)	4.88	5.27	—	

Note: Yet to be resolved by annual general meeting.

(6) Dividend Policy and Execution Status

① The Company's Dividend Policy

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

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

② The proposal to this Shareholders Meeting for dividend distribution is as follows:

Proposed Dividend Distribution to the Company's Shareholders' Meeting in year 2021 (Proposed by the Board of Directors dated April 23, 2021)

Type of Dividend	Dividend Per Share (NTD)	Source
Cash Dividend	4.0	Undistributed Earnings

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

(8) Employee, Directors and Supervisors Remuneration

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

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

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

- (i) On March 19th, 2021, the Company's Board of Directors approved that estimated basis for distribution of the Company's 2020 employees and directors remuneration will be the Company's pre-tax Income for the period deducted by employee and director pre-remuneration amounts before being multiplied by employee, directors remuneration distribution percentages prescribed in the Company's Articles of Incorporation. Such distribution will be listed as 2020 operating expense. There was no difference between the amount approved by the Board of Directors meeting and the amount recognized in the financial statements.
- (ii) The Company does not plan to distribute employees share bonus for current period. As such, estimate for related amounts has not been estimated.

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

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

On March 19th, 2021, the Company's Board of Directors approved distribution of the Company's 2020 employee and directors remuneration NTD 23.195 million and NTD14.95 million respectively, both of which are distributed in cash. There is no discrepancy between distributed amounts and appropriated expense of annual estimated amount.

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

amount.

This is not applicable because the Company did not plan to distribute employee share bonus in 2020.

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

For year 2019, the Company's actual distributed amount for employee bonus is NTD 23.195 million, and actual distributed amount for directors compensation is NTD 14.95 millino. There is no discrepancy between actual distribution amounts for employee bonus and directors compensations and estimated amounts on the Company's 2019 financial statement.

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

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

(1) Corporate Bonds issued : None.

(2) Preferred Stock issued : None.

(3) Global depository receipts issued : None.

(4) Subscription of warrants for employees : None.

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

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

4. Implementation of Fund Usage Plan

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

V. Operational Highlights

1. Business Activities

(1) Business Scope

① Major Business

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

② Business Breakdown and Percentage (Year 2020)

Unit: NT\$ Thousand

Major Source of Revenue	Sales Revenue	Percentage (%)
Medical and healthcare products	4,193,242	99
Service revenue and royalties	28,594	1
Total	4,221,836	100

③ Current Products and Services

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

(i) Major Products

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

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

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

- (ii) Contract Development and Manufacturing Organization Service
“CDMO” provides “manufacturing” related total solutions of the pharmaceutical industrial value chain, such as R&D formulation, scale-up batch product, establish analysis method and validation and even customized design for equipment or factory as well as subsequent commercial production.
- (iii) CRO Service
The Company comes with abundant experiences in bioassay development and animal experiment, and is capable of using professional project management model to speed up pre-clinical drug development. It provides clients with the most appropriate and efficient R&D energy to satisfy the needs for in-vitro or animal tests from both domestic and offshore respective parties while supplementing early-stage bio-research industry chain gap and enhancing industry efficiency. The Company shall continue to build up its energy on related laboratory procedures of cell therapy, and shall master itself with application of the most cutting-edge medical treatment technology.
- (iv) PIC/S GMP Business Service
- Contract Manufacturing
TTY manufactures cytotoxicity injection and capsule as well as non-cytotoxicity lyophilized injection, tablet and capsule. It is able to provide stable and high-quality manufacture performance, implementation of manufacturing technology transfer based on client's requirements, batch product scale-up planning as well as execution of relevant validation operations and quality control in order to achieve purpose of product commercialization manufacturing, which complies with regulations of our customers' target markets/countries.
 - GMP Tutoring
In addition to passing Taiwan health authority's PIC/S GMP inspection, TTY also passed official GMP factory inspections conducted by numerous countries of Europe, U.S. and Japan. TTY is equipped with complete and qualified quality management system and teams which are able to assist and tutor preparation for domestic or offshore GMP factory inspection as well as establishment of quality management system, and is also an indispensable partner for products export.
 - Contract Laboratory
TTY's QC laboratory is not only installs complete microbiology and sterility analysis laboratory but it is also equipped with analysis capability for special preparations of liposome, lyophilized liposome and microspheres. This laboratory complies with relevant analysis method, validation and facilities which are continuously updated in pharmacopoeias by advanced countries in

Europe, U.S. and Japan. The laboratory is equipped with the capability of analysis method development, technology transfer and validation. Services of contracted chemical and microbiology tests as well as test method development and test method are accepted.

- ④ New Product (Service) Development Projects
 - (i) To specialize in new drug development in the anti-cancer, anti-infection, cell therapy and other healthcare sector.
 - (ii) Continuous research and development of micro-liposomes or special products coated with microspheres, with high efficiency, targeted drug with delivering characteristics, improve curative effect and minimize side effects.
 - (iii) Continuous updating of chemical drug manufacturing technology, quality validation documents and procedure of productions scaling up in line with international market specifications.

(2) Industry Profile

① Current Status and Development

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

Global pharmaceutical industry outlook:

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

② Industry's Value Chain

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

- **Upstream:** The raw materials of western medicine include general chemicals, natural plants, animals, minerals, microbial strains, biosimilar and related

biological derivatives, among which general chemicals are the main raw materials. At present, the quality requirements of raw materials must conform to the standard of Good Manufacturing Practice (GMP), and obtain the approval of the competent authority for the inspection and registration of raw materials and drugs. For conventional medicine, synthetic chemical is the major source of raw material, and for herbal medicine, animal and botanical extract are the major source, and due to the breakthrough in transgene technology, genetically modified animal and plant will become the popular source of raw material in the future.

- **Midstream:** Two main sectors are API manufacture and botanical ingredient processor companies. API manufacture includes organic synthesis, natural product extraction, microbial fermentation or synthesis post fermentation as well genetic engineering which generates purification and concentration from modified cell fermentation.
- **Downstream:** Pharmaceutical companies are mainly responsible for the manufacturing of easy-to-use end tablets by using API together with pharmaceutical adjuvant such as excipients, disintegrating agents, adhesive and lubricant. Production in this phase needs to comply with cGMP (Current Good Manufacturing Practice) requirements. End products are then distributed through hospitals, clinics and drugstores to meet with patients' needs.

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

③ Industry Outlook

According to the IQVIA report, the global drug expenditure in 2020 is estimated to be more than \$1.3 trillion, and it is estimated to reach \$1.505-1.535 trillion in 2023. By the year of 2023, new drugs such as for cancer treatment, autoimmunity, gene therapy and cell therapy can be expected to continue to enter the markets of developed countries. With the growth of drug demand in emerging countries, the global drug expenditure in the next five years will grow by 3-6% annually. Over the past five years, the average annual growth rate of the US market is 7.2%, and the five major European countries is 4.7%, that of Japan is 1%, and that of the emerging countries is 9.3%. This is mainly due to the economic development and income increase of these countries, the improvement of medical diagnostic technology, the expansion of the population receiving medical treatment and the promotion of universal health care popularization is also the health care policy in many countries. The growth of drug expenditure in developed countries is mainly attributed to the original drug development, but it is also reduced by the expiration of patents for the original drug development. China has become the world's second largest drug consumer market since 2012, after the United States, with an estimated US\$137 billion in 2018. The annual growth rate in the past five years is 8%. Drug policies of the nation have changed dramatically during the last two years. Review system is now moving towards standards from advanced nations' regulations, while drug procurement is now developing towards the model of quantity-based price negotiation by central government. Growth rates for the future 5 years are expected to be 3~6% and extent of growth will also slow down.

Analysis highlights:

- (i) With congregation of global population in cities, urban lifestyles, delicate diets, and aggravation of environment quality as well as dramatic increase in global

elder population, diseases of hyper tension, high cholesterol, diabetes, depressions, autoimmune disorder and cancer have increased dramatically. This has also stimulated market's demands on chronic disease, mental disorder, autoimmune disorder, cancer drug and biologics.

- (ii) Under the trend of globalization, the threat of pandemic influenza, such as COVID-19, Avian flu, Ebola, ZIKV has become a great concern globally, and more research and development in anti-infection drugs or vaccines will be seen in the coming years.
- (iii) Research on gene therapy, cell therapy and protein drugs is still the focus of competition in the R&D departments of pharmaceutical companies. Its significant impact on disease treatment in drug development is becoming more and more complete. In addition, the application of artificial intelligence in medical research and clinical application is expected to bring considerable profits to the pharmaceutical industry, and to have significant impact on future development of the industry.
- (iv) In recent years, major pharmaceutical companies explore treatments on Asia specific disease such as viral hepatitis or development of botanic drug's treatment on specific diseases. Additionally, there are also continuous developments on exploration of Central Nervous System disease, personalized precision medical care as well as current drug's new mechanisms on indications.
- (v) Due to the growth of economy and drug regulation change, a huge increase of drug demand will occur in phareming markets, like China, Brazil, India, Russia, Turkey, Pakistan, Korea, etc..

④ Competitive Environment

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

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

All TTY's oncology drugs are manufactured under conditions that comply with PIC/S GMP; and remain competitive in the market, many applications of drug licenses in different countries have been filed for marketing authorization. Furthermore, many TTY's technology platforms have maturely developed, such as injectable liposomal formulation, lyophilization processing and drug encapsulation system. Our factories are built with exceptional qualities in compliance with PIC/S GMP and have been inspected by numerous regulatory agencies including the US FDA, EU EMA, Japan PMDA, Arabian officials, German officials, ANVISA (Brazil) and Taiwan FDA. Our expertise ensures products manufactured here adhere to the highest standards of quality and safety. Our unparalleled experience and well-established reputation in the field of liposomes has been proven by our partnerships with several of the world's leading pharmaceutical companies.

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

(3) Research & Development Status

① R&D Expense Disbursement for 2020 and 1st Quarter of 2021

Unit: NT\$ Thousand

Item	2020	1Q 2021
Research & Development Expense	261,597	67,118

② Technology or Product Successfully Developed

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

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

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

① Short-term

(i) Marketing

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

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

- (ii) R&D
 - a. Ensuring that core products are listed on target market on time and reaching short-term profit target can also increase the productivity utilization rate and stabilize the productivity for factories.
 - b. Complete economic scale of commercialization by establishing the development of specialty drug portfolio on the basis of TTY's high barrier-product platform.
 - c. Carefully select new drug development targets and develop them with international marketing companies to license and retain market rights of some target countries at the appropriate time in order to increase the number of potential direct marketing products with a long life cycle; in addition to balance R&D costs to be borne by oneself, it can also obtain licensing funds and sales profits.
- (iii) Manufacture
 - a. Continuous learning and updating of pharmaceutical manufacturing laws and regulations, implementation and through factory inspection at home and abroad, to maintain a stable high-quality production base.
 - b. Ensure that the organization has enough capacity to meet all demands through adequate product-line planning and supply management.
 - c. Grasp the autonomy of raw materials, functional excipients and special packaging materials, and set up suppliers with appropriate quality standards in order to rationally manage costs and stabilize supply sources.
- (iv) Management
 - a. Income from existing sales in Taiwan and mature overseas markets should support future product development and expansion of new bases.
 - b. Sustain and grow manufacturing capacity through CMO model in specialty drug area for international companies.
 - c. Create positive cash flow by out-licensing TTY's products to global market and investing in R&D or new subsidiaries for the future.
 - d. Maximize revenue and seize mid-term and long-term growth opportunities by observing global health care market and the investment opportunities.
 - e. Acquire and cultivate talents with entrepreneurship comprehensively by fostering his/her knowledge in science, RA and management, and prepare each department with enough resources for globalization.

② Long-term

- (i) Marketing
 - a. Focus on product life cycle management through market segmentation and product localization in our targeted markets.
 - b. Enhance TTY's international marketing through the stable CDMO business model in the area of self-developed and co-developed specialty drugs.
 - c. Increase mid to long-term revenue and the rate of globalization of the business through proper distributor management and raising the number of foreign subsidiaries.
- (ii) Manufacture
 - a. Master, update and maintain pharmaceutical manufacturing bases that meet the quality requirements of international drug laws and regulations.
 - b. Achieve international scale of mass production and lower cost advantage through improving process manufacturing and productivity.
 - c. Amplify manufacturing capacity and manage supply chain for R&D through M&A and strategic partnership.
- (iii) R&D
 - a. Improve product portfolio (specialty drugs, generic drugs and new drugs) by carefully evaluating drug development projects and manufacturing capacity.
 - b. Collaborate with international partners to develop high barrier and high

profitable specialty pharma and new medical entities to meet the unmet needs of the market.

(iv) Management

Vision: To improve the quality of human life with scientific innovation.

Mission:

- a. Commit to development and manufacture Specialty pharma (patentable or high-barrier products), Biologics, new Medical Technology and new Medical Entities
- b. Professional in anti-cancer, intensive care and anti-infection, development and manufacture of specialty and international development.
- c. Be one of the world's most innovative biopharmaceutical companies
- d. Be best partner for globally innovative pharmaceutical companies to develop and market drug portfolios internationally

2. Production and Sales Status

(1) Market Analysis

① Markets for our major products

TTY's major sales comes from domestic market, which accounts for 93% of the net sales, and export sales majorly comes from the Southeast Asian market; Major distribution channels are hospitals and clinics, which accounts for more than 75% of the total net sales.

② Outlook

Due to the growing population and aging structure, and the increasing demand for health alertness and treatment, the use of drugs has increased. Therefore, the global pharmaceutical industry will continue to maintain an increase in demand and sustained and stable development in the future. According to IQVIA, global drug spending is going to hit USD1.5 trillion in 2023, a 15% increase comparing to the number in 2019.

③ Competitive niche

(i) In terms of TTY's core competitiveness

- a. Precise market positioning
- b. Integrated value chain
- c. Continuously developing competitive products
- d. Pharmaceutical factory inspections by competent authorities in respective major countries shall be passed continuously.
- e. Accumulated comprehensive customer's relationships and rich experiences of patient health and care in target therapy field.

(ii) In terms of TTY's competitiveness in Asian market

- a. Knowledge and understanding of Chinese cancer types
- b. Advantage in clinical study and marketing in the Chinese market

④ SWOT analysis/Measure

(i) Opportunity/Strength

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

b. Excellent R&D and integration capability

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

(ii) Threat and measures

a. Drug reimbursement policy change

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

Measures:

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

b. PIC/S GMP compliance for small companies

The majority of the pharmaceutical companies in Taiwan are small and medium sized companies in manufacturing generic drugs and distributing in-licensing drugs. In exporting, domestic companies are limited by the lack of experience in international marketing and the knowledge in foreign legislation. Other than that, the domestic companies were affected by the foreign companies with their competitive pricing after Taiwan joined WTO.

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

Measures:

From its early years, TTY Biopharm Company Limited focused on manufacturing and marketing-oriented traditional generic drug factories, and gradually stepped into the development of innovative generic drugs and the

optimality of drugs. It also emphasized that manufacturing factories meet the requirements of international quality regulations.

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

(2) Important Purpose for Major Products

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

- ① Oncology Medicine: Drugs for anti cancer and supplementary treatment
- ② Anti-Infective and Intensive-Care Drug: Drugs for second line anti infection, vaccine for flu and drugs for intensive care
- ③ Medical & Healthcare Medicine and Other Medical Supplies: Health care for digest system, osteoporosis, Metabolism and other medical supplies.

(3) Major Raw Material Supply Status

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

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

① List of Major Suppliers

List of Major Suppliers in the Last 2 Years

Unit: NT\$ Thousand

Rank	Name	2019			Relation with the Issuer	2020			Relation with the Issuer	1Q 2021					
		Amount	Percent (%)			Name	Amount	Percent (%)			Name	Amount	Percent (%)	Relation with the Issuer	
1	Company A	134,545	13.69		None	Company A	150,324	12.07		None	Company B	18,722	11.38		None
2	—	—	—		—	—	—		—	—	Company C	16,612	10.10		None
	Other	848,282	86.31			Other	1,095,174	87.93			Other	129,216	78.53		
	Net Purchase Amount	982,827	100.00			Net Purchase Amount	1,245,498	100.00			Net Purchase Amount	164,550	100.00		

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

② List of Major Clients

List of Major Clients in the Last 2 Years

Unit: NT\$ Thousand

Rank	2019				2020				1Q 2021			
	Name	Amount	Percent (%)	Relation with the Issuer	Name	Amount	Percent (%)	Relation with the Issuer	Name	Amount	Percent (%)	Relation with the Issuer
1	Company A	414,699	9.29	None	Company B	142,548	3.38	None	Company B	38,958	4.04	None
	Other	4,051,609	90.71		Other	4,079,288	96.62		Other	925,098	95.96	
	Net Sale Amount	4,466,308	100.00		Net Sale Amount	4,221,836	100.00		Net Sale Amount	964,056	100.00	

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

(5) Production Volume and Value of Recent Two Years

Table of Production Volume and Value of Recent Two Years

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

Main Product \ Year	2019			2020		
	Production Capacity	Production Quantity	Production Quantity	Production Capacity	Production Quantity	Production Quantity
Ointment	Note 1	2,467	81,989	Note 1	2,496	85,056
Oral	Note 1	408,494	421,802	Note 1	357,402	433,866
Injection	Note 1	5,448	679,996	Note 1	5,972	679,414
Others	Note 1	—	—	Note 1	—	—
Total	—	Note 2	1,183,787	—	Note 2	1,198,336

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

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

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

(6) Sales Volume and Value of Recent Two Years

Table of Sales Volume and Value of Recent Two Years

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

Main Products \ Year Selling Volume/ Value	2019				2020			
	Local Sales		Export Sales		Local Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ointment	2,479	89,429	—	—	2,491	88,869	—	—
Oral	393,049	2,006,218	15,551	130,556	346,908	2,035,732	15,725	150,747
Injection	4,592	1,478,173	486	555,205	5,151	1,683,176	205	125,056
Others	789	112,712	—	—	505	109,662	—	—
Total	Note 1	3,686,532	Note 1	685,761	Note 1	3,917,439	Note 1	275,803

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

Note 2: This table does not included service income.

3. Employees

Employee Data for the Last 2 Years and March 31, 2021

Year		2019	2020	March 31, 2021
No. of Employee	Management Staff	78	74	76
	R&D Staff	106	98	100
	Other Staff	370	370	370
	Total	554	542	546
Average age		38.30	39.66	40.41
Average years of service		6.90	7.42	8.04
Academy Ratio (%)	Doctor	4.69	4.06	4.40
	Master	37.18	37.82	37.36
	College	49.82	49.82	50.00
	Senior High School	6.68	6.83	6.77
	Below Senior High School	1.63	1.47	1.47

4. Information on Environmental Protection Costs

For the latest year and as of annual report publication date, losses incurred from environment contamination and also disclose potentially incurred estimated amount for current and future time as well as responsive measures: None.

5. Labor Relations

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

① Employee Benefit Measures

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

Subsidy Item	Explanation	Note
Birthday Cash Gift	Member of the Association will receive birthday cash gift of NTD1, 000 in the month of his/her birthday. Cash gift will be delivered on the 15th of each month.	

Subsidy Item	Explanation	Note
Wedding Cash Gift	<ul style="list-style-type: none"> i. Member of this Association whose service period less than 1 year but over 3 months and has withheld 3-month welfare benefits will receive a cash gift of NTD3, 600. ii. Member of this Association with service period over 1 year will receive a cash gift of NTD6, 000. iii. If both husband and wife are the Company's employees, they will each receive one cash gift. 	<ul style="list-style-type: none"> i. Application: Please attach a copy of marriage certificate or household registration certificate and a fee application form, which will be signed and approved by the supervisor ii. Application Deadline: The date of marriage registration shall prevail, and shall be within three months counting from the date of marriage registration.
Birth Cash Gift (including miscarriage for pregnancy over 20 weeks)	<ul style="list-style-type: none"> i. For colleague of this Association giving birth or spouse of colleague giving birth, a payment of NTD3, 600 will be forwarded accordingly. ii. For colleague with spouse also working in the Company, payment is limited to one payment only. iii. Calculation of each subsidy payment amount is based on the number of new born baby. 	<ul style="list-style-type: none"> i. Application: Submission of child birth certificate or doctor's statement or one copy of household registry together with an expense application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: It will be within 3 months starting from child's birthday. For miscarriage from pregnancy over 20 weeks, deadline will be 3 months starting from occurrence and a doctor's proof shall also be provided
Holiday Cash, Voucher and Gift	<p>Dragon Boat Festival and Mid-Autumn Festival for each year.</p> <p>Qualification of receiving this benefit: Member of this Association who has withheld 3-month welfare benefit.</p>	The amount depends on annual budget.
Illness, work-related injury, Hospitalization Consolation	<ul style="list-style-type: none"> i. A consolation of NTD 3,000 will be forwarded but this is limited to one Solarium each year. (Based on Discharge Date) ii. Visiting gift is limited to NTD1,000 (This is limited to one application each year and should be applied together with receipt and consolation.) 	<ul style="list-style-type: none"> i. Application: Submission of Certificate of Hospitalization together with an expense application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: within 3 months starting from the date of occurrence.

Subsidy Item	Explanation	Note
Funeral Consolation	<p>i. For death of parents, children, spouse or spouse' parents of colleague of this Association: NTD 3,100 of Solarium and a basket of flowers worth NTD2,000 will be delivered accordingly. (Cannot be exchanged for cash if not required)</p> <p>ii. For death of grandparents, grandparents on mother's side, sibling, grandchildren, grandchildren on daughter's side, great grandparents, great grandparents on mother's side of colleague of this Association: NTD1,500 of Solarium and a basket of flowers worth NTD2,000 will be delivered accordingly (select 1 out of the 2).</p> <p>iii. If more than two persons serve in our company and meet the requirements at the same time, only one of them shall apply for this item.</p>	<p>i. Application: Submission of a copy of obituary together with an expense application is needed (Receipt is required for flower basket expenses) Application shall be signed off by supervisor accordingly.</p> <p>ii. Application Deadline: within 3 months after date of occurrence.</p>
Disaster Relief Fund	<p>i. This subsidy item is stipulated by this Association for the purpose of relieving colleague's need for fund when encountering disaster.</p> <p>ii. Definition of Disaster</p> <ul style="list-style-type: none"> ● Natural force disaster of flood, wind disaster and earthquake. ● Fire: Cause of fire is not from suicide or is not inflicted from others after competent authority's investigation. <p>iii. Explanation of scope of application and Solarium are listed in appendix 1 as follows.</p>	<p>i. Definition of Spouse</p> <ul style="list-style-type: none"> ● Spouse and Children ● Association Colleague's Parents ● Association Colleague's Grandparents <p>ii. Self-Use Residence: Association colleague's actual place of residence.</p> <p>iii. Disaster Relief Fund: Each colleague may not merge items 1 to 5 for any reason in each accident for a maximum amount of not more than NT\$100,000.</p> <p>iv. Application Deadline: within 3 months after the date of disaster occurrence.</p> <p>v. Application: Submission of original receipt together with expense application is needed. In addition, application shall be signed off by supervisor accordingly.</p>

Subsidy Item	Explanation	Note
Tuition Subsidy	<p>i. Scope of Application: To encourage Association colleague and their children’s education, education subsidy is categorized into “education subsidy” and “scholarship.”</p> <p>ii. Scholarship:</p> <ul style="list-style-type: none"> ● Application Terms for Domestic Universities: Schools must be public or private legitimate education schools registered in government (e.g., high school and its affiliated school, university, and so on) and public open university, open business college and open administration college, with academic GPA over 80 points for high school, university or graduate school. ● Application Terms for Offshore Universities: With GPA 3.5 points or above or above the same GPA grade A <p>iii. Education Subsidy: Application is allowed for those recognized by local competent authority as low income families and those qualify for scholarship academic performance requirements.</p> <p>iv. Education subsidy application from those studying in schools while receiving public funds (including military school) is not allowed. However, scholarship can be awarded following equivalent school standards.</p> <p>v. Payment of education subsidy will be delivered in accordance with standards prescribed in appendix 2.</p>	<p>i. Application Deadline: within 30 days after the starting of a semester (applications are limited to one application for each of the first and second semester).</p> <p>ii. Scholarship Application: Submission of domestic (offshore) transcript of academic performance together with an expense application is needed. Application shall be signed off by supervisor accordingly.</p> <p>iii. Education Subsidy Application: After the opening of school, applicant shall submit registration payment receipt or student ID card with school stamp together with proof of low income family recognized by local competent authority and a transcript of last semester’s academic performance report.</p> <p>※ID copies or copy of household registry shall be submitted for verification of family relationship.</p>

Subsidy Item	Explanation	Note
Travel Subsidy	<ul style="list-style-type: none"> i. Applicant: Official staff with travel leave. ii. Current year new staff will participate in subsidy plan on a proportion basis. However, for those terminating employment after participation in this plan, a proportionate reduction will be imposed accordingly to both new and old employees. iii. Employees not participating in annual employee travel scheme will be regarded as waiving their rights. iv. Travel subsidy calculation period: January 1 to December 31 of a specific year. v. Subsidy amount shall be in line with Benefit Association's announcement of a specific year. Application is limited to one application only. 	<ul style="list-style-type: none"> i. Application: Applicant shall fill in an expense application, leave request and submit materials announced by Benefit Association. ii. Subsidy Calculation Method: Offshore travel subsidy for 2006 is NTD20,000. New employee A reports to the Company on March 1st, 2006. His/her travel subsidy will therefore be NTD16,666 (20,000X10/12). If he/she terminates employment on October 31st, the amount deducted back will therefore be NTD3,333 (20,000x2/12).
Year-end Banquet	Employees in Company can participate the event.	
Year-end banquet raffle.	<p>The qualification of Year-end banquet raffle.</p> <p>It depends on current year regulation. There will be an extra announcement. For example, the employees will have to be employed before Sep. 30 (included) in the year of Year-end banquet.</p> <p>The full time association employees who were on business or overtime working on the Year-end banquet day. (It is necessary to attach the relevant proof of workflow application in advance and report to the Welfare Committee)</p> <p>The full time association employees who are expatriated. (who have got payment from the company)</p>	<ul style="list-style-type: none"> i. If the full-time employees didn't win any prizes at Year-end banquet raffle, they'll also receive a bonus gift. ii. The employees who have applied for resignation but still working for the association on the Year-end banquet day, they are still qualifcator for raffle. iii. The regular staff, who had unpaid leave and reinstated before Year-end banquet, have to pay at least 3 times of welfare benefit then can participate the raffle. iv. The amount of bonus gift is depending on the budget of the year.

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

Appendix 1

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

Appendix 2

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

② Employee Education and Training

To fulfill the Company's vision and to enhance employee career development, various training development activities have been implemented on current employees in order to strengthen employee's expertise and skills as well as to achieve organization common goal and create individual's self-achievement. The Company provides employees with various education and training. For internal training, there

are trainings for newly-recruited staff, professional classes offered by various departments as well as e-learning. As for external trainings, they are offered based on needs assessment. The Company also offers subsidy to allow employees more career growth opportunities and enhance employee quality and their loyalty towards the Company.

Year 2020 Employee Education and Training Status

Item		Number of course	Total Hours	Total person-Times	Total Expense (NTD)
Internal Training	Freshmen Training	4	44.5	56	23,600
	General Knowledge School	7	37	128	19,892
	Marketing School	3	13.5	57	7,399
	R&D School	1	4	18	3,547
	Business School	3	19.5	48	10,780
	Manufacturing School	4	19	73	5,210
	Leadership Management School	2	12	35	33,900
External Training		117	1,102	117	340,790 (Note)
Total		141	1,251.5	532	445,118

Note: Expense amounts exclude amounts paid by employees themselves.

③ Work Environment and Protection Measures for Employee Safety

❖ Establish Occupational Safety & Health Management Committee

To ensure company colleague's safety and health in work, the Company hereby complies with laws and establishes Occupational Safety & Health Management Committee of which labors shall represent more than one-third of the number for commissioners.

❖ Headquarters environment

The Company is located in the 2nd phase zone of Nankang Software Park in Nankang District of Taipei City. There is a green atrium located in the Park. Furthermore, post office/bank/restaurant/sports center/daily-life square/convenience store/Zhongxiao Hospital Nankang Software Clinical Division are also located in the Park. Daily life function and traffic are both very convenient.

The Company complies with the following guidelines prescribed by the Management Commission of Nankang Software Park in Nankang District of Taipei City for the purpose of ensuring that there are no major threats to the safety of the Company and employees:

- i. Guidelines for Nankang Software Park 2nd Phase Access Control Application and Management
- ii. Nankang Software Park 2nd Phase Air Pollution Prevention Operation Guidelines
- iii. Nankang Software Park 2nd Phase Biotechnology Museum Industrial Waste Management Guidelines

iv. Nankang Software Park 2nd Phase Biotechnology Museum Environment and Health and Safety Management Guidelines

❖ Protection Measures for Employee's Safety and Health

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

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

To prevent occupational disaster and protect employee's safety and health, "Work Rules for Occupational Safety and Health" and "Management for Occupational Safety and Health" is drafted in accordance with Occupational Safety and Health Act as well as related laws. Each one of the Company's factories is equipped with labor health and safety management staff and first aid staff in accordance with laws, and conducts health and safety education training each year.

The company has allocated doctors and nurses in the plants, to provide employees professional medical assistance. We also promote Health examination, medical assistance, and the prevention occupational diseases in new employee's orientation. In August, October, and November 2020, we hosted seminars in each month to talk about doctors and occupational protection. We conduct Sarcopenia, healthy diet, and mental health. The nursing service is 3 times a month. The doctors' service is 3 times a year. The total 2 plants nursing service is 72 times a year. The occupational Medicine is 6 times a year. In 2020, we held 8 rounds of First-aid personal training courses, and a total of 124 colleagues passed the training and obtained certification.

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

Given protection measure's importance over work environment and personal safety, besides trainings for personal protective equipments, the Company also conducts related education training in factories and imposes "labor health and safety education series" education training to employees. Such training includes: average health and safety education training, how to provide safety consciousness, promotion of work place health and class on how to use facial mask accurately. During education training process, learning assessment is also utilized to verify employee learning direction's accuracy for the purpose of ensuring implementation of protection measure concept on work environment and personal safety. New recruits are required to participate in the "Work Safety and Health Training" course. Through education and training, they are familiar with the characteristics and hazards of various chemical substances (hazards

and hazardous materials) that may be exposed to the working environment and operations in the factory and work in accordance with the prescribed methods. New recruits who first enter the working area can't enter the production line to work until taught by the colleagues who have been certified by the department the steps to enter the production process area and the work matters that should be paid attention to. The supervisor of the production unit shall keep in mind whether the new recruits comply with the operating standards and will be guided if there is any non-compliance with the operating procedures.

The Company uses a variety of chemicals. In order to avoid chemical pollution, fire, explosion and other hazards, the relevant departments have set emergency response procedures and will be implemented each year with the on-site department to implement chemical spill treatment, personal protective clothing dressing, firefighting, emergency evacuation, and emergency rescue drills to strengthen the concept and skills of the staff's response.

- ④ With respect to standards for employee retirement qualification and pension payment, the Company's employee retirement rule is as follows
- (i) The Company allows voluntary retirement if an employee meets with the one of the followings:
 - a. Working for over 15 years with 55 years old (as per household registry record);
 - b. Working for over 25 years;
 - c. Working for over 10 years with 60 years old;
 - d. Employee's working years is limited to the years working in the Company, starting from the date of employment. However, working years for employees dispatched by the Company, or employees retained after negotiation with new company during the Company's reorganization or transfer, shall be calculated together with the previous ones.
 - (ii) The Company is entitled to enforce mandatory retirement to employees with one of the followings:
 - a. Aged 65 years old (as per household registry record);
 - b. Physically handicapped and incompetent workers.
 - c. With respect to aforementioned rule on aged 65 years old, the Company may request competent authority for adjustment approval over employees embarking on special tasks such as dangerous task or task which requires vigor physical strength. Nevertheless, it shall not be younger than 55 years old.
 - (iii) Employee Pension Payment Standard
 - a. Pension payment standards for working years after application of Labor Standards Act are as follows:
 - Two base points are given for every year of working years. For working years more than 15 years, only one base point is given for every one year, with the maximum number limited to 45 base points. Working year less than half a year will be calculated as half a year, while working year of half a year will be calculated as one year.
 - If a worker with physical or mental disabilities is incompetent for compulsory retirement, and his or her physical or mental disabilities are due to the performance of his or her duties, an additional 20% shall be given in accordance with the aforementioned a. requirement.
 - Standard for pension base points shall mean one month average salary at the time when retirement is approved.
 - b. Pension payment standards for working years before application of Labor

Standards Act shall be calculated in accordance with applicable laws at that time. In the event that there are no applicable laws, calculation shall therefore be conducted in accordance with the Company's rule or agreement between employee and the Company.

c. Starting from July 1, 2005 and in response to implementation of "Labor Pension Act," pension payment standards are as follows:

- For labors selecting to continue to apply pension regulations prescribed in "Labor Standards Act," pension payment will be delivered in accordance with rules prescribed in aforementioned "a. Pension payment standards for working years after application of Labor Standards Act."
- For labors selecting to apply "Labor Pension Act" to their working years, "Personal Pension Designated Account System" will be adopted and methods for pension payment and calculation are as follows:
 - Monthly Pension: With respect to principal and accrued yield from labor's personal pension account, installment of pension payment is calculated in accordance with pension life chart as well as basis of average remaining life and interest rate.
 - Lump-Sum Pension: One-time receiving of principal and accrued yield from labor's personal pension account.
 - Pension Insurance System: Amount received shall be in line with terms prescribed in insurance agreement.

⑤ Labor/Management Agreements and Various Employee Rights Protection Measures Implementation

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

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

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

6. Material Contracts

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

VI. Financial Status

1. Most Recent 5-Year Condensed Financial Information

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

① Consolidated Condensed Balance Sheets

Unit: NT\$ Thousand

Year Item		Financial Data in the most recent 5-years					1Q 2021 (Note)
		2016	2017	2018	2019	2020	
Current Assets		4,668,280	4,996,590	4,654,601	4,974,418	4,798,541	4,955,521
Property, plant, and equipment		2,585,575	2,548,006	2,474,331	2,394,277	2,584,740	2,570,499
Intangible assets		29,648	142,203	153,188	139,013	132,898	127,833
Other assets		237,233	228,438	252,957	278,061	88,792	90,233
Total assets		9,290,305	9,507,067	9,053,135	9,552,716	9,360,809	9,509,243
Current liabilities	Before distribution	2,280,658	2,782,898	1,971,883	3,025,430	2,548,666	2,496,342
	After distribution	3,225,528	3,901,823	3,090,808	4,020,029	—	—
Noncurrent liabilities		999,335	612,352	689,627	358,222	734,075	739,781
Total liabilities	Before distribution	3,279,993	3,395,250	2,661,510	3,383,652	3,282,741	3,236,123
	After distribution	4,224,863	4,514,355	3,780,435	4,378,251	—	—
Shareholder's equity attributable to parent company		5,378,528	5,496,776	5,804,033	5,570,636	5,449,766	5,626,206
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		405,368	396,113	348,819	338,514	337,997	324,850
Retailed earnings	Before distribution	2,201,572	2,591,732	2,921,893	2,705,487	2,758,978	2,955,811
	After distribution	1,337,370	1,472,807	1,802,968	1,710,888	—	—
Other equity		285,088	22,431	46,821	40,135	(133,709)	(140,955)
Treasury stock		—	—	—	—	—	—
Non-controlling interest		631,784	614,861	587,592	598,428	628,302	646,914
Total equity	Before distribution	6,010,312	6,111,637	6,391,625	6,169,064	6,078,068	6,273,120
	After distribution	5,065,442	4,992,712	5,272,700	5,174,465	—	—

Note: Financial data for 1Q 2021 is reviewed by the CPA. The rest are audited by the CPA.

② Parent-company-only Condensed Balance Sheets

Unit: NT\$ Thousand

Year		Financial Data in the most recent 5-years				
		2016	2017	2018	2019	2020
Current Assets		1,913,536	2,386,068	2,122,789	2,238,822	2,213,498
Property, plant, and equipment		2,536,258	2,513,641	2,438,554	2,365,773	2,558,085
Intangible assets		13,936	9,189	32,472	26,607	34,591
Other assets		227,178	213,583	228,648	255,664	68,611
Total assets		8,550,049	8,766,679	8,368,751	8,580,223	8,554,747
Current liabilities	Before distribution	2,171,564	2,652,362	1,870,292	2,662,488	2,346,496
	After distribution	3,116,434	3,771,287	2,989,217	3,657,087	—
Noncurrent liabilities		999,957	617,541	694,426	347,099	758,485
Total liabilities	Before distribution	3,171,521	3,269,903	2,564,718	3,009,587	3,104,981
	After distribution	4,116,391	4,388,828	3,683,643	4,004,186	—
Shareholder's equity attributable to parent company		5,378,528	5,496,776	5,804,033	5,570,636	5,449,766
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		405,368	396,113	348,819	338,514	337,997
Retained earnings	Before distribution	2,201,572	2,591,732	2,921,893	2,705,487	2,758,978
	After distribution	1,256,702	1,472,807	1,802,968	1,710,888	—
Other equity		285,088	22,431	46,821	40,135	(133,709)
Treasury stock		—	—	—	—	—
Total equity	Before distribution	5,378,528	5,496,776	5,804,033	5,570,636	5,449,766
	After distribution	4,433,658	4,377,851	4,685,108	4,576,037	—

③ Consolidated Condensed Comprehensive Income Statement

Unit: NT\$ Thousand

Item \ Year	Financial Data in the most recent 5-years					1Q 2021 (Note)
	2016	2017	2018	2019	2020	
Operating income	3,760,717	4,078,760	4,036,196	4,466,308	4,221,836	964,056
Gross Profit - net	2,556,944	2,671,059	2,663,179	2,902,384	2,607,052	611,251
Operating profit or loss	1,179,687	1,256,990	1,059,677	1,228,609	957,379	219,162
Non-Operating income and expense	332,372	338,077	608,391	(25,955)	244,146	33,881
Net income before tax	1,512,059	1,595,067	1,668,068	1,202,654	1,201,525	253,043
Net income of continuing operations	1,254,724	1,368,314	1,462,299	907,705	978,677	201,850
Loss of discontinued operation	—	—	—	—	—	—
Net income (loss)	1,254,724	1,368,314	1,462,299	907,705	978,677	201,850
Other comprehensive profit and loss(net)	(65,377)	(381,060)	19,042	3,257	(51,078)	(6,806)
Total current comprehensive profit and loss	1,189,347	987,254	1,481,341	910,962	927,599	195,044
Net income attributable to parent company's shareholders	1,193,324	1,344,731	1,461,381	900,081	924,178	203,144
Net income attributable to unrestrictive equity	61,400	23,583	918	7,624	54,499	(1,294)
Total comprehensive profit and loss attributable to parent company's shareholders	1,116,119	1,072,373	1,481,687	895,833	874,246	195,898
Total comprehensive profit and loss attributable to Non-controlling interest	73,228	(85,119)	(346)	15,129	53,353	(854)
Earnings per share (NTD/share)	4.8	5.41	5.88	3.62	3.72	0.82

Note: Financial data for 1Q 2021 is reviewed by the CPA. The rest are audited by the CPA

④ Parent-company-only Condensed Comprehensive Income Statement

Unit: NT\$ Thousand

Item \ Year	Financial Data in the most recent 5-years				
	2016	2017	2018	2019	2020
Operating income	3,344,262	3,672,040	3,555,620	4,044,660	3,721,161
Gross Profit - net	2,217,286	2,347,809	2,308,242	2,577,394	2,211,110
Operating profit or loss	1,154,182	1,212,214	1,056,651	1,215,841	907,208
Non-Operating income and expense	277,855	351,484	611,161	(33,172)	222,247
Net income before tax	1,432,037	1,563,698	1,667,812	1,182,669	1,129,455
Net income of continuing operations	1,193,324	1,344,731	1,461,381	900,081	924,178
Loss of discontinued operation	—	—	—	—	—
Net income (loss)	1,193,324	1,344,731	1,461,381	900,081	924,178
Other comprehensive profit and loss(net)	(77,205)	(272,358)	20,306	(4,248)	(49,932)
Total current comprehensive profit and loss	1,116,119	1,072,373	1,481,687	895,833	874,246
Earnings per share (NTD/share)	4.80	5.41	5.88	3.62	3.72

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

Year	CPA (Certified public accountant)	Audit opinions
2016	Tseng, Kuo-Yang, Chi, Shi-Qin	Unqualified Opinion
2017	Tseng, Kuo-Yang, Chi, Shi-Qin	Unqualified Opinion
2018	Tseng, Kuo-Yang, Chi, Shi-Qin	Unqualified Opinion
2019	Tseng, Kuo-Yang, Chi, Shi-Qin	Unqualified Opinion
2020	Tseng, Kuo-Yang, Han, Yi-Lien	Unqualified Opinion

Note: The long term investments assessed in Equity Method were recognized via adoption of other accountants' certified financial reports. Unqualified opinion audit report, which emphasizes on certain critical item, were issued accordingly.

2. Most Recent 5-Year Financial Analysis

(1) Financial Analysis-Consolidated

Analysis item (Note 1)		Year		Financial analysis in the most recent 5-years				
		2016	2017	2018	2019	2020	1Q 2021	
Finance structure%	Debt to assets ratio	35.31	35.71	29.40	35.42	35.07	34.03	
	Long term funds to property, plant, and equipment ratio	271.11	263.9	286.19	272.62	263.55	272.82	
Solvency%	Current ratio	204.69	179.55	236.05	164.42	188.28	198.51	
	Quick ratio	178.71	154.06	196.76	134.44	142.19	153.97	
	Interest coverage ratio	66.8	64.32	97.49	82.21	62.89	53.84	
Operating ability	Receivables turnover (times)	4.04	4.39	4.27	4.72	4.16	3.92	
	Average accounts receivable turnover days	90	83	85	77	88	93	
	Inventory turnover (times)	2.19	2.24	1.90	1.94	1.64	1.32	
	Payables turnover (times)	8.74	10.99	8.38	8.81	9.49	10.02	
	Average inventory turnover on sale	167	163	192	188	222	276	
	Property, plant, and property turnover (times)	1.54	1.59	1.61	1.83	1.70	1.50	
	Total asset turnover (times)	0.42	0.43	0.43	0.48	0.45	0.41	
Profitability	Return on assets (%)	14.06	14.78	15.91	9.88	10.51	2.18	
	Return on shareholder's equity (%)	21.44	22.58	23.39	14.45	15.98	3.27	
	Net income before tax to paid-in capital ratio (%)	60.81	64.15	67.08	48.37	48.32	10.18	
	Profit margin (%)	33.36	33.55	36.23	20.32	23.18	20.94	
	Earnings Per Share (NT\$)	4.8	5.41	5.88	3.62	3.72	0.82	
Cash flow	Cash flow from operations ratio (%)	53.78	35.81	54.46	39.99	20.65	13.05	
	Cash Flow Adequacy Ratio (%)	70.34	77.95	82.73	92.07	81.77	98.63	
	Cash Re-investment Ratio (%)	0.27	0.76	—	1.35	—	17.34	
Leverage	Operating leverage	1.1	1.11	1.14	1.13	1.16	1.17	
	Financial leverage	1.02	1.02	1.02	1.01	1.02	1.02	

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

1. Interest Coverage ratio: This is due to the debt increase in year 2020, resulting an increase of interest expense.
2. Current ratio and Cash Re-investment ratio: This is because in year 2020 the decrease of operating cash flow. The decrease of operating cash flow is due to the drop of pre-tax profit as well as inventories increase resulted from COVID-19. In addition, in 2020 the payment for refund which was resulted from recall of obesity drugs by a subsidiary –Chuang Yi Biotech Co., Ltd. in 2019, also affected the operating cash flow.

(2) Financial Analysis – Parent-company-only

Analysis item (Note 1)		Financial analysis in the most recent 5-years				
		2016	2017	2018	2019	2020
Finance structure%	Debt to assets ratio	37.09	37.3	30.65	35.08	36.30
	Long term funds to property, plant, and equipment ratio	251.49	243.25	266.49	250.14	242.69
Solvency%	Current ratio	88.12	89.96	113.5	84.09	94.33
	Quick ratio	62.75	65.83	74.69	53.41	49.99
	Interest coverage ratio	57.46	63.07	97.95	81.36	66.07
Operating ability	Receivables turnover (times)	4.17	4.45	4.2	4.83	4.20
	Average accounts receivable turnover days	88	82	87	76	87
	Inventory turnover (times)	2.22	2.3	1.88	1.94	1.66
	Payables turnover (times)	10.09	15.6	10.49	9.19	9.24
	Average inventory turnover on sale	164	159	194	188	220
	Property, plant, and property turnover (times)	1.39	1.45	1.44	1.68	1.51
	Total asset turnover (times)	0.39	0.42	0.42	0.48	0.43
Profitability	Return on assets (%)	14.29	15.77	17.22	10.76	10.95
	Return on shareholder's equity (%)	22.77	24.73	25.86	15.83	16.77
	Net income before tax to paid-in capital ratio (%)	57.59	62.89	67.07	47.56	45.42
	Profit margin (%)	35.68	36.62	41.1	22.25	24.84
	Earnings Per Share (NT\$)	4.8	5.41	5.88	3.62	3.72
Cash flow	Cash flow from operations ratio (%)	61.11	37.59	59.01	43.96	23.10
	Cash Flow Adequacy Ratio (%)	73.22	74.73	83.23	92.40	84.15
	Cash Re-investment Ratio (%)	0.27	0.79	—	0.78	—
Leverage	Operating leverage	1.09	1.11	1.12	1.01	1.00
	Financial leverage	1.02	1.02	1.02	1.01	1.02

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

1. Current ratio and Cash Re-investment Ratio: This is because in year 2020, the decrease of operating cash flow. The decrease of operating cash flow is due to the drop of pre-tax profit as well as inventories increase resulted from COVID-19.

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

1. Finance structure

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

2. Solvency

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

3. Operating ability

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

4. Profitability

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

5. Cash flow

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

6. Leverage

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

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

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

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

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

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

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

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

3. Most Recent Review Report by Audit Committee

TTY BIOPHARM COMPANY LIMITED

Audit Committee's Review Report on the year 2020 Financial Report

The Board of Directors has prepared the Company's year 2020 Business Report, Financial Report (including consolidated financial report). CPAs of KPMG, Tseng Kuo-Yang and Han, Yi-Lien were retained to audit the Company's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To: 2021 Annual Shareholders Meeting of TTY Biopharm Company Limited

Hsueh, Ming-Ling

Chairman of the Audit Committee

March 19, 2021

TTY BIOPHARM COMPANY LIMITED
Audit Committee's Review Report on the year 2020 Profit Distribution

The Board of Directors presented the year 2020 profit distribution proposal. The aforementioned proposal was audited and found satisfactory by the Company's audit committee. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to: 2021 Annual Meeting of Shareholders of the Company

Hsueh, Ming-Ling

Chairman of the Audit Committee

April 23, 2021

4. Year 2020 Consolidated Financial Statements with Subsidiaries

Audited by CPA :

Please refer to Page 168-246.

5. Year 2020 Financial Statements Audited by CPA

Please refer to the Page 247-311.

6. The Company Should Disclose the Financial Impact to the Company If the Company and Its Affiliated Companies Have Incurred Any Financial or Cash Flow Difficulties in 2020 and the Publication Date of the Annual Report: None.



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

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

In our opinion, based on our audits and the report of another auditor (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Occurrence of revenue from selling pharmaceuticals and chemical drugs

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



Key audit matters:

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

Auditing procedures performed:

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

2. Inventory valuation

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

Key audit matters:

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

Auditing procedures performed:

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

Other Matter

We did not audit the financial statements of PharmaEngine Inc. Those statements were audited by another auditor, whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of another auditor. The amount of long-term investment in the investee company represented 9.37% and 8.20% of the related consolidated total assets as of December 31, 2020 and 2019, respectively, and the related investment gains represented 8.94% and 0.43% of the consolidated profit before tax for the years ended December 31, 2020 and 2019, respectively.

We also audited the financial statements of the Company as of and for the years ended December 31, 2020 and 2019 and have issued unqualified audit reports, respectively, thereon.



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

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

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

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

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

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

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

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



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

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a) and (w))	\$ 2,223,730	24	2,422,158	26	2100	Short-term borrowings (note 6(n) and (w))	\$ 1,715,070	18	1,561,070	15
1120	Current financial assets at fair value through other comprehensive income (note 6(c) and (w))	62,216	1	149,727	2	2130	Contract liabilities-current (note 6(t))	16,285	-	16,678	-
1150	Notes receivable, net (note 6(d) and (w))	33,766	-	34,719	-	2150	Notes payable (note 6(w))	5,864	-	1,454	-
1170	Accounts receivable, net (note 6(d) and (w))	974,648	10	935,104	10	2170	Accounts payable (note 6(w))	153,576	2	179,823	2
1180	Accounts receivable due from related parties, net (note 6(d), (w) and 7)	24,854	-	27,778	-	2200	Other payables (note 6(h), (u), (w) and 7)	497,016	5	574,769	6
1200	Other receivables, net (note 6(e), (h), (w) and 7)	16,483	-	119,753	1	2230	Current tax liabilities	110,127	1	188,857	2
130X	Inventories (note 6 (f) and (h))	1,110,501	12	858,685	9	2300	Other current liabilities (note 6(h))	34,185	-	146,848	2
1410	Prepayments	64,146	1	48,308	1	2320	Long-term liabilities, current portion (note 6(o) and (w))	16,543	-	355,931	4
1476	Other current financial assets (note 6(m) and (w))	280,186	3	332,889	3			2,548,666	26	3,025,430	31
1470	Other current assets (note 6(h), (m) and 8)	8,011	-	45,297	-	Non-current liabilities:					
		4,798,541	51	4,974,418	52	2540	Long-term borrowings (note 6(o) and (w))	412,051	4	16,313	-
Non-current assets:						2570	Deferred tax liabilities (note 6(q))	271,826	3	282,077	3
1510	Non-current financial assets at fair value through profit or loss (note 6(b) and (w))	-	-	5,874	-	2640	Net defined benefit liability, non-current (note 6(p))	45,500	-	56,256	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c) and (w))	226,241	3	379,179	4	2645	Guarantee deposits received (note 6(w))	2,430	-	2,428	-
1550	Investments accounted for using the equity method, net (note 6(g))	1,221,736	13	1,100,878	13	2670	Other non-current liabilities	2,268	-	1,148	-
1600	Property, plant and equipment (note 6(j))	2,584,740	28	2,394,277	25			734,075	7	358,222	4
1760	Investment property, net (note 6(k))	137,270	1	100,431	1	Total liabilities		3,282,741	33	3,383,652	35
1780	Intangible assets (note 6(h) and (l))	132,898	1	139,013	1	Equity attributable to owners of parent (note 6(r)):					
1840	Deferred tax assets (note 6(q))	61,798	1	45,670	-	3100	Share capital	2,486,500	27	2,486,500	26
1915	Prepayments for business facilities	4,975	-	201,259	2	3200	Capital surplus (note 6(g))	337,997	4	338,514	4
1920	Refundable deposits paid (note 6(w))	22,019	-	31,132	-	3310	Legal reserve	1,093,808	12	1,003,556	11
1981	Cash surrender value of life insurance (note 6(w))	-	-	13,657	-	3320	Special reserve	110,154	1	110,154	1
1984	Other non-current financial assets (note 6(m), (w) and 8)	159,514	2	158,363	2	3350	Unappropriated retained earnings	1,555,016	17	1,591,777	17
1990	Other non-current assets (note 6(m) and 8)	11,077	-	8,565	-	3400	Other equity interest	(133,709)	(1)	40,135	-
		4,562,268	49	4,578,298	48		Equity attributable to owners of parent:	5,449,766	60	5,570,636	59
		\$ 9,360,809	100	9,552,716	100	36XX	Non-controlling interests (note 6(i) and (r))	628,302	7	598,428	6
						Total equity		6,078,068	67	6,169,064	65
						Total liabilities and equity		\$ 9,360,809	100	9,552,716	100

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (note 6(h), (t) and 12)	\$ 4,221,836	100	4,466,308	100
5000 Operating costs (note 6(f), (h), (l), (p), 7 and 12)	1,617,062	38	1,559,067	35
Gross profit	2,604,774	62	2,907,241	65
5910 Less: Unrealized profit (loss) from sales	6,734	-	9,012	-
5920 Add: Realized profit (loss) from sales	9,012	-	4,155	-
Gross profit, net	2,607,052	62	2,902,384	65
6000 Operating expenses (note 6(p), (u) and 12):				
6100 Selling expenses	983,415	23	1,002,748	22
6200 Administrative expenses	404,758	10	377,970	8
6300 Research and development expenses	261,597	6	298,552	7
6450 Reversal of expected credit losses (note 6(d))	(97)	-	(5,495)	-
Total operating expenses	1,649,673	39	1,673,775	37
Net operating income	957,379	23	1,228,609	28
Non-operating income and expenses:				
7100 Interest income (note 6(v))	14,981	-	40,445	1
7010 Other income (note 6(h), (v) and 7)	91,412	2	12,104	-
7020 Other gains and losses, net (note 6(v) and 7)	(5,699)	-	(16,850)	-
7050 Finance costs, net (note 6(v))	(19,413)	-	(14,810)	-
7060 Share of profit (loss) of associates accounted for using the equity method, net (note 6(g))	162,865	4	(46,844)	(1)
7055 Total non-operating income and expenses	244,146	6	(25,955)	-
Profit before tax	1,201,525	29	1,202,654	28
7950 Less: Income tax expenses (note 6(q))	222,848	5	294,949	7
Profit for the period	978,677	24	907,705	21
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains on remeasurements of defined benefit plans	7,920	-	2,438	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	12,507	-	24,931	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	20,427	-	27,369	1
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation	(82,652)	(2)	(29,980)	(1)
8370 Share of other comprehensive loss of associates accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	(5,333)	-	(140)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	16,480	-	6,008	-
Components of other comprehensive loss that will be reclassified to profit or loss	(71,505)	(2)	(24,112)	(1)
8300 Other comprehensive (loss) income	(51,078)	(2)	3,257	-
Total comprehensive income for the period	\$ 927,599	22	910,962	21
Profit attributable to:				
8610 Owners of parent	\$ 924,178	23	900,081	21
8620 Non-controlling interests	54,499	1	7,624	-
	\$ 978,677	24	907,705	21
Comprehensive income attributable to:				
Owners of parent	\$ 874,246	21	895,833	21
Non-controlling interests	53,353	1	15,129	-
	\$ 927,599	22	910,962	21
Earnings per share, net of tax (note 6(s))				
9750 Basic earnings per share	\$ 3.72		3.62	
9850 Diluted earnings per share	\$ 3.71		3.61	

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent											
	Share capital		Retained earnings			Total other equity interest					Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of parent			
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		
Net income	-	-	-	-	900,081	-	-	-	900,081	7,624	907,705	
Other comprehensive income	-	-	-	-	2,438	(24,030)	17,344	(6,686)	(4,248)	7,505	3,257	
Total comprehensive income	-	-	-	-	902,519	(24,030)	17,344	(6,686)	895,833	15,129	910,962	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	146,138	-	(146,138)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(1,118,925)	-	-	-	(1,118,925)	(26,737)	(1,145,662)	
Other changes in capital surplus:												
Due to business combination	-	-	-	-	-	-	-	-	-	22,444	22,444	
Changes in equity of associates accounted for using equity method	-	(10,305)	-	-	-	-	-	-	(10,305)	-	(10,305)	
Balance at December 31, 2019	2,486,500	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	40,135	5,570,636	598,428	6,169,064	
Net income	-	-	-	-	924,178	-	-	-	924,178	54,499	978,677	
Other comprehensive income	-	-	-	-	7,920	(65,887)	8,035	(57,852)	(49,932)	(1,146)	(51,078)	
Total comprehensive income	-	-	-	-	932,098	(65,887)	8,035	(57,852)	874,246	53,353	927,599	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	90,252	-	(90,252)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(994,599)	-	-	-	(994,599)	(30,079)	(1,024,678)	
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	(517)	-	-	-	-	-	-	(517)	-	(517)	
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	6,600	6,600	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	115,992	-	(115,992)	(115,992)	-	-	-	
Balance on December 31, 2020	\$ 2,486,500	337,997	1,093,808	110,154	1,555,016	(146,611)	12,902	(133,709)	5,449,766	628,302	6,078,068	

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,201,525	1,202,654
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	137,130	133,497
Amortization expense	19,869	18,841
Reversal of allowance for expected credit losses	(97)	(5,495)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,558	(378)
Interest expense	19,413	14,810
Interest income	(14,981)	(40,445)
Dividend income	(6,420)	(6,315)
Share of profit (loss) of associates accounted for using the equity method	(162,865)	46,844
Loss on disposal of property, plant and equipment	321	581
Gain on disposal of investments	(1,715)	-
Impairment loss and remeasurement profit on non-financial assets	4,583	82,686
Unrealized profit from sales	6,734	9,012
Realized profit from sales	(9,012)	(4,155)
Total adjustments to reconcile profit (loss)	(5,482)	249,483
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	953	5,357
Accounts receivable	(36,422)	(83,200)
Other receivables	103,277	42,420
Inventories	(251,804)	(96,331)
Prepayments and other current assets	16,808	(19,690)
Total changes in operating assets	(167,188)	(151,444)
Changes in operating liabilities:		
Contract liabilities	(393)	8,255
Notes payable	4,410	(3,475)
Accounts payable	(26,354)	9,271
Other payable	(77,511)	81,362
Other current liabilities	(111,225)	(11,839)
Net defined benefit liability	(2,689)	88
Total changes in operating liabilities	(213,762)	83,662
Total changes in operating assets and liabilities	(380,950)	(67,782)
Total adjustments	(386,432)	181,701
Cash inflow generated from operations	815,093	1,384,355
Interest received	14,981	40,445
Dividends received	27,347	36,617
Interest paid	(19,596)	(14,996)
Income taxes paid	(311,474)	(236,566)
Net cash flows from operating activities	526,351	1,209,855
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(50,316)
Proceeds from disposal of financial assets at fair value through other comprehensive income	252,956	-
Proceeds from disposal of financial assets at fair value through profit or loss	4,316	-
Acquisition of investments accounted for using the equity method	-	(237,461)
Acquisition of property, plant and equipment	(167,317)	(48,223)
Proceeds from disposal of property, plant and equipment	13	19
Decrease (increase) in refundable deposits	9,108	(4,121)
Acquisition of intangible assets	(13,754)	(780)
Net cash inflows from business combination (note 6(h))	-	(24,894)
Acquisition of investment properties	-	(140)
Decrease in other financial assets	51,552	79,822
Increase in prepayments for business facilities	(789)	(21,640)
Increase in other non-current assets	11,151	34,584
Net cash flows from (used in) investing activities	147,236	(273,150)
Cash flows from (used in) used in financing activities:		
Increase in short-term loans	5,400,000	7,700,000
Decrease in short-term loans	(5,246,000)	(7,400,000)
Proceeds from long-term borrowings	720,000	-
Repayments of long-term borrowings	(663,650)	-
Decrease in guarantee deposits received	-	(13)
Payment of lease liabilities	-	(3,596)
Increase in other non-current liabilities	1,120	-
Cash dividends paid	(994,599)	(1,118,925)
Cash dividends paid to non-controlling interests	(30,079)	(26,737)
Change in non-controlling interests	6,600	-
Net cash flows used in financing activities	(806,608)	(849,271)
Effect of exchange rate changes on cash and cash equivalents	(65,407)	(37,570)
Net (decrease) increase in cash and cash equivalents	(198,428)	49,864
Cash and cash equivalents at beginning of period	2,422,158	2,372,294
Cash and cash equivalents at end of period	\$ 2,223,730	2,422,158

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	The amendments clarify that the ‘ costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> ● the incremental costs – e.g. direct labor and materials; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. 	January 1, 2022

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

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

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

(Continued)

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, and the upper-limit as explained in note 4(s).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

(Continued)

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

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

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

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2020	December 31, 2019	
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %	
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %	
The Company	American Taiwan Biopharma Philippines Inc.	Selling medicine	87.00 %	87.00 %	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	
The Company	EnhanX Biopharm Inc.	Developing medicine	20.83 %	20.83 %	
The Company	Chuang Yi Biotech Co., Ltd.	Selling Functional food	38.12 %	38.12 %	(Note 1)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	- %	100.00 %	(Note 2)
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Developing medicine	29.17 %	29.17 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Developing medicine	100.00 %	100.00 %	(Note 3)
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Selling Functional food	4.89 %	4.89 %	(Note 1)
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00 %	100.00 %	(Note 1)
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hong Kong) Biotech Co., Ltd.	Selling Functional food	100.00 %	100.00 %	(Note 1 and 4)
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling Functional food	100.00 %	100.00 %	(Note 1)

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(Note 1) In December 2019, the Group participated in the capital increase of Chuang Yi Biotech Co., Ltd., which increased the shareholding ratio of the Group to 43.01%. Because the Group obtained the control over Chuang Yi Biotech Co., Ltd., it is listed as a subsidiary of the consolidated financial statements. Please refer to Notes 6(h) of the consolidated financial statements for the business combination.

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

(Note 3) In July 2019, EnhanX Biopharm Inc. established EnhanX Biopharm B.V. as a wholly owned subsidiary, and thus, EnhanX Biopharm B.V. is listed as a subsidiary of the consolidated financial statements.

(Note 4) In order to simplify the organizational structure and reduce operating costs, the Group decided to liquidate Chuang Yi (Hong Kong) Biotech Co., Ltd. on June 29, 2020. The liquidation is completed on February 25, 2021.

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

(d) Foreign currencies

(i) Foreign currencies transactions

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

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

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(iv) Reclassification as investment property

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

(l) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Group has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

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

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

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

(ii) As a lessee

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

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

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

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

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

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

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

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

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

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

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

(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 each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

(m) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(n) Impairment of non-financial assets

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

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

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

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

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

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

(o) Cash surrender value of life insurance

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

(p) Provisions

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

(q) Revenue

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

1) Sale of goods

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

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

2) Authorization revenue

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

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

3) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

- a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c) the costs are expected to be recovered.

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

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(r) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant be receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Other long-term employee benefits

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(iv) Short-term employee benefits

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

(t) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

(u) Business combination

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

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

(v) Earnings per share

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

(w) Operating segments

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

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

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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

(a) Judgment of whether the Group has substantive control over its investees

Although the Group holds 17.77% of the outstanding voting shares as the largest shareholder of PharmaEngine Inc., the shareholding ratio is quite equal to the second largest shareholder. In addition, the Group does not obtain more than half of the seats on Board of Directors and the Group cannot dominate the operating activities, human resource activities and financial activities. Therefore, the Group only has significant influence over PharmaEngine Inc.

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

(a) Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 2,840	3,157
Cash in banks	1,024,730	1,137,917
Time deposits	<u>1,196,160</u>	<u>1,281,084</u>
Total	<u><u>\$ 2,223,730</u></u>	<u><u>2,422,158</u></u>

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

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

	December 31, 2020	December 31, 2019
Financial assets designated at fair value through profit or loss		
Domestic preferred stock ETFS	\$ -	5,874

The above financial assets were not pledged as collateral.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Domestic common stock – Lumosa Therapeutics Co., Ltd.	\$ 62,216	199,486
Domestic common stock – Handa Pharmaceuticals, Inc.	-	78,278
Domestic common stock – Cathay Financial Holding Co., Ltd.	-	5,281
Domestic common stock – Fubon Financial Holding Co., Ltd.	-	13,920
Domestic preferred stock – Fubon Financial Holding Co., Ltd. Preferred Shares B	156,250	160,750
Domestic preferred stock – Union Bank of Taiwan Preferred Shares A	20,720	21,920
International preferred stock – CellMax Ltd.	49,271	49,271
	\$ 288,457	528,906

- (i) The Group designated the investments as equity securities at fair value through other comprehensive income because the Group intends to hold the investments for long-term strategic purposes.
- (ii) As part of its strategy, the Group sold its shares amounting to \$252,956 thousand, resulting in a gain of \$159,041 thousand, which attributable to the Group amounting to \$115,992 thousand was reclassified from other comprehensive income to retained earnings for the year ended December 31, 2020.
- (iii) Please refer to Note 6(w) for information on credit and market risk.
- (iv) The above financial assets were not pledged as collateral.

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

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

	December 31, 2020	December 31, 2019
Notes receivable	\$ 33,766	34,719
Accounts receivable	996,589	957,142
Accounts receivable-related parties	24,854	27,778
Less: Allowance for expected credit losses	<u>(21,941)</u>	<u>(22,038)</u>
	<u>\$ 1,033,268</u>	<u>997,601</u>

The Group applies the simplified approach to assess its expected credit losses, that is, to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. To measure the expected credit losses, notes receivable and accounts receivables have been grouped based on the credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	December 31, 2020		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not past due	\$ 1,021,479	0%~1%	3,208
1 to 90 days past due	15,257	4%~6%	718
91 to 180 days past due	1,015	50%~55%	557
More than 181 days past due	<u>17,458</u>	100%	<u>17,458</u>
	<u>\$ 1,055,209</u>		<u>21,941</u>
	December 31, 2019		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not past due	\$ 986,990	0%~1%	2,262
1 to 90 days past due	13,403	4%~6%	537
91 to 180 days past due	16	55%~60%	9
More than 181 days past due	<u>19,230</u>	100%	<u>19,230</u>
	<u>\$ 1,019,639</u>		<u>22,038</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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The movements in the allowance for expected credit losses were as follows:

	For the years ended December 31,	
	2020	2019
Balance at January 1	\$ 22,038	27,483
Subsidiaries changes	-	50
Expected credit losses recognized	-	5
Expected credit losses reversed	(97)	(5,500)
Balance at December 31	<u>\$ 21,941</u>	<u>22,038</u>

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

(e) Other receivables

	December 31, 2020	December 31, 2019
Other receivable	\$ 12,968	102,446
Other receivable—related parties	3,515	17,307
	<u>\$ 16,483</u>	<u>119,753</u>

(i) As of December 31, 2020 and 2019, there were no expected credit loss of other receivables.

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

(iii) As of December 31, 2020 and 2019, other receivables were not pledged as collateral.

(f) Inventories

	December 31, 2020	December 31, 2019
Merchandise	\$ 298,612	392,915
Finished goods	311,059	147,440
Work in process	82,882	125,802
Raw materials	330,108	162,170
Materials	56,892	36,532
Subtotal	1,079,553	864,859
Goods in transit	108,821	123,244
Total	1,188,374	988,103
Less: Allowance for inventory market decline and obsolescence	(77,873)	(129,418)
Net amount	<u>\$ 1,110,501</u>	<u>858,685</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- (i) The details of operating costs were as follows:

	For the years ended December 31,	
	2020	2019
Inventories have been sold	\$ 1,574,883	1,537,879
Cost of service	55	3,447
Disposal of inventories	9,174	11,061
Write-down of inventories from cost to net realizable value	32,950	6,680
	<u>\$ 1,617,062</u>	<u>1,559,067</u>

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

- (g) Investments accounted for using the equity method

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

	December 31, 2020	December 31, 2019
Associates	<u>\$ 1,221,736</u>	<u>1,100,878</u>

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

	December 31, 2020	December 31, 2019
Carrying value	<u>\$ 877,057</u>	<u>782,858</u>
Fair value	<u>\$ 1,497,688</u>	<u>1,771,876</u>

- 2) For the years ended December 31, 2020 and 2019, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased and cancelled the treasury stocks, which resulted in a change in the shareholding ratio, and such change was debit of \$517 thousand and \$10,305 thousand, respectively, to its capital reserve. For the years ended December 31, 2020 and 2019, the Group's shareholding ratio rose from 17.76% to 17.77% and 15.52% to 17.76%, respectively.

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

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

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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.

	December 31, 2020	December 31, 2019
Current assets	\$ 4,169,858	3,578,332
Non-current assets	37,053	65,060
Current liabilities	(184,462)	(138,443)
Non-current liabilities	(11,316)	(21,954)
Net assets	\$ 4,011,133	3,482,995
Net assets attributable to non-controlling interests	\$ 712,779	618,580
Net assets attributable to investee owners	\$ 3,298,354	2,864,415
	For the years ended December 31,	
	2020	2019
Operating revenue	\$ 1,056,012	314,040
Profit from continuing operations	\$ 604,281	42,550
Other comprehensive income (loss)	1,587	(220)
Total comprehensive income	\$ 605,868	42,330
Comprehensive income attributable to non-controlling interests	\$ 107,655	5,107
Comprehensive income attributable to investee owners	\$ 498,213	37,223
	For the years ended December 31,	
	2020	2019
Net assets attributable to the Group, January 1	\$ 618,580	573,462
Changes in capital surplus of associates	(517)	(10,305)
Comprehensive income attributable to the Group	107,655	5,107
Cash dividends received from associates	(12,939)	(22,867)
Addition of investments for the period	-	73,183
Net assets attributable to the Group, December 31	712,779	618,580
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, December 31	\$ 877,057	782,858

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(iii) Summary financial information on individually insignificant associates

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

	December 31, 2020	December 31, 2019
Carrying amount of interest in individually insignificant associates	\$ 344,679	318,020
	For the years ended December 31, 2020	2019
Attributable to the Group:		
Profit from continuing operations	\$ 55,492	46,019
Other comprehensive (loss) income	(23,124)	13,928
Comprehensive income	\$ 32,368	59,947

(iv) The Group obtained control over Chuang Yi Biotech Co., Ltd. on December 31, 2020, resulting in the Group to recognize the amount of \$98,008 as loss of associates using equity method prior to obtaining its above control.

(v) Collateral

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

(h) Business combination

For the year ended December 31, 2019, the Group acquired shares of Chuang Yi Biotech Co., Ltd. (Chuang Yi) through public market for \$45,784 thousand, and participated in its capital increase for \$93,360 thousand. As of December 31, 2019, the Group obtained 15.47% of Chuang Yi's shares in stages, resulting in the Group to acquire 43.01% shares of Chuang Yi and obtained control over it.

(i) Recognized amounts of assets acquired and liabilities assumed

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

Cash and cash equivalents	\$	114,250
Accounts receivables and other receivables		106,438
Inventories		11,418
Refundable product rights – current		31,558
Property, plant, and equipment		2,118
Right-of-use assets		3,061
Intangible assets		3,886
Other assets		43,542
Long-term and short-term borrowings		(133,314)
Accounts payables and other payables		(27,221)
Refundable liabilities – current		(110,653)
Other liabilities		(5,701)
Total identifiable net assets acquired	\$	39,382

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(ii) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

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

Goodwill comes from the products' expected selling value of Chuang Yi and the ability to broaden its channels, which are expected to generate synergy in the integration of Chuang Yi and the Group. However, in February 2020, Belviq, the product which Chuang Yi sells, was considered to have a higher risk of getting cancer, according to the result of a clinical trial conducted by Food and Drug Administration in the U.S. Therefore, Eisai, the vendor of the drug, recalled its public trading permission in the U.S. The Food and Drug Administration in Taiwan (TFDA) also required Chuang Yi to cease the sales of the product and reevaluate the safety of the drug, resulting in the Group to recognize an impairment on the goodwill.

(iii) Due to cessation of the sales of the product, Belviq, the Group already adjusted the related assets, liabilities and income (loss) in its consolidated financial statements for the year ended December 31, 2019. Adjustments according to actual situation were as follows:

1) Inventories

As of December 31, 2019, the Group held the inventory of Belviq with carrying amount of \$168,990 thousand, wherein the Group was entitled to an estimated refund of \$84,495 thousand from Eisai. Thus, the Group recognized as purchase returns and on inventory market price declined each amounting to \$84,495 thousand. As of December 31, 2020, the Group refunded the inventory of Belviq amounting to \$232,737 thousand (including the refundable product rights amounted to \$65,425 thousand) and disposed the inventory of Belviq amounting to \$234,415 thousand. For the year ended December 31, 2020, the Group disposed the inventory of Belviq and wrote off the related provision amounting to \$1,920 thousand. Please refer to Note 6(f) for information on inventories.

2) Refundable product rights (Listed in other current assets)

On February 14, 2020, Chuang Yi launched a plan to recall Belviq in accordance with Rule No. 1091401400 issued by TFDA. Chuang Yi estimated refundable product rights from the end consumers based on the quantity and amount of the product sold to pharmacies, clinics, other channels and distributors, and the number of days after the prescription. As of December 31, 2019, the expected cost of recalling the inventories was estimated for \$62,311 thousand as refundable product rights, and also adjusted the operating cost amounting to \$31,155 thousand.

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As of December 31, 2020, the actual cost of recalling the inventories was \$65,425 thousand, and the Group was entitled to an estimated refund of \$32,712 thousand from Eisai, which was recognized as receivables. The estimated difference had been recognized as current operating cost. Please refer to Note 6(m) for information on other current assets.

3) Refundable liabilities

As of December 31, 2019, Chuang Yi was expected to pay the aforementioned customers \$133,823 thousand to be offset against the carrying amount of accounts receivable \$44,828 thousand, which resulted in the refundable liability of \$88,995 thousand, Chuang Yi recognized it as other current liabilities.

As of December 31, 2020, the refund to the customer was \$85,538 thousand, and Chuang Yi recognized the estimated difference as current operating revenue.

4) Intangible assets

The patent of Belviq was a cash generating unit, and its recoverable amount was estimated based on its value-in-use. Since the product is no longer sold in the market and its related patent will not have any future economic benefits, Chuang Yi recognized an impairment loss of \$63,390 thousand on December 31, 2019.

5) Other payables

As of December 31, 2019, Chuang Yi estimated the recalling expense of Belviq was \$4,000 thousand, and recognized it as other payables.

For the year ended December 31, 2020, Chuang Yi was already recognized the recalling expense of Belviq and wrote off the related other receivables.

6) Other Revenue

On September 3, 2020, Chuang Yi and Eisai signed a settlement, Eisai committed to compensate the recalling expense and the cost of inventories. On September 30, 2020, Chuang Yi received the compensation, and wrote off the related other receivables. For the remaining balance amounting to \$74,478 thousand, Chuang Yi recognized it as compensation income.

As mentioned above, in addition to the compensation and estimated difference adjustment for the year ended December 31, 2020. The impact of the fell of Belviq has been appropriately reflected in the consolidated financial report for the year ended December 31, 2019. The impact items and notes of the 2019 consolidated balance sheet is summarized as follows:

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<u>Consolidated balance sheet</u>	<u>Influences</u>	<u>Notes</u>
Accounts receivables (including related parties)	\$ (44,828)	(Note 6(d))
Other receivables	84,495	(Note 6(e))
Inventories	(168,990)	(Note 6(f))
Refundable product right (listed as other current assets)	(31,155)	(Note 6(m))
Intangible assets	(63,390)	(Note 6(l) and (v))
Assets influences	\$ (223,868)	
Other payables	\$ 4,000	
Refundable liabilities (listed as other current liabilities)	88,995	
Liabilities influences	\$ 92,995	

(i) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

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

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

The following information of the aforementioned subsidiaries have been prepared in accordance with the IFRS endorsed by the FSC, which was included in the fair value adjustments and the adjustments of differences in accounting principles at the acquisition date. Intra-group transactions were not eliminated in this information.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 943,841	885,884
Non-current assets	276,298	376,788
Current liabilities	(98,618)	(138,792)
Non-current liabilities	(4,418)	-
Net assets	\$ 1,117,103	1,123,880
Net assets attributable to non-controlling interest	\$ 485,946	489,032

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	For the years ended December 31,	
	2020	2019
Operating revenue	\$ <u>447,862</u>	<u>507,666</u>
Profit from continuing operations	\$ 64,969	47,007
Other comprehensive (loss) income	(2,629)	17,428
Total comprehensive income	\$ <u>62,340</u>	<u>64,435</u>
Profit attributable to non-controlling interest	\$ <u>28,138</u>	<u>20,460</u>
Comprehensive income attributable to non-controlling interest	\$ <u>26,993</u>	<u>28,045</u>

	For the years ended December 31,	
	2020	2019
Cash flows from operating activities	\$ 11,611	88,648
Cash flows from (used in) investing activities	234,210	(14,998)
Cash flows used in financing activities	(73,332)	(65,808)
Net increase in cash	\$ <u>172,489</u>	<u>7,842</u>
Dividends paid to non-controlling interests	\$ <u>30,079</u>	<u>26,737</u>

(ii) Summary financial information on EnhanX Biopharm Inc.

	December 31, 2020	December 31, 2019
Current assets	\$ 40,022	57,248
Non-current assets	109,409	119,799
Current liabilities	(2,334)	(2,560)
Non-current liabilities	-	(119)
Net assets	\$ <u>147,097</u>	<u>174,368</u>
Net assets attributable to non-controlling interests	\$ <u>73,548</u>	<u>87,184</u>

	For the years ended December 31,	
	2020	2019
Operating revenue	\$ -	-
Loss from continuing operations	\$ (27,377)	(25,891)
Other comprehensive income (loss)	106	(166)
Total comprehensive loss	\$ <u>(27,271)</u>	<u>(26,057)</u>
Loss attributable to non-controlling interest	\$ <u>(13,688)</u>	<u>(12,946)</u>
Comprehensive loss attributable to non-controlling interest	\$ <u>(13,636)</u>	<u>(13,029)</u>

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	For the years ended December 31,	
	2020	2019
Cash flows used in operating activities	\$ (16,958)	(21,409)
Cash flows used in investing activities	-	(3,538)
Cash flows used in financing activities	(177)	(175)
Net decrease in cash	<u>\$ (17,135)</u>	<u>(25,122)</u>

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

	December 31, 2020	December 31, 2019
Current assets	\$ 280,751	301,549
Non-current assets	84,790	14,722
Current liabilities	(234,943)	(260,576)
Non-current liabilities	(15,185)	(16,313)
Net assets	<u>\$ 115,413</u>	<u>39,382</u>
Net assets attributable to non-controlling interests	<u>\$ 68,612</u>	<u>22,444</u>

	For the year ended December 31, 2020
Operating revenue	<u>\$ 178,975</u>
Profit from continuing operations	\$ 69,519
Other comprehensive loss	(88)
Total comprehensive income	<u>\$ 69,431</u>
Profit attributable to non-controlling interest	<u>\$ 39,619</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 39,568</u>
Capital increase by cash to non-controlling interest	<u>\$ 6,600</u>

	For the year ended December 31, 2020
Cash flows from operating activities	\$ 41,252
Cash flows from investing activities	7,765
Cash flows used in financing activities	(36,148)
Effect of exchange rates changes on cash and cash equivalents	(90)
Net increase in cash	<u>\$ 12,779</u>

(Continued)

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

(j) Property, plant and equipment

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:								
Balance on January 1, 2020	\$ 816,169	1,316,857	674,001	5,938	491,997	10,589	149,785	3,465,336
Additions	117,345	12,097	15,503	-	22,248	-	124	167,317
Disposals	-	(4,721)	(2,476)	(337)	(6,876)	-	-	(14,410)
Reclassification	(30,617)	(13,522)	20,956	-	2,699	-	173,418	152,934
Adjustment for foreign currency translation	-	-	7	-	(2)	-	-	5
Balance on December 31, 2020	<u>\$ 902,897</u>	<u>1,310,711</u>	<u>707,991</u>	<u>5,601</u>	<u>510,066</u>	<u>10,589</u>	<u>323,327</u>	<u>3,771,182</u>
Balance on January 1, 2019	\$ 816,169	1,312,651	671,995	5,755	461,807	7,076	148,911	3,424,364
Obtained from business combination	-	-	442	-	2,647	3,512	-	6,601
Additions	-	14,449	6,490	183	19,803	-	15,035	55,960
Disposals	-	(3,316)	(7,821)	-	(4,403)	-	-	(15,540)
Reclassification	-	(6,944)	2,895	-	12,146	-	(14,161)	(6,064)
Adjustment for foreign currency translation	-	17	-	-	(3)	1	-	15
Balance on December 31, 2019	<u>\$ 816,169</u>	<u>1,316,857</u>	<u>674,001</u>	<u>5,938</u>	<u>491,997</u>	<u>10,589</u>	<u>149,785</u>	<u>3,465,336</u>
Accumulated depreciation:								
Balance on January 1, 2020	\$ -	377,556	345,217	3,601	337,164	7,521	-	1,071,059
Depreciation	-	63,690	38,724	980	31,107	1,232	-	135,733
Disposals	-	(4,721)	(2,449)	(317)	(6,589)	-	-	(14,076)
Reclassification	-	(6,279)	-	-	-	-	-	(6,279)
Adjustment for foreign currency translation	-	-	5	-	-	-	-	5
Balance on December 31, 2020	<u>\$ -</u>	<u>430,246</u>	<u>381,497</u>	<u>4,264</u>	<u>361,682</u>	<u>8,753</u>	<u>-</u>	<u>1,186,442</u>
Balance on January 1, 2019	\$ -	317,892	315,588	2,606	309,848	4,099	-	950,033
Obtained from business combination	-	-	168	-	1,596	2,719	-	4,483
Depreciation	-	63,786	37,021	1,183	29,786	702	-	132,478
Disposals	-	(3,316)	(7,560)	-	(4,064)	-	-	(14,940)
Reclassification	-	(807)	-	(188)	-	-	-	(995)
Adjustment for foreign currency translation	-	1	-	-	(2)	1	-	-
Balance on December 31, 2019	<u>\$ -</u>	<u>377,556</u>	<u>345,217</u>	<u>3,601</u>	<u>337,164</u>	<u>7,521</u>	<u>-</u>	<u>1,071,059</u>
Carrying value:								
Balance on December 31, 2020	<u>\$ 902,897</u>	<u>880,465</u>	<u>326,494</u>	<u>1,337</u>	<u>148,384</u>	<u>1,836</u>	<u>323,327</u>	<u>2,584,740</u>
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 December 31, 2019	<u>\$ 816,169</u>	<u>939,301</u>	<u>328,784</u>	<u>2,337</u>	<u>154,833</u>	<u>3,068</u>	<u>149,785</u>	<u>2,394,277</u>

(i) Collateral

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

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

(ii) Property, plant and equipment under construction

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

(k) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 69,152	41,035	110,187
Reclassification from property, plant and equipment	30,617	13,522	44,139
Effect of changes in foreign exchange rate	-	424	424
Balance on December 31, 2020	<u>\$ 99,769</u>	<u>54,981</u>	<u>154,750</u>
Balance on January 1, 2019	\$ 69,152	27,008	96,160
Additions	-	140	140
Reclassification from property, plant and equipment	-	14,890	14,890
Effect of changes in foreign exchange rate	-	(1,003)	(1,003)
Balance on December 31, 2019	<u>\$ 69,152</u>	<u>41,035</u>	<u>110,187</u>
Accumulated depreciation and impairment loss:			
Balance on January 1, 2020	\$ -	9,756	9,756
Depreciation	-	1,397	1,397
Reclassification from property, plant and equipment	-	6,279	6,279
Effect of changes in foreign exchange rate	-	48	48
Balance on December 31, 2020	<u>\$ -</u>	<u>17,480</u>	<u>17,480</u>
Balance on January 1, 2019	\$ -	8,010	8,010
Depreciation for the year	-	1,019	1,019
Reclassification from property, plant and equipment	-	807	807
Effect of changes in foreign exchange rate	-	(80)	(80)
Balance on December 31, 2019	<u>\$ -</u>	<u>9,756</u>	<u>9,756</u>

(Continued)

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

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Carrying amount:			
Balance on December 31, 2020	\$ <u>99,769</u>	<u>37,501</u>	<u>137,270</u>
Balance on January 1, 2019	\$ <u>69,152</u>	<u>18,998</u>	<u>88,150</u>
Balance on December 31, 2019	\$ <u>69,152</u>	<u>31,279</u>	<u>100,431</u>
Fair value:			
Balance on December 31, 2020			\$ <u>273,606</u>
Balance on December 31, 2019			\$ <u>188,968</u>

- (i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length terms.
- (ii) As of December 31, 2020 and 2019, the investment property of the Group were not pledged as collateral.

(I) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 34,613	298,553	333,166
Additions	6,356	7,398	13,754
Disposals	<u>(24,060)</u>	<u>-</u>	<u>(24,060)</u>
Balance on December 31, 2020	\$ <u>16,909</u>	<u>305,951</u>	<u>322,860</u>
Balance on January 1, 2019	\$ 31,080	190,238	221,318
Acquisition through business combinations	3,505	108,315	111,820
Additions	780	-	780
Disposals	(196)	-	(196)
Reclassifications	<u>(556)</u>	<u>-</u>	<u>(556)</u>
Balance on December 31, 2019	\$ <u>34,613</u>	<u>298,553</u>	<u>333,166</u>
Amortization and impairment loss:			
Balance on January 1, 2020	\$ 30,866	163,287	194,153
Amortization for the period	3,142	16,727	19,869
Disposals	<u>(24,060)</u>	<u>-</u>	<u>(24,060)</u>
Balance on December 31, 2020	\$ <u>9,948</u>	<u>180,014</u>	<u>189,962</u>

(Continued)

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

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Balance on January 1, 2019	\$ 25,157	42,973	68,130
Acquisition through business combinations	2,685	105,249	107,934
Amortization for the year	3,776	15,065	18,841
Disposals	(196)	-	(196)
Reclassification	<u>(556)</u>	<u>-</u>	<u>(556)</u>
Balance on December 31, 2019	<u>\$ 30,866</u>	<u>163,287</u>	<u>194,153</u>
Carrying value:			
Balance on December 31, 2020	<u>\$ 6,961</u>	<u>125,937</u>	<u>132,898</u>
Balance on January 1, 2019	<u>\$ 5,923</u>	<u>147,265</u>	<u>153,188</u>
Balance on December 31, 2019	<u>\$ 3,747</u>	<u>135,266</u>	<u>139,013</u>

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$ 405	354
Operating expenses	<u>19,464</u>	<u>18,487</u>
	<u>\$ 19,869</u>	<u>18,841</u>

As of December 31, 2020 and 2019, the intangible assets of the Group were not pledged as collateral.

(m) Other financial assets and other assets

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other current financial assets	\$ 280,186	332,889
Other non-current financial assets	159,514	158,363
Long-term prepayments	10,936	7,935
Others	<u>8,152</u>	<u>45,927</u>
	<u>\$ 458,788</u>	<u>545,114</u>

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

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

(n) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Secured bank loans	\$ 65,070	111,070
Unsecured bank loans	1,650,000	1,450,000
	\$ 1,715,070	1,561,070
Unused credit lines	\$ 1,178,789	1,117,021
Range of interest rates	0.77%~2%	0.86%~1.80%

(i) Please refer to Note 6(w) for interest and credit risk exposure.

(ii) Please refer to Note 8 for the collateral for short-term borrowings.

(o) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2020			
	Currency	Interest rate	Maturity	Amount
Secured bank loans	NTD	1.700%~1.945%	2022-2023	\$ 28,594
Unsecured bank loans	NTD	0.987%	2022	400,000
Less: Current portion				(16,543)
Total				\$ 412,051
Unused credit lines				\$ 300,000

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

Please refer to Note 8 for the collateral for long-term borrowings.

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

(p) Employee benefits

(i) Defined benefit plans

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

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

The Group's employee benefit liabilities were as below:

	December 31, 2020	December 31, 2019
Vacation liability	<u>\$ 8,678</u>	<u>7,962</u>

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

1) Composition of plan assets

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

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

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

2) Movements in present value of the defined benefit obligations

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

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

3) Movements in the fair value of plan assets

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

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

4) Expenses recognized in profit or loss

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

	For the years ended December 31,	
	2020	2019
Current service cost	\$ 727	1,029
Net interest of net liabilities for defined benefit obligation	410	592
	\$ 1,137	1,621

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

	For the years ended December 31,	
	2020	2019
Operating costs	\$ 373	536
Selling expenses	351	498
Administrative expenses	178	255
Research and development expenses	235	332
	<u>\$ 1,137</u>	<u>1,621</u>

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

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

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

- 6) Actuarial assumptions

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

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

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

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

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

7) Sensitivity analysis

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

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

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

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

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$38,059 thousand and \$27,670 thousand for the years ended December 31, 2020 and 2019, respectively.

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

(q) Income Tax

(i) Income tax expense

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

	For the years ended December 31,	
	2020	2019
Current tax expense		
Current period	\$ 234,124	293,949
Adjustment for prior periods	(1,377)	(764)
	232,747	293,185
Deferred tax expense		
Origination and reversal of temporary difference	(9,899)	1,764
Income tax expense from continuing operations	\$ 222,848	294,949

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

	For the years ended December 31,	
	2020	2019
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation	\$ 16,480	(6,008)

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

	For the years ended December 31,	
	2020	2019
Profit before income tax	\$ 1,201,525	1,202,654
Income tax using the company's domestic tax rate	\$ 251,710	251,512
Non-deductible expenses	(19,606)	39,020
Gains derived from securities transactions	(1,284)	(1,209)
Tax incentives	(1,032)	(3,142)
Change in provision in prior periods	(1,377)	(764)
Undistributed earnings additional tax at 10%	384	9,609
Basic income tax	467	-
Others	(6,414)	(77)
	\$ 222,848	294,949

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

2) Recognized deferred tax assets and liabilities

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

	Gain on foreign investments	Reserve for land revaluation increment tax	Others	Total
Deferred tax liabilities:				
Balance, January 1, 2020	\$ 221,206	60,871	-	282,077
Recognized in profit or loss	6,229	-	-	6,229
Recognized in other comprehensive income	(16,480)	-	-	(16,480)
Balance, December 31, 2020	<u>\$ 210,955</u>	<u>60,871</u>	<u>-</u>	<u>271,826</u>
Balance, January 1, 2019	\$ 217,829	60,871	23	278,723
Recognized in profit or loss	9,385	-	(23)	9,362
Recognized in other comprehensive income	(6,008)	-	-	(6,008)
Balance, December 31, 2019	<u>\$ 221,206</u>	<u>60,871</u>	<u>-</u>	<u>282,077</u>
	Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:				
Balance, January 1, 2020	\$ 6,855	8,881	29,934	45,670
Recognized in profit or loss	(538)	6,053	10,613	16,128
Balance, December 31, 2020	<u>\$ 6,317</u>	<u>14,934</u>	<u>40,547</u>	<u>61,798</u>
Balance, January 1, 2019	\$ 6,868	7,544	23,660	38,072
Recognized in profit or loss	(13)	1,337	6,274	7,598
Balance, December 31, 2019	<u>\$ 6,855</u>	<u>8,881</u>	<u>29,934</u>	<u>45,670</u>

(iii) Assessment of tax

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

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

(r) Capital and other equity

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

(i) Capital surplus

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

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

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

(ii) Retained earnings

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

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

1) Legal reserve

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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2) Special reserve

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

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

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

3) Earnings distribution

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

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

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

	<u>Exchange differences on translation</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance on January 1, 2020	\$ (80,724)	120,859	40,135
Exchange differences on foreign operations	(66,113)	-	(66,113)
Exchange differences of associates accounted for using the equity method	226	-	226
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	13,650	13,650
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	(115,992)	(115,992)
Unrealized losses from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	(5,615)	(5,615)
Balance on December 31, 2020	<u>\$ (146,611)</u>	<u>12,902</u>	<u>(133,709)</u>

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	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2019	\$ (56,694)	103,515	46,821
Exchange differences on foreign operations	(23,918)	-	(23,918)
Exchange differences of associates accounted for using the equity method	(112)	-	(112)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	16,167	16,167
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	1,177	1,177
Balance on December 31, 2019	<u>\$ (80,724)</u>	<u>120,859</u>	<u>40,135</u>

(iv) Non-controlling interests

	For the years ended December 31,	
	2020	2019
Balance on January 1	\$ 598,428	587,592
Attributable to non-controlling interests:		
Profit from continuing operations	54,499	7,624
Exchange differences on translation in foreign operations	(3)	(83)
Unrealized (loss) gains on financial assets	(1,143)	7,588
Cash dividend distributed	(30,079)	(26,737)
Arising from business combination	-	22,444
Changes in ownership interest in subsidiaries	6,600	-
Balance on December 31	<u>\$ 628,302</u>	<u>598,428</u>

(s) Earnings per share

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

	For the years ended December 31,	
	2020	2019
Basic earnings per share		
Profit attributable to ordinary shareholders of the company	<u>\$ 924,178</u>	<u>900,081</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
	<u>\$ 3.72</u>	<u>3.62</u>

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

For the year ended December 31, 2020						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 2,183,467	173,473	950,773	440,677	183,221	3,931,611
Europe	12,199	-	-	-	-	12,199
Other countries	257,113	-	2,557	5,156	13,200	278,026
	\$ 2,452,779	173,473	953,330	445,833	196,421	4,221,836
Major products/services lines:						
Medicine and functional food	\$ 2,430,372	173,473	951,711	445,646	192,040	4,193,242
Services	20,873	-	1,619	187	4,381	27,060
Royalty	1,534	-	-	-	-	1,534
	\$ 2,452,779	173,473	953,330	445,833	196,421	4,221,836
For the year ended December 31, 2019						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 2,201,923	229,488	785,891	501,722	8,081	3,727,105
Europe	418,933	-	-	-	-	418,933
Other countries	268,037	35,378	768	4,478	11,609	320,270
	\$ 2,888,893	264,866	786,659	506,200	19,690	4,466,308
Major products/services lines:						
Medicine and functional food	\$ 2,834,084	264,866	786,659	475,075	11,609	4,372,293
Services	20,457	-	-	31,125	8,081	59,663
Royalty	34,352	-	-	-	-	34,352
	\$ 2,888,893	264,866	786,659	506,200	19,690	4,466,308

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(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liability	\$ 16,285	16,678	6,405

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

The beginning balance of contract liability recognized as revenue for the years ended December 31, 2020 and 2019 were \$10,724 thousand and \$4,593 thousand, respectively.

(u) Remunerations to employees and directors

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

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

(v) Non-operating income and expenses

(i) Interest income

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

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 14,981	40,445

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(ii) Other income

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

	For the years ended December 31,	
	2020	2019
Rent revenue	\$ 10,644	12,104
Compensation income (Note 6(h))	74,478	-
Other income, others	6,290	-
	\$ 91,412	12,104

(iii) Other gains and losses

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

	For the years ended December 31,	
	2020	2019
Losses on disposal of property, plant and equipment	\$ (321)	(581)
Dividend income	6,420	6,315
Foreign exchange losses	(15,253)	(11,169)
Gains (losses) on financial assets measured at fair value through profit or loss	(1,558)	378
Impairment losses of non-financial assets (Note)	(4,583)	(82,686)
Other gains and losses	9,596	70,893
	\$ (5,699)	(16,850)

(Note) As of December 31, 2019, gains or losses on remeasurement of Chuang Yi Biotech Co., Ltd.'s 34.25% shares owned by the Group before business combination at fair value, please refer to Note 6(h).

(iv) Finance costs

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

	For the years ended December 31,	
	2020	2019
Interest expense	\$ 19,413	14,810

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Group's maximum amount exposed to credit risk. Such maximum credit exposure on December 31, 2020 and 2019, amounted to \$1,055,209 thousand and \$1,019,639 thousand, respectively.

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2) Concentration of credit risk

In order to lower the credit risk on accounts receivable, the Group continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for expected credit loss. Expected credit losses are always within the administrative personnel's expectations. As of December 31, 2020 and 2019, the accounts receivable from the Group's top ten customers represented 15% and 24%, respectively, of accounts receivable.

(ii) Credit risk of receivables

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

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

(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
December 31, 2020					
Non-derivative financial liabilities					
Bank loans	\$ 2,143,664	2,153,025	1,738,526	414,499	-
Non-interest-bearing liabilities (including related parties)	656,456	656,456	656,456	-	-
Guarantee deposits received	<u>2,430</u>	<u>2,430</u>	<u>2,430</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,802,550</u>	<u>2,811,911</u>	<u>2,397,412</u>	<u>414,499</u>	<u>-</u>
December 31, 2019					
Non-derivative financial liabilities					
Bank loans	\$ 1,933,314	1,937,249	1,920,550	12,524	4,175
Non-interest-bearing liabilities (including related parties)	756,046	756,046	756,046	-	-
Guarantee deposits received	<u>2,428</u>	<u>2,428</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,691,788</u>	<u>2,695,723</u>	<u>2,679,024</u>	<u>12,524</u>	<u>4,175</u>

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

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(iv) Market risk

1) Currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign	Exchange	NTD	Foreign	Exchange	NTD
	Currency	Rate		Currency	Rate	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 10,416	28.48	296,648	18,311	29.98	548,964
CNY	2,647	4.38	11,586	6,530	4.31	28,112
JPY	95,362	0.28	26,349	124,946	0.27	34,346
EUR	152	35.02	5,323	1,598	33.59	53,677
IDR	760,275	0.002	1,543	-	-	-
<u>Nonmonetary items</u>						
USD	48,097	28.48	1,369,812	47,993	29.98	1,438,824
CNY	49,391	4.377	216,183	51,489	4.31	221,659
THB	299,410	0.96	287,434	265,077	1.01	267,728

2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY, EUR and IDR as of December 31, 2020 and 2019 would have increased (decreased) the net profit after tax by \$2,731 thousand and \$5,321 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange losses (including realized and unrealized portions) amounted to \$15,253 thousand and \$11,169 thousand, respectively.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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

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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 \$1,967 thousand and \$829 thousand for the years ended December 31, 2020 and 2019, respectively with all other variable factors remaining constant.

(vi) Other market value risk

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

Prices of securities at the reporting date	For the years ended December 31,			
	2020		2019	
	Other Comprehensive income after tax	Net income	Other Comprehensive income after tax	Net income
Increasing 10%	\$ 28,845	-	52,891	470
Decreasing 10%	\$ (28,845)	-	(52,891)	(470)

(vii) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 176,970	176,970	-	-	176,970
Domestic stock in listed company at Taipei Exchange	62,216	62,216	-	-	62,216
International stock	49,271	-	-	49,271	49,271
subtotal	288,457	239,186	-	49,271	288,457

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		December 31, 2020			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,223,730	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,033,268	-	-	-	-
Other receivables (including related party)	16,483	-	-	-	-
Other financial assets	439,700	-	-	-	-
Refundable deposits paid	22,019	-	-	-	-
subtotal	<u>3,735,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,023,657</u>	<u>239,186</u>	<u>-</u>	<u>49,271</u>	<u>288,457</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,143,664	-	-	-	-
Notes payable and accounts payable (including related party)	159,440	-	-	-	-
Other payables (including related party)	497,016	-	-	-	-
Guarantee deposit received	2,430	-	-	-	-
Total	<u>\$ 2,802,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2019			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 5,874	5,874	-	-	5,874
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 201,871	201,871	-	-	201,871
Domestic stock in listed company at Taipei Exchange	199,486	199,486	-	-	199,486
Domestic stock in listed company at emerging stock market	78,278	78,278	-	-	78,278
International stock	49,271	-	-	49,271	49,271
subtotal	<u>528,906</u>	<u>479,635</u>	<u>-</u>	<u>49,271</u>	<u>528,906</u>

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	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,422,158	-	-	-	-
Notes receivable and accounts receivable (including related party)	997,601	-	-	-	-
Other receivables (including related party)	119,753	-	-	-	-
Other financial assets	491,252	-	-	-	-
Cash surrender value of life insurance	13,657	-	-	-	-
Refundable deposits paid	31,132	-	-	-	-
subtotal	<u>4,075,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,610,333</u>	<u>485,509</u>	<u>-</u>	<u>49,271</u>	<u>534,780</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,933,314	-	-	-	-
Notes payable and accounts payable (including related party)	181,277	-	-	-	-
Other payables (including related party)	574,769	-	-	-	-
Guarantee deposit received	2,428	-	-	-	-
Total	<u>\$ 2,691,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

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

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

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

5) Transfer between levels

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

6) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2020	\$ 49,271
Balance at December 31, 2020	\$ 49,271
Balance at January 1, 2019	\$ -
Purchase	49,271
Balance at December 31, 2019	\$ 49,271

7) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "fair value through other comprehensive income – equity investments".

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Most of the Group's financial instruments that use Level 3 inputs have only one significant unobservable input. Only equity investments without an active market have multiple significant unobservable input.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income - equity investments without an active market	Discounted Cash Flow Method	Weighted average cost of capital (On December 31, 2020 and December 31, 2019 were 13.32% and 14.27%, respectively)	The higher the weighted average cost of capital and discount for lack of market liquidity, the lower the fair value.

- 8) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The valuation models and assumptions used to measure the fair value of financial instruments are reasonable. However, the use of different valuation models or assumptions may result in different measurements. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used in valuation models have changed:

	<u>Input</u>	<u>Change</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2020				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	487	(487)
December 31, 2019				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	646	(646)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (x) Financial risk management

- (i) Overview

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

- 1) credit risk
- 2) liquidity risk
- 3) market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

2) Investment

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

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3) Guarantees

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

(iv) Liquidity risk

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

(v) Market risk

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

(y) Capital management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

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

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

	December 31, 2020	December 31, 2019
Total liabilities	\$ 3,282,741	3,383,652
Less: cash and cash equivalents	(2,223,730)	(2,422,158)
Net debt	1,059,011	961,494
Total capital	6,078,068	6,169,064
Adjusted capital	\$ 7,137,079	7,130,558
Debt-to-equity ratio	14.84%	13.48%

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(7) Related-party transactions:

(a) Names and relationship with related parties

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

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

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

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Group to related parties were as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ 71,355	90,726
Other related parties	527	-
	<u>\$ 71,882</u>	<u>90,726</u>

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

(ii) Purchase

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

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ -	20,520

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms are Net 30 days, which were no different from the payment terms given by other vendors.

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

(iii) Rent income

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

<u>Recognized item</u>	<u>Category</u>	<u>For the years ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Rent revenue	Associates	\$ -	3,137

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

(iv) Other gains

The amount of other gains from related parties were as follows:

<u>Recognized item</u>	<u>Category</u>	<u>For the years ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Other gains	Associates	\$ -	932
	Associate-American Taiwan Biopharm (Thailand)	12,545	12,562
		<u>\$ 12,545</u>	<u>13,494</u>

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

(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2020</u>	<u>2019</u>
Accounts receivable	Associates	\$ 24,854	27,668
	Other related parties	-	110
		<u>\$ 24,854</u>	<u>27,778</u>
Other receivables	Associate-American Taiwan Biopharm (Thailand)	\$ 3,515	16,481
	Other related parties	-	826
		<u>\$ 3,515</u>	<u>17,307</u>
Other payables	Other related parties	<u>\$ 87</u>	<u>-</u>

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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- (d) Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 97,725	102,358
Post-employment benefits	1,234	1,187
	<u>\$ 98,959</u>	<u>103,545</u>

(8) Pledged assets:

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

Asset	Purpose of pledge	December 31, 2020	December 31, 2019
Other current and non-current asset-reserve account	Bank loan	\$ 21,131	29,126
Other financial assets-non-current	Guarantee for provision attachment	149,380	149,380
		<u>\$ 170,511</u>	<u>178,506</u>

(9) Commitments and contingencies:

- (a) As of December 31, 2020 and 2019, due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$506,798 thousand and \$548,721 thousand, and the unpaid amount was \$142,930 thousand and \$161,866 thousand, respectively.
- (b) As of December 31, 2020 and 2019, the financial institutions provide guarantee for the sale of medicine amounted to \$71,211 thousand and \$92,983 thousand, respectively.
- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the ex-chairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan High Court. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperdone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called "Risperdone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29, 2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperdone". On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.

(Continued)

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

- (d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and furthers sought an order that Inopha returns all the benefits it had gained from the agreements. The case is still in progress.
- (e) On May 30, 2016, Janssen Pharmaceutical NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha. The case was suspended. As of September 30, 2020, the amount of contract revenue \$21,649 thousand euros has been deposited in the trust account.
- (f) With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative actions for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Germany Labor Court of Dresden against Denis Optiz, who is the beneficiary owner of Inopha AG, which is still in progress in the Germany Labor Court of Dresden.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function		For the years ended December 31,			
	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 221,866	656,274	878,140	214,072	607,965	822,037
Health and labor insurance	20,077	44,510	64,587	17,430	38,021	55,451
Pension	11,359	27,837	39,196	9,051	20,240	29,291
Others	5,914	47,325	53,239	6,597	75,416	82,013
Depreciation expense	105,251	31,879	137,130	103,758	29,739	133,497
Amortization expense	405	19,464	19,869	354	18,487	18,841

- (b) Others

The Group donated \$46,191 thousand and \$52,708 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2020 and 2019, respectively.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2020:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	Chuang Yi Biotech Co., Ltd.	Receivables from related parties	Yes	50,000	-	-	2.366%	2	-	Operating capital	-	-	-	1,089,953	1,089,953
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	34,176 USD 1,200	-	-	0.5%	2	-	Operating capital	-	-	-	213,378 CNY 48,750	213,378 CNY 48,750
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	71,200 USD 2,500	71,200 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	85,352 CNY 19,500	85,352 CNY 19,500

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

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

Note 4): The highest balance of financing to other parties as of December 31, 2020.

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

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

(ii) Guarantees and endorsements for other parties: None

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

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income–non-current	-	-	- %	-	1.36 %	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income– current	1,765	62,216	1.50 %	62,216	3.57 %	
"	Handa Pharmaceuticals Inc. common stock	-	Financial assets measured at fair value through other comprehensive income–non-current	-	-	- %	-	2.27 %	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	2,500	156,250	0.38 %	156,250	0.38 %	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,720	0.20 %	20,720	0.20 %	
	CellMax Ltd. Preferred Stock	-	"	1,593	49,271	2.03 %	49,271	2.03 %	

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollar)

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

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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

(ix) Trading in derivative instruments: None

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco International Co., Ltd.	1	Royalty revenue	50,382	By contract	1.19%
0	"	TSH Biopharm Co., Ltd.	1	Sale revenue	97,221	"	2.30%
0	"	"	1	Other receivables	1,731	"	0.02%
0	"	"	1	Selling expense	1,947	"	0.05%
0	"	"	1	Other gains and losses	5,337	"	0.13%
0	"	"	1	Other income	4,207	"	0.10%
0	"	"	1	Accounts receivable	3,114	"	0.03%
0	"	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	4,371	"	0.05%
0	"	"	1	Other receivables	7,049	"	0.08%
0	"	"	1	Sale revenue	5,317	"	0.13%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	54,715	"	0.58%
0	"	"	1	Other receivables	70,321	"	0.75%
0	"	"	1	Sales revenue	75,276	"	1.78%
0	"	"	1	Other gains and losses	3,491	"	0.08%
0	"	"	1	Other income	3,135	"	0.07%
0	"	TTY Biopharm Mexico S.A. de C.V.	1	Accounts receivable	1,084	"	0.01%
0	"	"	1	Sale revenue	1,095	"	0.03%
1	Xudong Haipu International Co., Ltd.	"	3	Other receivables	3,972	"	0.04%

Note 1): The numbering is as follows:

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

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

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

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

Note 4): The related-party transactions less than NT\$1,000 thousand were not disclosed, and so were the relative transactions.

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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 year ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,312,140	100.00 %	(8,168)	(8,168)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	213,378	100.00 %	(10,335)	(10,335)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(2,847)	87.00 %	2,462	2,142	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	625,349	56.48 %	64,969 (Note)	36,517	Subsidiary
The Company	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	30,640	20.83 %	(27,377)	(5,703)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	180,951	180,951	10,282	38.12 %	(32,485)	38.12 %	69,519	26,501	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	17.77 %	877,057	17.77 %	604,281	107,373	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	287,434	40.00 %	93,537	37,415	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	57,672	40.00 %	45,192	18,077	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	53,563	29.17 %	(27,377)	(7,986)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	22,884	100.00 %	(9,002)	(9,002)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	13,822	17,500	50.00 %	17,876	50.00 %	(5,580)	(2,790)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	13,822	17,500	50.00 %	17,876	50.00 %	(5,580)	(2,790)	Subsidiary
EnhancX Biopharm Inc.	EnhancX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	2,534	100.00 %	(500)	(500)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	4.89 %	5,321	4.89 %	69,519	3,399	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00 %	2,910	100.00 %	(1,424)	(1,424)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hongkong) Biotech Co., Ltd.	Hong Kong	Selling functional food	4,734	4,734	1,200	100.00 %	2,341	100.00 %	(370)	(370)	Subsidiary

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

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(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollar)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	CNY 52,086 11,900	(2)	CNY 88,109 20,130	-	-	CNY 88,109 20,130	CNY 561 131	100 %	100 %	CNY 561 131	CNY 48,879 11,167	-
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	USD 14,240 500	(2)	USD 14,240 500	-	-	USD 14,240 500	CNY (1,334) (312)	100 %	100 %	CNY (1,334) (312)	CNY 2,805 642	-

The exchange rate of USD to NTD as of the reporting date was 1:28.48, and the average exchange rate of USD to NTD for the reporting period was 1:29.588.

The exchange rate of CNY to NTD as of the reporting date was 1:4.377, and the average exchange rate of CNY to NTD for the reporting period was 1:4.275.

Note 1): Investment methods are classified into the following four categories.

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

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(ii) Limitation on investment in Mainland China:

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

(iii) Significant transactions: None

(d) Major shareholders:

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

(14) Segment information:

(a) General information

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

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

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

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

For the year ended December 31, 2020	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	\$ 2,452,779	173,473	953,330	445,833	-	196,421	-	4,221,836
Intersegment revenues	154,801	39,154	36,122	2,029	-	(371)	(231,735)	-
Interest revenue	1,126	-	-	2,238	357	11,860	(600)	14,981
Total revenue	\$ 2,608,706	212,627	989,452	450,100	357	207,910	(232,335)	4,236,817
Interest expense	\$ 17,358	-	-	27	-	2,618	(590)	19,413
Depreciation and amortization	137,412	-	303	9,649	630	19,269	(10,264)	156,999
Share of profit of associates accounted for using equity method	107,373	55,492	-	-	-	-	-	162,865
Reportable segment profit or loss	\$ 759,038	54,052	316,444	80,631	(10,414)	35,665	(33,891)	1,201,525
Investments accounted for using equity method	\$ 876,630	345,106	-	-	-	-	-	1,221,736
Reportable segment assets	\$ 7,956,767	89,717	472,931	1,220,139	214,178	1,883,533	(2,476,456)	9,360,809

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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<u>For the year ended December 31, 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	\$ 2,888,893	264,866	786,659	506,200	-	19,690	-	4,466,308
Intersegment revenues	136,784	-	-	1,466	-	-	(138,250)	-
Interest revenue	2,495	-	-	2,843	847	34,267	(7)	40,445
Total revenue	<u>\$ 3,028,172</u>	<u>264,866</u>	<u>786,659</u>	<u>510,509</u>	<u>847</u>	<u>53,957</u>	<u>(138,257)</u>	<u>4,506,753</u>
Interest expense	\$ 14,717	-	-	82	-	19	(8)	14,810
Depreciation and amortization	135,904	-	294	9,612	739	10,067	(4,278)	152,338
Share of profit of associates accounted for using equity method	(79,153)	46,018	-	(13,709)	-	-	-	(46,844)
Reportable segment profit or loss	<u>\$ 847,282</u>	<u>77,098</u>	<u>253,531</u>	<u>65,036</u>	<u>320</u>	<u>(22,517)</u>	<u>(18,096)</u>	<u>1,202,654</u>
Investments accounted for using equity method	\$ 782,858	318,187	-	1,926	-	-	(2,093)	1,100,878
Reportable segment assets	<u>\$ 8,219,383</u>	<u>35,895</u>	<u>320,739</u>	<u>1,262,672</u>	<u>229,122</u>	<u>1,923,420</u>	<u>(2,438,515)</u>	<u>9,552,716</u>

(c) Information

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

<u>Product and Service</u>	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Medical and functional food	\$ 4,193,242	4,372,293
Service revenue	28,594	94,015
Total	<u>\$ 4,221,836</u>	<u>4,466,308</u>

(d) Geographic information

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

<u>Region</u>	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue from external customers:		
Taiwan	\$ 3,931,611	3,727,105
Others countries	290,225	739,203
Total	<u>\$ 4,221,836</u>	<u>4,466,308</u>

(Continued)

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

<u>Region</u>	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Non-current assets:		
Taiwan	\$ 2,853,618	2,641,363
China	23,113	23,362
Others countries	<u>196</u>	<u>128</u>
Total	<u>\$ 2,876,927</u>	<u>2,664,853</u>

(e) Major customer

The Group's information about the major customer are as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Customer A	\$ -	414,699
Customer B	<u>142,548</u>	<u>-</u>
	<u>\$ 142,548</u>	<u>414,699</u>



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Occurrence of revenue from selling pharmaceuticals and chemical drugs

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

Key audit matters:

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



Auditing procedures performed:

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

2. Inventory valuation

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

Key audit matters:

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

Auditing procedures performed:

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

Other Matter

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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



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

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

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2021

Notes to Readers

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

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

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a) and (r))	\$ 194,591	3	481,515	6	2100	Short-term borrowings (note 6(i) and (r))	\$ 1,650,000	19	1,450,000	17
1150	Notes receivable, net (note 6(c) and (r))	17,652	-	15,070	-	2130	Contract liabilities-current(note 6(o) and 7)	15,495	-	12,177	-
1161	Notes receivable due from related parties (note 6(c), (r) and 7)	-	-	929	-	2150	Notes payable (note 6(r))	1,922	-	720	-
1170	Accounts receivable, net (note 6(c) and (r))	778,724	9	821,329	10	2170	Accounts payable (note 6(r))	150,648	2	173,265	2
1180	Accounts receivable due from related parties, net (note 6(c), (r) and 7)	86,155	1	50,558	1	2230	Current tax liabilities	94,049	1	179,287	2
1200	Other receivables, net (note 6(r) and 7)	91,464	1	51,926	1	2200	Other payables (note 6(p) and (r))	414,126	5	472,716	6
130X	Inventories (note 6(d))	1,016,308	12	796,905	9	2300	Other current liabilities	20,256	-	24,323	-
1410	Prepayments	24,139	-	19,860	-	2320	Long-term liabilities, current portion (note 6(j) and (r))	-	-	350,000	4
1470	Other current assets (note 6(h))	4,465	-	730	-			2,346,496	27	2,662,488	31
		<u>2,213,498</u>	<u>26</u>	<u>2,238,822</u>	<u>27</u>	Non-Current liabilities:					
Non-current assets:						2540	Long-term borrowings (note 6(j) and (r))	400,000	5	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b) and (r))	-	-	55,040	1	2570	Deferred tax liabilities (note 6(l))	271,826	3	282,077	3
1550	Investments accounted for using equity method, net (note 6(e))	3,403,670	40	3,387,234	39	2640	Net defined benefit liability, non-current (note 6(k))	45,500	1	56,109	1
1600	Property, plant and equipment (note 6(f))	2,558,085	30	2,365,773	28	2645	Guarantee deposits received (note 6(r) and 7)	3,559	-	3,559	-
1760	Investment property, net (note (g))	114,163	1	77,070	1	2650	Credit balance of investments accounted for using equity method (note 6(e))	35,332	-	4,206	-
1780	Intangible assets	34,591	-	26,607	-	2670	Other non-current liabilities	2,268	-	1,148	-
1840	Deferred tax assets (note 6(l))	43,940	1	26,316	-			<u>758,485</u>	<u>9</u>	<u>347,099</u>	<u>4</u>
1915	Prepayments for business facilities	4,975	-	201,259	2	Total liabilities		<u>3,104,981</u>	<u>36</u>	<u>3,009,587</u>	<u>35</u>
1920	Refundable deposits paid (note 6(r))	19,696	-	28,089	-	Equity (note 6(m)):					
1981	Cash surrender value of life insurance (note 6(r))	-	-	13,657	-	3100	Capital stock	2,486,500	29	2,486,500	29
1984	Other non-current financial assets (note 6(h), (r) and 8)	151,193	2	152,421	2	3200	Capital surplus (note 6(e))	337,997	4	338,514	4
1990	Other non-current assets (note 6(h))	10,936	-	7,935	-	3310	Legal reserve	1,093,808	13	1,003,556	12
		<u>6,341,249</u>	<u>74</u>	<u>6,341,401</u>	<u>73</u>	3320	Special reserve	110,154	2	110,154	1
						3350	Unappropriated retained earnings	1,555,016	18	1,591,777	19
						3400	Other equity interest	(133,709)	(2)	40,135	-
						Total equity		<u>5,449,766</u>	<u>64</u>	<u>5,570,636</u>	<u>65</u>
Total assets		<u>\$ 8,554,747</u>	<u>100</u>	<u>8,580,223</u>	<u>100</u>	Total liabilities and equity		<u>\$ 8,554,747</u>	<u>100</u>	<u>8,580,223</u>	<u>100</u>

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

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

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

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Share capital		Retained earnings			Total other equity interest			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	
Balance on January 1, 2019	\$ 2,486,500	348,819	857,418	110,154	1,954,321	(56,694)	103,515	46,821	5,804,033
Profit for the period	-	-	-	-	900,081	-	-	-	900,081
Other comprehensive income	-	-	-	-	2,438	(24,030)	17,344	(6,686)	(4,248)
Total comprehensive income	-	-	-	-	902,519	(24,030)	17,344	(6,686)	895,833
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	146,138	-	(146,138)	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	(1,118,925)
Other changes in capital surplus:									
Changes in equity of investments accounted for using equity method	-	(10,305)	-	-	-	-	-	-	(10,305)
Balance on December 31, 2019	2,486,500	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	40,135	5,570,636
Profit for the period	-	-	-	-	924,178	-	-	-	924,178
Other comprehensive income	-	-	-	-	7,920	(65,887)	8,035	(57,852)	(49,932)
Total comprehensive income	-	-	-	-	932,098	(65,887)	8,035	(57,852)	874,246
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	90,252	-	(90,252)	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(994,599)	-	-	-	(994,599)
Other changes in capital surplus:									
Changes in equity of investments accounted for using equity method	-	(517)	-	-	-	-	-	-	(517)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	115,992	-	(115,992)	(115,992)	-
Balance on December 31, 2020	\$ 2,486,500	337,997	1,093,808	110,154	1,555,016	(146,611)	12,902	(133,709)	5,449,766

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

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

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currencies transactions

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than it's payment term;

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investment in associates

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

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

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

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

(i) Subsidiaries

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

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

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

(j) Investment property

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(iv) Reclassification as investment property

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(l) Lease

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

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

(ii) As a lessee

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

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

(iii) As a lessor

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

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

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

(m) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

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

- | | |
|---------------------------|-----------|
| 1) Patents and franchise | 10 years |
| 2) Computer software cost | 2-7 years |

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

(n) Impairment of non-financial assets

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

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

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

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

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

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

(o) Cash surrender value of life insurance

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

(p) Provisions

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

(q) Revenue recognition

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

1) Sale of goods

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

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

2) Authorization revenue

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

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

3) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

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

2) Costs to fulfil a contract

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

- a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- b) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c) the costs are expected to be recovered.

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

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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TTY BIOPHARM COMPANY LIMITED

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

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

(iii) Other long-term employee benefits

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

(iv) Short-term employee benefits

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

(s) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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TTY BIOPHARM COMPANY LIMITED

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

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

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

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

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

(t) Earnings per share

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

(u) Operating segments

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

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

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

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

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

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

- Valuation of inventories

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

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

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

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

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

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

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

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

- (ii) As part of its strategy, the Company sold its shares amounting to \$70,172 thousand, resulting in a gain of \$60,124 thousand, which was reclassified from other comprehensive income to retained earnings for the year ended December 31, 2020.
- (iii) Please refer to Note 6(r) for credit and market risk information.
- (iv) The above financial assets were not pledged as collateral.
- (c) Notes receivable and accounts receivable (including related parties)

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

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

December 31, 2020			
	Face value of notes and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 883,629	0%~1%	3,216
Past due less than 90 days	2,229	4%~6%	111
Past due more than 181 days	17,457	100%	17,457
	\$ 903,315		20,784
December 31, 2019			
	Face value of notes and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 877,930	0%~1%	1,038
Past due less than 90 days	11,506	4%~6%	518
Past due 91-180 days	15	55%~60%	9
Past due more than 181 days	19,219	100%	19,219
	\$ 908,670		20,784

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

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

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

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

(d) Inventories

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

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

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

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

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(e) Investments accounted for using equity method

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

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

(i) Subsidiaries

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

(ii) Associates

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

	December 31, 2020	December 31, 2019
Carrying amount	<u>\$ 877,057</u>	<u>782,858</u>
Fair value	<u>\$ 1,497,688</u>	<u>1,771,876</u>

- 2) For the years ended December 31, 2020 and 2019, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, repurchased and cancelled the treasury stocks, which resulted in a change in the shareholding ratio, and such change was debit of \$517 thousand and \$10,305 thousand, respectively, to its capital reserve. In September 2019, the Company acquired 2.06% of the shares of PharmaEngine, Inc. for \$237,461 thousand in cash. For the years ended December 31, 2020 and 2019, the Company's shareholding ratio rose from 17.76% to 17.77% and rose from 15.52% to 17.76%, respectively.
- 3) In 2019, the Company acquired 10.58% of Chuang Yi Biotech Co., Ltd.'s shares for \$98,892 thousand in cash. For the year ended December 31, 2019, the Company obtained control over Chuang Yi Biotech Co., Ltd. ,which eventually became one of the Company's subsidiaries, resulting in the Company to recognize the loss of \$58,349 thousand. For the year ended December 31, 2019, the Company's shareholding ratio rose from 27.54% to 38.12%.

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iii) Associates that had materiality were as follows:

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

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

• Summary financial information on PharmaEngine, Inc.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 4,169,858	3,578,332
Non-current assets	37,053	65,060
Current liabilities	(184,462)	(138,443)
Non-current liabilities	(11,316)	(21,954)
Net assets	<u>\$ 4,011,133</u>	<u>3,482,995</u>
Net assets attributable to non-controlling interests	<u>\$ 712,779</u>	<u>618,580</u>
Net assets attributable to investee owners	<u>\$ 3,298,354</u>	<u>2,864,415</u>
	For the years ended December 31,	
	<u>2020</u>	<u>2019</u>
Revenue	<u>\$ 1,056,012</u>	<u>314,040</u>
Profit for the period	\$ 604,281	42,550
Other comprehensive income (loss)	1,587	(220)
Comprehensive income	<u>\$ 605,868</u>	<u>42,330</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 107,655</u>	<u>5,107</u>
Comprehensive income attributable to investee owners	<u>\$ 498,213</u>	<u>37,223</u>

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

(iv) Summary financial information on individually insignificant associates

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

	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
Carrying amount of interest in individually insignificant associates	<u>\$ 345,106</u>	<u>318,187</u>
<u>For the years ended December 31,</u>		
	<u>2020</u>	<u>2019</u>
Attributable to the Company:		
Profit for the period	\$ 55,492	46,019
Other comprehensive (loss) income	<u>(23,124)</u>	<u>13,928</u>
Comprehensive income	<u>\$ 32,368</u>	<u>59,947</u>

(v) Collateral

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

(f) Property, plant and equipment

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

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

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Notes to the Financial Statements

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

(i) Collateral

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

(ii) Property, plant and equipment under construction

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

(g) Investment property

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

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Notes to the Financial Statements

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

- (i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length terms.
- (ii) As of December 31, 2020 and 2019, the Company's investment properties were not pledged as collateral.
- (h) Other financial assets and other assets

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

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

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

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(i) Short-term loans

The short-term loans were summarized as follows:

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

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

(j) Long-term loans

The long-term loans were summarized as follows:

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

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

(k) Employee benefits

(i) Defined benefit plans

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

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

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Notes to the Financial Statements

The Company's employee benefit liabilities were as below:

	December 31, 2020	December 31, 2019
Vacation liability	\$ <u>7,138</u>	<u>7,138</u>

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

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TTY BIOPHARM COMPANY LIMITED
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3) Movements in the fair value of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

6) Actuarial assumptions

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.47 %	0.74 %
Future salary increase rate	3.00 %	3.00 %

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

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

7) Sensitivity analysis

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

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

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

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

(ii) Defined contribution plans

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(l) Income taxes

(i) Income tax expense

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

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

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

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

2) Recognized deferred tax assets and liabilities

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iii) Assessment of tax

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

(m) Capital and other equity

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

(i) Capital surplus

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

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

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

(ii) Retained earnings

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

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

1) Legal reserve

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

2) Special reserve

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

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

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

3) Earnings distribution

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

	2019		2018	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.00	<u>994,599</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) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2020	\$ (80,724)	120,859	40,135
Exchange differences on foreign operations	35	-	35
Share of exchange differences of subsidiaries and associates accounted for using equity method	(65,922)	-	(65,922)
Unrealized gains and losses on financial assets measured at fair value through other comprehensive income	-	15,132	15,132
Disposal of investments in equity instruments at fair value through other comprehensive income losses	-	(115,992)	(115,992)
Unrealized losses from financial assets measured at fair value through other comprehensive income, subsidiaries and associates accounted for using equity method	-	(7,097)	(7,097)
Balance on December 31, 2020	<u>\$ (146,611)</u>	<u>12,902</u>	<u>(133,709)</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

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

(n) Earnings per share

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

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

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

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

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

For the year ended December 31, 2020					
		Oncology Business Unit	Health Care Unit	Domestic Cardiovascular and Gastrointestina l Drugs Business Unit	Total
Major products/services lines:					
Medicine and functional food	\$	2,445,507	212,627	987,833	3,645,967
Services		21,659	-	1,619	23,278
Roylaty		51,916	-	-	51,916
		2,519,082	212,627	989,452	3,721,161
For the year ended December 31, 2019					
		Oncology Business Unit	Health Care Unit	Domestic Cardiovascular and Gastrointestina l Drugs Business Unit	Total
Primary geographical markets:					
Taiwan	\$	2,249,496	229,488	785,891	3,264,875
European countries		418,933	-	-	418,933
Other countries		324,706	35,378	768	360,852
		2,993,135	264,866	786,659	4,044,660
Major products/services lines:					
Medicine and functional food	\$	2,881,233	264,866	786,659	3,932,758
Services		25,932	-	-	25,932
Roylaty		85,970	-	-	85,970
		2,993,135	264,866	786,659	4,044,660

(ii) Contract balances

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

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

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

(p) Employee compensation and directors' remuneration

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

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

(q) Non-operating income and expenses

(i) Interest income

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

	For the years ended December 31,	
	2020	2019
Interest income	\$ <u>1,126</u>	<u>2,495</u>

(ii) Other income

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

	For the years ended December 31,	
	2020	2019
Rent revenue	\$ <u>16,818</u>	<u>14,808</u>

(iii) Other gains and losses

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

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

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

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iv) Finance costs

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

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

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentrations of credit risk

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

3) Credit risk of receivables

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

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

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(ii) Liquidity risk

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

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

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

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

2) Sensitivity analysis

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

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

3) Gains or losses on monetary item

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange loss, including both realized and unrealized, amounted to \$7,371 thousand and \$11,533 thousand, respectively.

(iv) Interest rate analysis

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

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

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

If the interest rate had increased/decreased by 0.25%, the Company's after-tax net income would have increased/decreased by \$1,816 thousand and \$595 thousand for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remained constant.

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

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Notes to the Financial Statements

		December 31, 2020			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 194,591	-	-	-	-
Notes and accounts receivable (including related parties)	882,531	-	-	-	-
Other receivables (including related parties)	91,464	-	-	-	-
Other financial asset	151,193	-	-	-	-
Refundable deposits paid	19,696	-	-	-	-
Total	\$ 1,339,475	-	-	-	-
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,050,000	-	-	-	-
Notes and accounts payable (including related parties)	152,570	-	-	-	-
Other payables (including related parties)	414,126	-	-	-	-
Guarantee deposit received	3,559	-	-	-	-
Total	\$ 2,620,255	-	-	-	-
		December 31, 2019			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income					
Domestic stock in listed company at Taipei Exchange	\$ 55,040	55,040	-	-	55,040
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 481,515	-	-	-	-
Notes and accounts receivable (including related parties)	887,886	-	-	-	-
Other receivables (including related parties)	51,926	-	-	-	-
Other financial asset	152,421	-	-	-	-
Cash surrender value of life insurance	13,657	-	-	-	-
Refundable deposits paid	28,089	-	-	-	-
	1,615,494	-	-	-	-
Total	\$ 1,670,534	55,040	-	-	55,040
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,800,000	-	-	-	-
Notes and accounts payable (including related parties)	173,985	-	-	-	-
Other payables (including related parties)	472,716	-	-	-	-
Guarantee deposit received	3,559	-	-	-	-
Total	\$ 2,450,260	-	-	-	-

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

2) Fair value hierarchy

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

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

The financial instrument carried at amortized cost mentioned above is either close to its expiry date, or their future receivable or payable is close to its carrying value; thus, its fair value is estimated from the book value of the balance sheet date.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observation market data at reporting date.

(Continued)

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5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2020 and 2019, so there was no transfer between levels.

(s) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

1) Accounts receivables and other receivables

The Company's credit policy is to transact with creditworthy customers and to obtain collateral to mitigate risks arising from financial loss due to default. The Company transacts with customers with credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company assesses the ratings based on other publicly available financial information and the records of transactions with its customers. The Company continuously monitor the exposure to credit risk and counterparty credit ratings, and to evaluate the customers' credit ratings and credit limits via annual review and approval by the finance department to manage the credit exposure.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The exposure to credit risk related for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks and other external parties with good credit rating and with financial institutions, corporate organizations, and government agencies which are graded above investment grade, management does not expect any counterparty to fail to meet its obligation hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company did not provide any endorsement or guarantee as of December 31, 2020 and 2019.

(iv) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(t) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total amount of capital represents all the equity components (that is, share capital, capital surplus, retained earnings, and other equity) plus net debt.

The Company monitors funds by regularly reviewing the ratio of assets to liabilities. The Company's capital is the "total equity" listed in the balance sheet, which is also equal to the total assets less the total liabilities.

The Company's debt-to-equity ratios at the balance sheet date were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Total liabilities	\$ 3,104,981	3,009,587
Less: cash and cash equivalents	<u>(194,591)</u>	<u>(481,515)</u>
Net debt	2,910,390	2,528,072
Total capital	<u>5,449,766</u>	<u>5,570,636</u>
Adjusted capital	<u>\$ 8,360,156</u>	<u>8,098,708</u>
Debt to equity ratio	<u>34.81%</u>	<u>31.22%</u>

(7) Related-party transactions:

- (a) Ultimate parent company

The Company is the ultimate parent company.

- (b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
TSH Biopharm Co., Ltd.	A Subsidiary
Xudong Haipu International Co., Ltd.	A Subsidiary
Worldco International Co., Ltd.	A Subsidiary
American Taiwan Biopharma Phils Inc.	A Subsidiary
EnhanX Inc.	A Subsidiary
TTY Biopharm Mexico S.A. de C.V.	A Subsidiary
Chuang Yi Biotech Co., Ltd.	A Subsidiary (Note)
American Taiwan Biopharm (Thailand)	An associate
PharmaEngine, Inc.	An associate

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

Note: As of December 31, 2019, the Company obtained control over Chuang Yi Biotech Co., Ltd. and listed it as a subsidiary of the Company. Before that date, Chuang Yi Biotech Co., Ltd. was an associate of the Company.

(c) Significant transactions with related parties

(i) Operating revenue

	For the years ended December 31,	
	2020	2019
Subsidiaries	\$ 178,909	138,250
Associates	<u>66,199</u>	<u>86,248</u>
	<u>\$ 245,108</u>	<u>224,498</u>

- 1) Prices charged for sales transactions with offshore subsidiaries and associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.
- 2) Prices charged for sales transactions with domestic subsidiaries were based on market quotation. The average credit term for notes and accounts receivable pertaining to such sales transactions was 1-3 months.

(ii) Service revenue

<u>Recognized item</u>	<u>Category</u>	For the years ended December 31,	
		2020	2019
Service revenue	Subsidiaries	\$ 786	5,475
	Associates	<u>7</u>	<u>-</u>
		<u>\$ 793</u>	<u>5,475</u>

The transaction terms were discussed and agreed by both sides, and revenue was collected by the stage of completion of the contract.

(iii) Royalty revenue

<u>Recognized item</u>	<u>Category</u>	For the years ended December 31,	
		2020	2019
Royalty revenue	Subsidiary-Worldco International Co., Ltd.	<u>\$ 50,382</u>	<u>51,617</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iv) Rent revenue

<u>Recognized item</u>	<u>Category</u>	<u>For the years ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Rent revenue	Subsidiary-TSH Biopharm Co., Ltd.	\$ 4,207	4,167
	Subsidiary-Chuang Yi Biotech Co., Ltd.	3,135	3,137
	Subsidiaries	<u>180</u>	<u>180</u>
		<u>\$ 7,522</u>	<u>7,484</u>

Rent was based on recent market transactions on arm's-length terms.

(v) Other gains

<u>Recognized item</u>	<u>Category</u>	<u>For the years ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Other gains	Subsidiary-TSH Biopharm Co., Ltd.	\$ 5,337	6,111
	Subsidiaries	4,197	1,170
	Associate-American Taiwan Biopharm (Thailand)	12,545	12,562
	Associates	<u>205</u>	<u>932</u>
		<u>\$ 22,284</u>	<u>20,775</u>

- 1) The other gains from subsidiaries included warehouse fees, technology service fees, commissioned research expense and bookkeeping fees. Warehouse fees are determined by industry rates, and the payment is received within 60 days after the invoice date. The Company uses cost-plus pricing for technology service fees and commissioned research expense, and the payment is received within 60 days after the invoice date. For the bookkeeping fees, the credit term is 3 months.
- 2) Based on management services agreements, the associates should pay the Company for development in the pharmaceutical industry or registration of pharmaceutical products. The credit term for the gains from development in the pharmaceutical industry or registration of pharmaceutical products is three months.

(d) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	Subsidiary	\$ -	<u>929</u>
Accounts receivable	Subsidiary	\$ 63,284	22,890
	Associates	<u>22,871</u>	<u>27,668</u>
		<u>\$ 86,155</u>	<u>50,558</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

<u>Recognized item</u>	<u>Category</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables	Subsidiary-Chuang Yi Biotech Co., Ltd. (Note)	\$ 70,321	654
	Subsidiary-American Taiwan Biopharma Phils Inc.	7,283	6,882
	Subsidiaries	1,826	6,135
	Associate-American Taiwan Biopharm (Thailand)	3,515	16,481
		<u>\$ 82,945</u>	<u>30,152</u>
Guarantee deposit received	Subsidiary-TSH Biopharm Co., Ltd.	\$ 693	693
	Subsidiary-Chuang Yi Biotech Co., Ltd.	522	522
	Subsidiaries	<u>30</u>	<u>30</u>
	<u>\$ 1,245</u>	<u>1,245</u>	

The information about the expected credit losses for accounts receivable, please refer to Note 6(c).

Note: A resolution on participating Chuang Yi Biotech Co., Ltd.'s private funds was passed during the board of directors on June 29, 2020, and the share payment would be offset against authorization fee for drug distribution rights amounted to \$70,000 thousand. Relevant legal procedures had been approved and registered by the competent authority.

(e) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 61,161	70,931
Post-employment benefits	<u>698</u>	<u>685</u>
	<u>\$ 61,859</u>	<u>71,616</u>

(8) Pledged assets:

As of December 31, 2020 and 2019, pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial asset-non-current	Guarantee for provision attachment	<u>\$ 149,380</u>	<u>149,380</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(9) Commitments and contingencies:

- (a) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$162,960 thousand and \$199,815 thousand, and the unpaid amount was \$20,143 thousand and \$33,425 thousand as of December 31, 2020 and 2019, respectively.
- (b) As of December 31, 2020 and 2019, the financial institutions provide guarantee for the sale of medicine amounted to \$71,211 thousand and \$92,983 thousand, respectively.
- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the ex-chairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan High Court. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin' s offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperdone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called " Risperidone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29,2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin' s offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called " Risperdone" . On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.
- (d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and furthers sought an order that Inopha returns all the benefits it had gained from the agreements. The case is still in progress.
- (e) On May 30, 2016, Janssen Pharmaceutical NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company' s request, to confirm whether the royalties belong to the Company or Inopha. The case was suspended. As of December 31, 2020, the amount of contract revenue \$21,649 thousand euros has been deposited in the trust account.
- (f) With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative actions for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020.

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

- (g) On February 28, 2020, the Company filed a civil lawsuit to the Germany Labor Court of Dresden against Denis Optiz, who is the beneficiary owner of Inopha AG, which is still in progress in the Germany Labor Court of Dresden.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

- (a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

By item	For the years ended December 31,					
	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 221,866	451,051	672,917	214,072	453,642	667,714
Health and labor insurance	20,077	33,934	54,011	17,430	31,108	48,538
Pension	11,359	21,336	32,695	9,051	16,716	25,767
Director's remuneration	-	30,101	30,101	-	29,819	29,819
Others	5,914	41,595	47,509	6,597	46,325	52,922
Depreciation	105,251	27,238	132,489	103,758	25,935	129,693
Amortization	405	4,821	5,226	354	6,151	6,505

For the years ended December 31, 2020 and 2019, the information of the number of employees and employee benefit expense was as follows:

	<u>2020</u>	<u>2019</u>
Number of employees	<u>585</u>	<u>576</u>
Number of directors who were not employees	<u>7</u>	<u>7</u>
The average employee benefit	<u>\$ 1,396</u>	<u>1,397</u>
The average salaries and wages	<u>\$ 1,164</u>	<u>1,173</u>
Percentage of average employee salary expense	<u>(0.77)%</u>	
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

The Articles of Incorporation of the Company stipulates that when directors perform their duties in the Company, remuneration shall be paid no matter whether the Company is in a loss or not. The remuneration of directors shall be determined by the participation and contribution of the directors and may be paid at such level as generally adopted by the enterprises of the same industry. The remuneration of independent directors of the Company is evaluated by the remuneration committee according to the Company's "Director's Remuneration Allocation Method" and approved by the board of directors. Remuneration of general directors is paid in accordance with the Company's Articles of Incorporation, and no more than 2% for directors' remuneration when there is profit for the year. The directors' remuneration is determined based on the "Board of Directors and Functional Committee Performance Evaluation Methods" of the Company's to evaluate the overall performance of directors and the board of directors. Items evaluated by the directors include, mastery of the Company goals and tasks, understanding of directors' responsibilities, participation in company operations, management and communication of internal relationship, professional and continuous education of directors, and internal control. The directors should also give remuneration in resonance with the Company's overall operating performance. Directors of the Company release remuneration based on the Company's operating performance, personal operating participation and evaluation, and the relevance of future risks, it then submit to the board of directors for approval after reviewing the Company's remuneration policy.

In accordance with the Articles of Incorporation stipulate that if there is a profit in the current year, 0.5% to 10% shall be allocated as employee compensation. The Company's employee remuneration includes salaries and bonuses. Salary is based on the Company's "Salary Structure" with reference to peer industry standards and titles, academic (economic) qualifications, professional capabilities, and responsibilities; bonuses are based on employee's annual performance to evaluated, such as annual work goal achievement rate, core functional indicators (trust and results-oriented, integrity and teamwork, proactive and ambition, and customer-oriented) and management function indicators, etc. The Company has separately formulated a performance standard reward plan, hoping to encourage it employees create greater operating benefits for the company.

- (b) The Company donated \$39,706 thousand and \$45,993 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2020 and 2019, respectively.

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2020:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	Chuang Yi Biotech Co., Ltd.	Receivables from related parties	Yes	50,000	-	-	2.366%	2	-	Operating capital	-	-	-	1,089,953	1,089,953
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	34,176 USD 1,200	-	-	0.5%	2	-	Operating capital	-	-	-	213,378 CNY 48,750	213,378 CNY 48,750
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	71,200 USD 2,500	71,200 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	85,352 CNY 19,500	85,352 CNY 19,500

The exchange rate of USD to NTD as of the reporting date is 1:28.48.

The exchange rate of CNY to NTD as of the reporting date is 1:4.377.

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

Note 1): Nature of financing activities is as follows:

- 1.Trading partner, the number is “1”.
- 2.Short-term financing, the number is “2”.

Note 2): The total amount for lending to a company shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of December 31, 2020.

Note 5): The amounts were approved by the Board of Directors.

Note 6): The amounts in foreign currencies were translated based on the spot exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income– current	1,765	62,216	1.50 %	62,216	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	156,250	0.38 %	156,250	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,720	0.20 %	20,720	
"	CellMax Ltd. Preferred Stock	-	"	1,593	49,271	2.03 %	49,271	

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Lumosa Therapeutics Co., Ltd. Common stock	Financial asset measured at fair value through other comprehensive income—non-current	-	-	1,600	55,040	-	-	1,600	70,172	70,172	-	-	-
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common stock	Financial asset measured at fair value through other comprehensive income—current	-	-	4,199	144,446	-	-	2,434	111,433	110,940	493	1,765	62,216

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Chuang Yi Biotech Co., Ltd.	Subsidiary	125,036	3.36%	-		122,043	-

(ix) Trading in derivative instruments: None

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haiipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,312,140	(8,168)	(8,168)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	213,378	(10,335)	(10,335)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(2,847)	2,462	2,142	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	625,349	64,969 (Note)	36,517	Subsidiary
The Company	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	30,640	(27,377)	(5,703)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	180,951	180,951	10,282	38.12 %	(32,485)	69,519	26,501	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	17.77 %	877,057	604,281	107,373	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	287,434	93,537	37,415	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	57,672	45,192	18,077	Investments accounted for using equity method
Xudong Haiipu International Co., Ltd.	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	53,563	(27,377)	(7,986)	Subsidiary
Xudong Haiipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	22,884	(9,002)	(9,002)	Subsidiary
Xudong Haiipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	13,822	17,500	50.00 %	17,876	(5,580)	(2,790)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	13,822	17,500	50.00 %	17,876	(5,580)	(2,790)	Subsidiary
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	2,534	(500)	(500)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	4.89 %	5,321	69,519	3,399	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00 %	2,910	(1,424)	(1,424)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hongkong) Biotech Co., Ltd.	Hong Kong	Selling functional food	4,734	4,734	1,200	100.00 %	2,341	(370)	(370)	Subsidiary

Note: Net income (losses) of investee was calculated at the level of the consolidated group.

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollar)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	52,086	(2)	88,109	-	-	88,109	561	100 %	561	48,879	-
		CNY 11,900		CNY 20,130	-	-	CNY 20,130	CNY 131		CNY 131	CNY 11,167	
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	14,240 500	(2)	14,240 500	-	-	14,240 500	(1,334) (312)	100 %	(1,334) (312)	2,805 642	-

The exchange rate of USD to NTD as of the reporting date is 1:28.48, and the average exchange rate of USD to NTD as of the reporting period is 1:29.588. The exchange rate of CNY to NTD as of the reporting date is 1:4.377, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.275.

Note 1): There are four ways to invest in Mainland China, and only the categories are identified.

1. Remittance from third-region companies to invest in Mainland China.
2. Through the establishment of third-region companies, then investing in Mainland China.
3. Through transfer of investment to third-region existing companies, then investing in Mainland China.
4. Other method.

Note 2): The amounts are presented in New Taiwan Dollar. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 102,349	NTD 1,345,053 (USD 47,228)	NTD 3,269,860

(iii) Significant transactions: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Dawan Technology Company Limited		22,590,732	9.08 %

(14) Segment information:

Please refer to the consolidated financial report for the years ended December 31, 2020 and 2019.

VII. Financial Analysis

1. Financial Analysis

Unit: NT\$ Thousand

Item \ Year	2019	2020	Difference	
			Amount	%
Current assets	4,974,418	4,798,541	(175,877)	(3.54)
Fixed assets	2,394,277	2,584,740	190,463	7.95
Other assets	278,061	88,792	(189,269)	(68.07)
Total assets	9,552,716	9,360,809	(191,907)	(2.01)
Current liabilities	3,025,430	2,548,666	(476,764)	(15.76)
Long-term liabilities	358,222	734,075	375,853	104.92
Total liability	3,383,652	3,282,741	(100,911)	(2.98)
Capital stock	2,486,500	2,486,500	—	—
Additional paid-in capital	338,514	337,997	(517)	(0.15)
Retained earnings	2,705,487	2,758,978	53,491	1.98
Total shareholder's equity	6,169,064	6,078,068	(90,996)	(1.48)

(1) Main Reasons for Critical Change:

- ① Decrease in Other Assets: This is mainly because in year 2020 prepayment for equipment was accounted to construction in progress and equipment pending for acceptance (under fixed assets).
- ② Decrease in Current Liabilities and Increase in Long-term Liabilities: This is due to in year 2020 repayment to long-term loans due within one year and re-borrowing of long-term loans .

(2) Impact from Critical Change and Future Responding Plan: None

2. Financial Results Analysis

Unit: NT\$ Thousand

Item \ Year	2019	2020	Increase (Decrease) Amount	Changes (%)
Net operating income	4,466,308	4,221,836	(244,472)	(5.47)
Operating cost	1,559,067	1,617,062	57,995	3.72
Add:Realized sales profit or loss	4,155	9,012	4,857	116.90
Less:Unrealized sales profit or loss	9,012	6,734	(2,278)	(25.28)
Gross profit	2,902,384	2,607,052	(295,332)	(10.18)
Operating expense	1,673,775	1,649,673	(24,102)	(1.44)
Operating net income	1,228,609	957,379	(271,230)	(22.08)
Non-Operating income and expense	(25,955)	244,146	270,101	(1,040.65)
Income from continuing operations before income taxes	1,202,654	1,201,525	(1,129)	(0.09)
Income tax expense	294,949	222,848	(72,101)	(24.45)
Net income from continuing operations	907,705	978,677	70,972	7.82
Cumulative Effect of Changes in Accounting Principle	–	–	–	–
Net income for division	–	–	–	–
Net income	907,705	978,677	70,972	7.82

(1) Main Reasons for Critical Changes:

- ① Decrease in Gross Profit and Operating income: This is because change of product mix.
- ② Increase in Non-Operating income and expense: This is mainly because of the recognition of indemnity resulted from recall of obesity drugs of original manufacturing firm by a subsidiary – Chuang Yi Biotech Co., Ltd., and the recognition of sales milestone royalty from an associate in equity method. Additionally, the Company obtained control power over invested company (i.e. Chuang Yi Biotech Co., Ltd) and recognized its impairment loss and re-measurement loss in accordance with International Accounting Standards.
- ③ Decrease in Income tax expense: Though the income before tax was flat in 2020, the operating profits decreased while the investment income accounted for equity method increased. Because investment income was exempted from taxable income, taxable income for 2020 decreased and income tax expenses also dropped accordingly.

(2) Expected Sales Volume and Expectation Basis:

For year 2021, the Company expects to sell oral drugs of 360 million tablets and 5.5 million vials. Expected sales volumes based on IQVIA statistic report as well as under considerations of possible future demand/supply change in market, new product

development speed and national health insurance policy.

(3) Potential Impact to The Company’s Future Finance & Business and Responding Plan:

The Company’s current operation presents stable profitability. This shall have positive influence on future finance and business, and shall benefit Company’s operation scale up and implementation of continuous internationalization.

3. Cash Flow Analysis

Unit: NT\$ Thousand

Cash Balance -Beginning	Annual Net Cash Flow from Operating Activities	Annual Cash Outflow	Cash Balance - Ending	Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Investment Plan
2,422,158	526,351	724,779	2,223,730	—	—

(1) Analysis of Cash Flows in the Most Recent Year:

- ① Operational activities: Net inflow of NT\$ 526,351 thousands is mainly due to NT\$ 815,093 thousands cash inflows from operating activities generated in current period.
- ② Investment activities: Net inflow is NTD 147,236 thousands. This is mainly because cash inflows of NTD 252,956 thousands from disposals of financial assets at fair value through other comprehensive income and cash outflows of NTD 167,317 thousands which resulted from purchase of property, plant and equipment to expand capacity.
- ③ Financial activities: Net outflow of NT\$ 872,015 thousands is mainly due to year 2019 cash dividend payment for NT\$ 994,599 thousands.

(2) Improvement Plan for Insufficient Liquidity: Not Applicable.

(3) Cash Liquidity Analysis within the Year :

Unit: NT\$ Thousand

Cash Balance -Beginning	Estimated Annual Net Cash Flow from Operating Activities	Estimated Annual Cash Outflow	Estimated Cash Balance - Ending	Estimated Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Investment Plan
2,223,730	1,243,567	1,552,932	1,914,365	—	—

- ① Expected Whole-Year Net Cash Flow from Operating Activities: NT\$ 1,243.567 million which is mainly due to profit generated from expected operating revenue growth for year 2021. As such, operating activity net cash inflow is positive..

- ② Expected Whole-Year Cash Outflow: NT\$ 1,552.932 million which is mainly due to cash dividend payment, increase in property, plant and equipment as well as purchase of intangible assets.

4. Influence on Financial Condition Caused By Prominent Capital Expenditures in the Most Recent Year

Unit: NT\$ Thousand

Capex	Actual and estimated source of capital	Actual or estimated date of completion	Total fund needed	Actual or estimated use of capital	
				2020	2021
Microsphere facility in Liudu Plant	The Company's Own Capital and Bank Loan	2021	64,214	—	14,700
Upgrade of Injection facility in Zone B1, Zhongli Plant	The Company's Own Capital and Bank Loan	2023	47,487		21,243
Improvement of Microsphere facility in Zone B3, Liudu Plant	The Company's Own Capital and Bank Loan	2022	121,330		66,000

The Company's profitability is stable and the capital required above has no significant impact on the Company's finance and business.

5. Investment Policy in Fiscal Year 2020, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment

Plan:

(1) Reinvestment Policy in the Most Recent Year:

- ① Strategic alliance for new drug R&D such as: Pharmaengine Inc, EnhanceX Inc.
- ② Strategic Alliance for Access to New Market Channel such as: establishment of TTY Biopharm Korea Co., Ltd.(Korea channel) and TTY Biopharm Mexico S.A. de C.V.(Mexico channel).
- ③ Expand strategic alliances with existing overseas channels such as: American Taiwan Biopharm Co., Ltd.(Thailand channel)及 American Taiwan Biopharma Philippines Inc.(Philippines channel).

(2) Major Reasons for Profit and Loss and Its Improvement Plan:

- ① In year 2020, PharmaEngine, Inc. received sales milestone royalty and generated net profit of NT\$ 604,281 thousand. With this, the Company recognized an

investment income of NT\$ 107,373 thousand. EnhanX Biopharm Inc. suffered net loss of NT\$27,377 thousand because its products are still in the preliminary phase of development. With this, the Company recognized an investment loss of NT\$13,689 thousand. In addition, sales of Chuang Yi Biotech Co., Ltd. tended toward steady and received indemnity, generating net profit of NT\$ 69,519 thousand in year 2020. With this, the Company recognized investment income of NT\$ 29,900 thousand.

- ② In terms of re-investment, TTY Biopharm Korea Co., Ltd. and TTY Biopharm Mexico S.A. de C.V. were all channel strategic alliance of the new market in their early stages of establishment. The net loss after tax in 2020 was NT\$ 9,002 thousand and NT\$ 5,580 thousand respectively.
- ③ With respect to overseas channel strategic alliance, American Taiwan Biopharm Co., Ltd. is in a stable profitable pattern. The net income in year 2020 was NT\$ 93,537 thousand. For American Taiwan Biopharma Philippines Inc., product items distributed still increased. The net income in year 2020 was NT\$ 2,462 thousand.

(3)Next Year’s Investment Plan:

The Company will continue to prudently evaluate the investment target aimed at the long-term strategy.

6. Risk Management and Evaluation

(1)The Impact of Interest Rate, Foreign Exchange Rate, and Inflation on the Company’s Profit/Loss and Future Responsive Measures:

- ① The impact of change in interest rates on the Company’s profit or loss:

Item	YEAR2020	
	Interest Income (Expenditure)	Exchange Profit (Loss)
Net Amount	(4,432) thousand	(15,253) thousand
Percentage of Net Revenue	(0.10%)	(0.36%)
Percentage of Pre-tax Net Profit	(0.37%)	(1.27%)

- ② The responsive measures:
 - (i) Interest rate: After reviewing the Company and its subsidiary’s mid-long term development and financial plan, the Company considers to raise mid-long term loan from financial institution to meet with mid-long term capital demands. As

for short term operating capital, it will be met through short term loan in order to lower capital cost incurred.

- (ii) Foreign exchange rate: Finance Department constantly monitors the trend of foreign exchange, and estimates the foreign currencies position and demand for the next 3 months. If there is shortage for foreign currencies, finance department will propose price based on foreign exchange trend analysis from banks and directly purchase from market. Exchange loss for year 2020 accounts for (0.36%) of sales revenue of that year. Impacted position is low.
- (iii) Inflation: Inflation does not pose significant impact on the Company's profit or loss.

(2) High Risks, High Leverage Investments, Loaning Of Funds, Endorsement and Guarantee, and Derivatives Trade Policy, Major Reasons for Profit/Loss, and Future Responsive Measures:

The Company is not engaged in high risk or highly leveraged investments. Various investments have all been through cautious assessment before being implemented in accordance with the Company's regulations. With respect to lending capital to others and endorsement or guarantee, the Company only lends capital to invested companies and it would be implemented in accordance with the Company's guidelines for lending capital to others. In addition, the Company does not make any endorsement or guarantee for others. Transactions of derivative financial products are also for the purpose of hedging. All operations have been through cautious consideration of risk condition and are implemented in accordance with the Company's regulations. As such, their impact to the Company is literally minor.

(3) Future Research and Development Plans and Estimated Research and Development Expenses Required:

Main R&D directions are developments for special dosage drug (with patentable or high entry barrier features), biologics and new drug as well as acquisition of permits for new indications. The Company's R&D expense for year 2021 is expected to reach NT\$ 208,067 thousand for the purpose of expanding new indications for existing products, conducting clinical trials in overseas markets, and scaling up trials for new developed products.

(4) The Impact of Material Changes of Local and Foreign Government Policies and Regulations on the Company's Finance and Business, And the Responsive Measures:

Since "Global budget payment system" was implemented in Taiwan, drug prices have been through numerous adjustments. Drug price and quantity from domestic drug companies have been under control through the Global budget payment system. This has impacted price and sales of some drugs as well as overseas price and has suppressed drug company's revenue and profit.

The responsive measures:

The Company regularly participates the Chinese Association for Pharmaceutical Agents (CAPA) & Taipei Pharmaceutical Agents and Distribution Association (TPADA) meetings, integrating the opinions from Taiwan Pharmaceutical Manufacturer's Association (TPMA) in order to take early action. In addition to establishing a complete sales network across Taiwan for the purpose to provide real time service to hospital and clinic and increase the width of sales, the Company also enhances resource utilization effectiveness and focuses on drugs with a certain market scale and value for strategic cooperation, and strengthens patient nursing through collaboration with medical experts, and continues to enhance hospital, clinic and doctor's confidence on drugs for the purpose of boosting opportunity to utilize prescriptions of drug. Additionally, the Company introduces new drug for post-clinical target treatment field through licensing, and complies with pioneering nation's certification timeline in order to shorten time needed for domestic certification, and works with preeminent marketing team and resources in order to create the best product revenue and avoid circumstances of the Company's lowered profitability from the implementation of adjustment in drug price.

(5)The Impact of Technology Changes and Industrial Changes on the Company's Finance and Business, and the Responsive Measures:

The launch of competitive products resulted in competition in price as well as market share. This may have impacts on business and finance for this Company.

The responsive measures:

Real-Time monitoring of FDA/EM new drug launch information (e-newspaper subscription), Drug certificate system of Ministry of health and Welfare (checking food and drug administration system) and Health insurance meeting agenda (checking national health insurance website), preemptive drafting of new competing strategy for core product in response to competing product launch, defense on purchase of generic drug to mitigate impact on sales.

(6)The Impact of Corporate Image Change on The Corporate Crisis Management, and The Responsive Measures :

Emergent or external events caused damage of corporate image and reputation.

The responsive measures:

The company actively strengthens and implements corporate governance, fulfills social responsibilities, and strives to improve its internal control system and capital structure to establish a good corporate image. In addition, an external public opinion monitoring system was introduced in response to various potential corporate crises.

(7)The Expected Benefits, Possible Risk, and the Responsive Measures of Merge & Acquisition: None.

(8)The Expected Benefits, Possible Risk and the Responsive Measures of Factory Expansion:

Factory expansion will enable the Company to enhance production capability. In addition

to its own products, the Company is also capable of contract manufacturing other drug company's products and, as a result, increasing its revenue.

Capital expenditure for factory expansion has been through the Company's rigorous plan and, as such, there is no operation risk incurred to the Company.

(9) Risks and the Responsive Measures of Sales and Purchases

Centralization:

There was only one supplier which accounted for over 10% of the total purchasing amount in the Company in year 2020, and the aforementioned supplier accounted for only 12.07% of the total purchasing amount of the Company. The aforementioned firm is well-known international firm in the world, and the possibility of risk is very low. In addition, the sales amount of the Company's single customer in year 2020 is less than 10% of the total net sales of the Company in the entire year, and there is no risk of concentration of sales of goods.

(10) The Impact, Risk and the Responsive Measures of Significant Equity Transfer and Conversion of the Directors, Supervisors, or Major Shareholders with Over 10% Shareholding on the Company:

For the latest year and as of the publication date of annual report, there are no circumstances of large amount equity transfer or change by the Company's directors.

(11) The Impact, Risk and the Responsive Measures of Changes in Operation Right:

For the latest year and as of the publication date of annual report, there are no circumstances of changes in the Company's management right and therefore this is not applicable.

(12) For The Litigation or Non-Litigation Events, Shall Illustrate the Legal Judgment or the Material Lawsuit in Progress and Non-litigation or Administrative Lawsuit of the Company and Its Directors, Supervisors, President, the Actual Person in Charge, the Major Shareholders with More Than 10% Shareholding, and Subsidiaries; the Significant Impact of the Litigation Result on The Shareholder's Equity or the Price of Securities; Also, Shall Disclose the Fact of the Contest, the Subject Matter, the Amount, the Litigation Starting Date, the Parties, and the Process of the Event as of the Publication Date of the Annual Report:

① Lin Rongjin, the former chairman of the company, is involved in the case of aggravating the crime of breach of trust in the Securities Exchange Law. In June 2015, the Taiwan Taipei District Prosecutors Office initiated a public prosecution on the ground that former chairman Lin Rongjin had violated the Securities Exchange Law. The criminal lawsuit was convicted by Taiwan Taipei District Court on September 1, 2017 that former chairman Lin Rongjin had violated the Securities Exchange Law. However, the lawsuit was acquitted by Taiwan High Court on May

27, 2020. The case has now been appealed to the Taiwan Supreme Court for third instance trial procedure. And on April 23, 2018, the Taipei District Prosecutors Office appealed to Taiwan High Court for joint trial of aforementioned second instance trial for former chairman Lin Rongjin of Center Laboratories, Inc. (hereinafter referred to as "Center Lab"), signed the Risperidone Drug Appointment and Development Agreement with this company in violation of the Securities Exchange Law mentioned above. It was overruled by Taiwan high court judgment on May 27, 2020. Taiwan Taipei district prosecutor office still considers this case and aforementioned case, which is being reviewed by 3rd instance court, are the same one case, and therefore requests the supreme court to jointly review these cases. The part of the incidental civil action was transferred to the Civil Court of Taiwan Taipei District Court for trial on September 6, 2017. On February 13, 2018, the Company filed a civil claim for compensation for criminal incidental damages in the above-mentioned criminal case in the second instance. On June 29, 2018, the company appealed to the Taipei District Prosecutors Office on Risperidone Drug for joint trial, and then filed an additional claim for compensation with former chairman Lin Rongjin.

- ② On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.
- ③ On May 30, 2016, Janssen 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 AG. The case was suspended. The contract amount of EUR 21,649 thousand has been deposited into trust account as of December 31, 2020.
- ④ The "Risperidone Drug Appointment and Development Agreement" signed by the Company and Center Laboratories, Inc., and latter filed a civil action to confirm the contractual relationship with the Taipei District Court on July 1, 2016, which existed in the first trial of the Taipei District Court on March 1, 2018. The Company's appeal was overruled by Taiwan High Court on March 11, 2020. With this, the Company made an appeal to the Supreme Court on April 10, 2020.
- ⑤ The company raised a civil damage compensation litigation against Swiss Inopha AG company's beneficial owner Denis Opitz at the Dresden Labor Court in Germany on February 28th, 2020. Currently, the court has accepted the filing and is proceeding with preparation procedures accordingly.

Result of the final judgment is not expected to have significant impact to shareholder's rights or securities price of the Company.

(13) Other Material Risks and the Responsive Measures: None

Information Security & Responsive Measures

✧ Information Security Risk Management Structure

- The Company's responsible unit for information security is IT Department which is staffed with one IT head and several professional IT staffs. IT Department is responsible for establishing internal information security policy, planning and executing information security operations, promoting and implementing information security policy as well as delivering annual report on the summary of the Company's information security governance to the Sustainable Development Committee and Board of Directors. The most recent date of report was on November 3rd, 2020.
- The Company's Internal Audit acts as a supervisory unit for information security surveillance. It is staffed with one Internal Audit head together with several professional audit staffs. It is responsible for supervising execution of internal data security. In the event of deficiency found during audit, it will request audited unit to submit related rectification plan and specific actions and will conduct regular tracking on rectification effectiveness in order to mitigate internal information security risks.
- Organization operation pattern adopts PDCA (Plan-Do-Check-Act) cycle management to ensure that reliability target is achieved and improvement is made continuously.

✧ Information Security Policy and Specific Management Projects

The Company's information security management mechanism includes the following three perspectives,

- ① System & Regulation: Establishment of the Company's information security management system for regulation of employees' operation behaviors.
- ② Application of Technology: Establishment of information security management equipment for implementation of information security management measures.
- ③ Personnel Training: Implementation of information security education training and enhancement of all employees' information security awareness

Explanation of management measures is as follows,

- **System & Regulation:** The Company has established multiple internal information security regulations and systems to regulate information security behavior of the Company's personnel. Related systems are reviewed regularly each year to verify if they are consistent with changes of operation environment, and real-time adjustments will be made in accordance with needs. Explanation of specific items implemented is as follows,

(1) Implementation of Taiwan Intellectual Property Management Regulations

To enhance intellectual property management, the Company introduced Taiwan Intellectual Property Management System ("TIPS") in year 2015, and conducts internal audit regularly

each year as well as external audit every two years to enhance the Company's management on confidential material operations. Meanwhile, the Company has also received TIPS certification from the Industrial Development Bureau of the Ministry of Economic Affairs. (Please refer to certification announcement: <https://www.tips.org.tw/body.asp?sno=%20BICBDD>)

(2) Enhancement of Trade Secret Management Measures

To enhance internal management on trade secret, the Company worked together with information security consultant in conducting trade secret inventory check in 2020 for the purpose of reviewing and optimizing internal management systems. Different control measures are implemented in accordance with respective levels of trade secret data to ensure security in utilizing, transmitting and maintaining trade secret information.

(3) Regular Implementation of Information Risk Assessment

The Company complies with ISO27005 Risk Assessment Principles and implements regular internal information risk assessment. Based on information asset's value, weakness, threat and influence, internal risk levels are analyzed. Security measure enhancement items are established accordingly based on risk assessment result to improve and elevate the overall information security environment.

- **Application of Technology:** To counter various external information security threats, the Company not only adopts multi-layer network structure design, it also establishes various information protection systems to enhance security for the information environment as a whole. Furthermore, the Company designs operation procedures and introduces information security system tools to ensure that internal personnel's operation behavior complies with the Company's systems and requirements, and that management measures for personnel information security are implemented without fail. Specific items implemented are as follows:

(1) External Threat

To guard against external hacker intrusion and computer virus threats, the Company not only establishes information security systems of firewall and anti-virus / anti-ransomware systems, it also detects potential system vulnerabilities and loopholes through vulnerability scanning and then rectifies and improves them accordingly.

(2) Authority Management

The Company adopts Principle of Least Authority in managing internal system and information access rights. Employees are prohibited from using unauthorized system functions or reviewing system information which is not needed for their duties. Additionally, to ensure appropriateness for access rights allocation, routine check on access rights is conducted each year to review accuracy of access rights allocation between employees and systems.

(3) Access Control

To enhance system access control mechanism, the Company not only manages different-purpose systems through multi-layer network structure and restricts connections for external retrievals, it is also equipped with information behavior

monitoring system which records employee's information behavior process, detects irregular access behavior automatically and notifies management personnel immediately for disposition.

(4) **System Availability**

To ensure stability for internal system operation and shorten service disruption time during system malfunction, the Company is equipped with internal availability monitoring system which conducts automatic monitoring over system operation status 24 hours a day and automatically notifies responsible employees for disposition at the time of system irregularity. Furthermore, corresponding back-up mechanisms and off-site back-up measures have been established in accordance with the extent of importance for information system. Disaster recovery drill is conducted routinely each year to ensure normal operation for back-up mechanisms.

- **Personnel Training:** Each quarter, the Company conducts routine information security education and training courses for new staffs, and establishes several E-Learning classes on information security for the purpose of enhancing internal employees' knowledge and professional skills on information security.

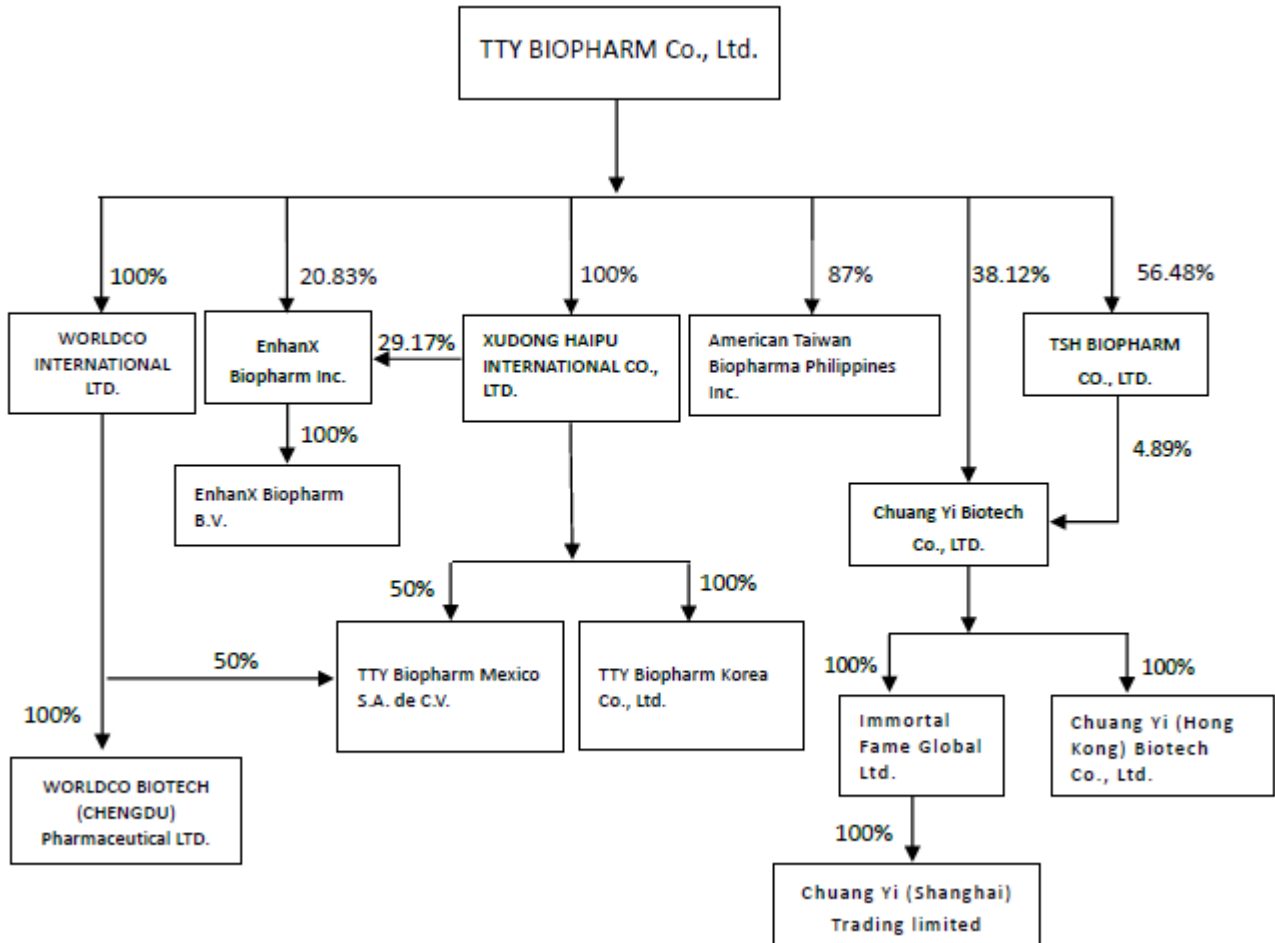
The Company established Risk Management Center on December 28, 2020 and stipulated "Risk Management Policy and Procedures" which specifically prescribes that the Company's "Risk Management Policy" has defined various risks and established management mechanisms for identification, assessment and handling of risks as well as for effective monitoring and review in order to evade or mitigate impact to the Company's operations from risk events while ensuring corporate sustainable development. For details of critical risks identified and managed by the Company, please visit "Corporate Governance /Operation Status for Corporate Governance" section on the Company's website.

7. Other Important Matters: None

VIII. Special Notes

1. Subsidiaries

(1) Subsidiaries Chart (12/31/2020)



(2) Affiliates

Unit: NT\$ Thousands as of Dec.31, 2020

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
Xudonghai pu International Company Limited	2009.04	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1 1002, Cayman Islands	NTD 250,000	Investment
Worldco International Limited	2004.09	Room 1606, Alliance Building, 133 Connaught Road Central, Hong, Kong	HKD 19,800	Investment, Drugs Marketing
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	2012.02	Room.3~4,7th Floor,Unit 2, Jinniu Civic Center Building 1, No. 999, Yipin Tianxia Dajie, Jinniu District, Chengdu City, Sichuan Province	RMB 11,900	Sales of Drugs
American Taiwan Biopharma Philippines Inc.	2003.08	Unit 2902 Antel Global Corporate Center, Doña Julia Vargas Ave., Ortigas Center, Pasig City, Pasig 1605	PHP 55,305	Sales of Drugs
TSH Biopharm Company Limited	2010.09	3F-1, No. 3-1, Yuanqu St., Nangang District, Taipei City	NTD 383,981	Sales of Drugs
EnhanX Biopharm Inc.	2017.08	3F., No.124, Xingshan Rd., Neihu Dist., Taipei City	NTD 120,000	Drugs R&D
EnhanX Biopharm B.V.	2019.07	J.H. Oortweg 19 2f, Room 2213, 2333 CH Leiden, the Netherlands	EUR 100	Drugs R&D
Chuang Yi Biotech Co., Ltd.	2011.04	3F-1, No. 3-1, Yuanqu St., Nangang District, Taipei City	NTD 269,720	Selling functional food
Immortal Fame Global Ltd.	2012.03	Level 2, Lotemau Centre, VAEA Street, APIA, SAMOA	USD 568	Import and export trading and investment activities
Chuang Yi (Hong Kong) Biotech Co., Ltd.	2019.02	Room 2220, 22nd Floor New Tech Plaza, No.34 Tai Yau Street, San Po Kong KL	HKD 1,200	Selling functional food
Chuang Yi (Shanghai) Trading Co., Ltd.	2012.03	Room 106, Building 3, No. 507, Huajing Road, Shanghai City, China	USD 500	Selling functional food

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
TTY Biopharm Korea Co. Ltd.	2018.09	12th floor, Teheran-ro 146, Gangnam-gu, Seoul, Korea	KRW 1,588,500	Sales of Drugs
TTY Biopharm Mexico S.A. de C.V.	2018.09	Av. Insurgentes Sur No. 2453 No. Int Piso 6-Ofa 6082, Tizapan, C.P. 01090, Ciudad de México, Ciudad de México, México	MXN 35,000	Sales of Drugs

(3) Shareholders in Common of TTY and Its Subsidiaries with Deemed Control and Subordination: None.

(4) List of Directors, Supervisors, and Presidents of Affiliates

Unit: NT\$ Thousand as of Dec.31, 2020

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
Xudonghaipu International Company Limited	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Chang, Hsiu-Chi	—	—
	Director	Wu, Hsueh-Liu	—	—
	Director	Tseng, Tien-Szu	—	—
American Taiwan Biopharma Philippines Inc.	Chairman	Jui-Hsiung Cheng	71,885	13.00%
	Director	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Wu, Hsueh-Liu	—	—
	Director	Chang, Chih-Meng	—	—
Worldco International Limited	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Chang, Hsiu-Chi	—	—
	Director	Wu, Hsueh-Liu	—	—
	Director	Tseng, Tien-Szu	—	—
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	Director	Hsiao, Ying-Chun	—	—
	Supervisor	Wu, Hsueh-Liu	—	—
EnhanX Biopharm Inc.	Chairman	TTY BioPharm Company Limited Representative: Hu, Yu-Fang	5,000,000	20.83%
	Director	TTY BioPharm Company Limited Representative: Hsiao, Ying-Chun	5,000,000	20.83%
	Director and General Manager	Pieter Jaap Gaillard	—	—
	Supervisor	Shih, Chun-Liang	—	—
	Supervisor	2-BBB Medicines BV	12,000,000	50.00%

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
EnhanX Biopharm B.V.	Director	EnhanX Biopharm Inc.	—	—
Chuang Yi Biotech Co., Ltd.	Director	TTY BioPharm Company Limited Representative: Qu, Zhi-Yuan	10,282,060	38.12%
	Director	TTY BioPharm Company Limited Representative: Wu, Ruei-Wen	10,282,060	38.12%
	Director	Chang, Chun-Hui	870,000	3.23%
	Director	Cho, Hui-Wen	498,000	1.85%
	Independent Director	Wu, Hsiu-Ming	—	—
	Independent Director	Chang, Ming-Tao	—	—
	Independent Director	Lai, Yun-Liang	—	—
	General Manager	Chien, Chung-Guang		
Chuang Yi (Hong Kong) Biotech Co., Ltd.	Director	Shih, Chun-Liang	—	—
Immortal Fame Global Ltd.	Director	Shih, Chun-Liang	—	—
Chuang Yi (Shanghai) Trading Co., Ltd.	Director	Immortal Fame Global Ltd. Representative: Shih, Chun-Liang	—	—
TSH Biopharm Company Limited	Chairman	TTY BioPharm Company Limited Representative: Lin, Chuan	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Carl Hsiao	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Chou, Kang-Chi	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Chiang, Chao-Yi	21,687,177	56.48%
	Independent Director	Wang, Chih-Li	30	0.00%
	Independent Director	Wang, I-Ming	—	—
	Independent Director	Chen, Jui-Hsun	—	—
	General Manager	Yang, Si-Yuan	4,000	0.01%

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
TTY Biopharm Korea Co., Ltd.	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director and General Manager	Woosik Jung	—	—
	Director	Shih, Chun-Liang	—	—
	Supervisor	Chang, Kuo-Chiang	—	—
TTY Biopharm Mexico S.A. de C.V.	Chairman	Hsiao, Ying-Chun	—	—
	Director	Lin, Chuan	—	—
	Director	Chang, Wen-Hwa	—	—
	Supervisor	Chang, Kuo-Chiang	—	—

(5) Operational Highlights of Affiliates

Unit: NT\$ Thousand as of Dec.31, 2020

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating profit or loss	Net Income (Loss)	EPS
Xudonghaipu International Company Limited	250,000	1,344,268	1,764	1,342,504	—	(15,760)	(8,168)	N/A
Worldco International Limited	82,458	214,178	800	213,378	88,498	(6,291)	(10,335)	N/A
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	52,086	74,206	25,327	48,879	—	820	561	N/A
American Taiwan Biopharma Philippines Inc.	37,768	24,293	22,773	1,520	17,074	4,635	2,462	N/A
TSH Biopharm Company Limited (Note)	383,981	1,220,139	103,036	1,117,103	447,862	74,304	64,969	1.60
EnhanX Biopharm Inc.	240,000	149,431	2,334	147,097	—	(27,174)	(27,377)	(1.14)
EnhanX Biopharm B.V.	3,538	2,534	0	2,534	—	(393)	(500)	N/A
Chuang Yi Biotech Co., Ltd.	269,720	365,541	250,128	115,413	178,975	3,713	69,519	2.28
Immortal Fame Global Ltd.	16,820	3,094	184	2,910	—	(519)	(1,424)	N/A
Chuang Yi (Hong Kong) Biotech Co., Ltd.	4,734	2,341	0	2,341	—	(369)	(370)	N/A
Chuang Yi (Shanghai) Trading Co., Ltd.	14,240	2,979	174	2,805	—	(437)	(1,334)	N/A
TTY Biopharm Korea Co. Ltd.	43,834	23,020	136	22,884	—	(9,123)	(9,002)	N/A
TTY Biopharm Mexico S.A. de C.V.	53,276	41,626	5,874	35,752	—	(6,472)	(5,580)	N/A

Note: With the exception of capital amount and earnings per share, information of TSH Biopharm Company Limited is calculated based on the Group's consolidated levels.

Foreign exchange rates are as follows:

<u>Balance Sheet</u>	<u>Income Statement</u>
\$1RMB=\$4.3777NT	\$1RMB=\$4.2750NT
\$1PHP=\$0.5861NT	\$1PHP=\$0.5896NT
\$1USD=\$28.4800NT	\$1USD=\$29.5880NT
\$1KRW=\$0.0262NT	\$1KRW=\$0.0250NT
\$1MXN=\$1.4442NT	\$1MXN=\$1.3917NT
\$1HKD=\$3.6730NT	\$1HKD=\$3.8132NT
\$1EUR=\$35.0200NT	\$1EUR=\$33.7796NT

(6) Affiliates Consolidated Report

Affiliates Consolidated Financial Statements

The entities that are required to be included in the combined financial statements of TTY Biopharm Company Limited as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TTY Biopharm Company Limited and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: TTY Biopharm Company Limited

Chairman : Lin, Chuan

March 19, 2021

2. The Status of Issuing Private Placement Securities in the Most Recent Year and as of the Publication Date of the Annual Report: None.

3. Acquisition or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year and as of the Publication Date of the Annual Report: None.

4. Other Necessary Supplementary Notes :

(1) The Company's Uncompleted OTC Commitment: None.

(2) Assessment Basis and Foundation over Recognition Method of the Company's Balance Sheet Appraisal Items

① Assessment over account receivable impairment:

Consider any change in the credit quality from origination date to reporting date to determine the probability of collection. Historical experience indicates that notes receivable which have more than 180 days past due or accounts receivable which are not yet overdue, only when there is sufficient evidence that indicates accounts receivable was dishonored and uncollectible. Thus, a 100% impairment loss is recognized in the allowance account. For those notes and accounts receivable which are past due within 180 days, divided into four category including OEM, overseas customer, hospital and others, an allowance account is recognized after analyzing the payment history of customer accounts and the evaluating the uncollectible amounts.

② Assessment on allowance for inventory market price decline loss and obsolete inventory:

Loss from Market Price Decline:

Product:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then applied for evaluations based on product categories.
Finished Goods:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then applied for evaluations based on product categories.
Work in Progress & Half-Finished Goods:	Net realizable value is drawn from deducting marketing expense and replacement cost from estimated sales price.
Raw Materials:	Individual Item Approach is then applied for evaluations based on product categories.
	For finished product price decline, replacement cost will be applied to assess if price decline is incurred accordingly.

Loss for Obsolete Inventories:

Obsolete or Expired: 100% Recognition

Unused for over 1 year: 100% Recognition

Expired: 100% Recognition

Expired within half year: 50% Recognition

③ Evaluation of Other Financial Assets:

With respect to financial asset estimated cash flow reduction resulted from single or multiple events occurred after financial asset original recognition, such difference will be deemed as impairment amount incurred to that financial asset.

With respect to fair value evaluation, basis for evaluation is determined depending on if there is an active market transaction for such financial asset.

- (i) With active market: fair value evaluation will be based on market quotation on the balance sheet date.
- (ii) Without active market: fair value evaluation is conducted using observable market materials as much as possible. In the event that no such materials are available, evaluation will then be conducted using specific estimations.

④ Evaluation on Financial Liability:

Subsequent evaluation of financial liability is conducted using amortized cost from effective interest rate, or using fair value through profit/loss.

- (i) Financial liability evaluated in fair value through profit/loss will be evaluated in fair value on the report ending day.
- (ii) With respect to financial liability not held for transaction and not designated to be evaluated in fair value through profit/loss, evaluation will be conducted using amortized costs on subsequent accounting period ending day. Book value for financial liability evaluated based on amortized cost will be determined based on effective interest rate.

⑤ Evaluation of Non-Financial Asset Impairment:

The Company assesses non-financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

5. The Occurrence of Any Events as Stated in Section 3 Paragraph 2 Article 36 of the Securities Exchange Act that Had Significant Impacts on Shareholders' Equity or Securities Prices in the Most Recent Year and as of the Publication Date of the Annual Report: None.



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