

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	11~27
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	27
(6) Explanation of significant accounts	28~61
(7) Related-party transactions	61~63
(8) Pledged assets	63
(9) Significant commitments and contingencies	63
(10) Losses due to major disasters	64
(11) Subsequent events	64
(12) Other	64~65
(13) Other disclosures	
(a) Information on significant transactions	66~69
(b) Information on investees	70~71
(c) Information on investment in Mainland China	71~72
(d) Major shareholders	73
(14) Segment information	73~75

Representation Letter

The entities that are required to be included in the combined financial statements of TTY Biopharm Company Limited as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed 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 Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TTY Biopharm Company Limited
Chairman: Lin-Chuan
Date: March 9, 2022



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

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

Basis for Opinion

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

Other Matter

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

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

Key Audit Matters

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

1. Occurrence of revenue from selling pharmaceuticals and chemical drugs

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

Key audit matters:

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

Auditing procedures performed:

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

2. Inventory valuation

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

Key audit matters:

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

Auditing procedures performed:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 9, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

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

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

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

See accompanying notes to financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

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

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

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

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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, would have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

(Continued)

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

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

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

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

(Continued)

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

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

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

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

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

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

(d) Foreign currencies

(i) Foreign currencies transactions

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

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

(ii) Foreign operations

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

(f) Cash and cash equivalents

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

(g) Financial instruments

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

(Continued)

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

(Continued)

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

(Continued)

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

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

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

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

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

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

The significant components of buildings are the main building, mechanical and electrical equipment, engineering systems, etc. They are amortized over their useful lives of 30-50 years, 6-25 years, and 10 years, respectively.

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

(iv) Reclassification as investment property

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

(l) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;

(Continued)

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

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

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

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

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

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

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

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

(ii) As a lessor

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

(Continued)

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

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

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

(m) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(Continued)

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

(n) Impairment of non-financial assets

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

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

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

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

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

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

(o) Provisions

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

(p) Revenue

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

1) Sale of goods

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

(Continued)

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

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

2) Authorization revenue

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

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

3) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

(Continued)

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Other long-term employee benefits

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

(iv) Short-term employee benefits

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

(Continued)

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

(r) Income taxes

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

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

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

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

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

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

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

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

(Continued)

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

(s) Earnings per share

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

(t) Operating segments

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

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

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

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

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

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

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

(Continued)

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

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

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

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

(Continued)

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

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

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

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

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

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

(Continued)

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

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

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

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

(d) Inventories

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

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

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

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

(Continued)

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

(e) Investments accounted for using the equity method

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

	December 31, 2021	December 31, 2020
Associates	\$ <u>1,233,023</u>	<u>1,221,736</u>

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

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

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

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

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

The following consolidated financial information about significant associates has been adjusted according to individually prepared IFRS financial statements of these associates:

- Summary financial information on PharmaEngine, Inc.

	December 31, 2021	December 31, 2020
Current assets	\$ 4,008,969	4,169,858
Non-current assets	17,374	37,053
Current liabilities	(87,705)	(184,462)
Non-current liabilities	-	(11,316)
Net assets	\$ <u>3,938,638</u>	<u>4,011,133</u>
Net assets attributable to investee owners	\$ <u>3,938,638</u>	<u>4,011,133</u>

(Continued)

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

	For the years ended December 31,	
	2021	2020
Operating revenue	<u>\$ 654,835</u>	<u>1,056,012</u>
Profit from continuing operations	426,031	604,281
Other comprehensive (loss) income	(1,213)	1,587
Total comprehensive income	<u>\$ 424,818</u>	<u>605,868</u>
Comprehensive income attributable to investee owners	<u>\$ 424,818</u>	<u>605,868</u>

	For the years ended December 31,	
	2021	2020
Net assets attributable to the Group, January 1	\$ 712,779	618,580
Changes in capital surplus of associates	(13,893)	(517)
Comprehensive income attributable to the Group	76,030	107,655
Cash dividends received from associates	(65,567)	(12,939)
Net assets attributable to the Group, December 31	709,349	712,779
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, December 31	<u>\$ 873,627</u>	<u>877,057</u>

(iii) Summary financial information on individually insignificant associates

The Group's financial information about investments accounted for using the equity method that are individually insignificant was as follows:

	December 31,	December 31,
	2021	2020
Carrying amount of individually insignificant associates	<u>\$ 359,396</u>	<u>344,679</u>
	For the years ended December 31,	
	2021	2020
Attributable to the Group:		
Profit from continuing operations	\$ 58,934	55,492
Other comprehensive loss	(35,197)	(23,124)
Total comprehensive income	<u>\$ 23,737</u>	<u>32,368</u>

(iv) Collateral

As of December 31, 2021 and 2020, the Group did not provide any investment accounted for using equity method as collateral.

(Continued)

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

(f) Material non-controlling interests of subsidiaries

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

<u>Subsidiary</u>	<u>Country of registration</u>	<u>Ownership and voting rights ratio</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %
EnhanX Biopharm Inc.	Taiwan	50.00 %	50.00 %
Chuang Yi Biotech Co., Ltd.	Taiwan	52.94 %	43.01 %

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 919,972	943,841
Non-current assets	240,885	276,298
Current liabilities	(85,800)	(98,618)
Non-current liabilities	-	(4,418)
Net assets	<u>\$ 1,075,057</u>	<u>1,117,103</u>
Net assets attributable to non-controlling interest	<u>\$ 467,741</u>	<u>485,946</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 413,483</u>	<u>447,862</u>
Profit for the period	\$ 45,881	64,969
Other comprehensive loss	(21,088)	(2,629)
Total comprehensive income	<u>\$ 24,793</u>	<u>62,340</u>
Profit attributable to non-controlling interest	<u>\$ 20,061</u>	<u>28,138</u>
Total comprehensive income attributable to non-controlling interest	<u>\$ 10,884</u>	<u>26,993</u>
Cash flows from operating activities	\$ 68,707	11,611
Cash flows (used in) from investing activities	(10,060)	234,210
Cash flows used in financing activities	(73,461)	(73,332)
Net (decrease) increase in cash	<u>\$ (14,814)</u>	<u>172,489</u>
Dividends paid to non-controlling interests	<u>\$ 30,080</u>	<u>30,079</u>

(Continued)

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

(ii) Summary financial information on EnhanX Biopharm Inc.

	December 31, 2021	December 31, 2020
Current assets	\$ 23,834	42,556
Non-current assets	97,188	106,875
Current liabilities	(3,013)	(2,334)
Non-current liabilities	(120)	-
Net assets	<u>\$ 117,889</u>	<u>147,097</u>
Net assets attributable to non-controlling interests	<u>\$ 58,945</u>	<u>73,548</u>
	For the years ended December 31,	
	2021	2020
Operating revenue	\$ -	-
Loss for the period	\$ (28,967)	(27,377)
Other comprehensive (loss) income	(241)	106
Total comprehensive loss	<u>\$ (29,208)</u>	<u>(27,271)</u>
Loss attributable to non-controlling interest	<u>\$ (14,483)</u>	<u>(13,688)</u>
Total comprehensive loss attributable to non-controlling interest	<u>\$ (14,603)</u>	<u>(13,636)</u>
Cash flows used in operating activities	\$ (17,724)	(16,958)
Cash flows used in financing activities	(178)	(177)
Net decrease in cash	<u>\$ (17,902)</u>	<u>(17,135)</u>

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

	December 31, 2021	December 31, 2020
Current assets	\$ 279,394	280,751
Non-current assets	68,619	84,790
Current liabilities	(184,631)	(234,943)
Non-current liabilities	(9,315)	(15,185)
Net assets	<u>\$ 154,067</u>	<u>115,413</u>
Net assets attributable to non-controlling interests	<u>\$ 72,504</u>	<u>68,612</u>

(Continued)

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

	For the years ended December 31,	
	2021	2020
Operating revenue	\$ <u>260,692</u>	<u>178,975</u>
(Loss) profit for the period	\$ (31,516)	69,519
Other comprehensive loss	(170)	(88)
Total comprehensive (loss) income	\$ <u>(31,686)</u>	<u>69,431</u>
(Loss) profit attributable to non-controlling interest	\$ <u>(14,832)</u>	<u>39,619</u>
Total comprehensive (loss) profit attributable to non-controlling interest	\$ <u>(14,751)</u>	<u>39,568</u>
Capital increase by cash to non-controlling interest	\$ <u>-</u>	<u>6,600</u>
	For the years ended December 31,	
	2021	2020
Cash flows from operating activities	\$ 30,555	41,252
Cash flows (used in) from investing activities	(5,273)	7,765
Cash flows used in financing activities	(23,640)	(36,148)
Effect of exchange rates changes on cash and cash equivalents	(33)	(90)
Net increase in cash	\$ <u>1,609</u>	<u>12,779</u>

(g) Property, plant and equipment

The details of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020 were as follows:

	<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, 2021	\$ 902,897	1,310,711	707,991	5,601	510,066	10,589	323,327	3,771,182
Additions	-	18,124	11,678	-	29,647	10,217	600	70,266
Disposals	-	(27,483)	(1,022)	-	(7,168)	(3,512)	-	(39,185)
Reclassification	-	145,000	74,142	-	10,556	-	(228,927)	771
Adjustment for foreign currency translation	-	-	(4)	-	(59)	(9)	-	(72)
Balance on December 31, 2021	\$ <u>902,897</u>	<u>1,446,352</u>	<u>792,785</u>	<u>5,601</u>	<u>543,042</u>	<u>17,285</u>	<u>95,000</u>	<u>3,802,962</u>
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>
Accumulated depreciation:								
Balance on January 1, 2021	\$ -	430,246	381,497	4,264	361,682	8,753	-	1,186,442
Depreciation	-	62,773	44,574	912	34,156	1,199	-	143,614
Disposals	-	(27,019)	(1,022)	-	(6,935)	(3,448)	-	(38,424)
Adjustment for foreign currency translation	-	-	(1)	-	(53)	(9)	-	(63)
Balance on December 31, 2021	\$ <u>-</u>	<u>466,000</u>	<u>425,048</u>	<u>5,176</u>	<u>388,850</u>	<u>6,495</u>	<u>-</u>	<u>1,291,569</u>

(Continued)

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2020	\$ -	377,556	345,217	3,601	337,164	7,521	-	1,071,059
Depreciation	-	63,690	38,724	980	31,107	1,232	-	135,733
Disposals	-	(4,721)	(2,449)	(317)	(6,589)	-	-	(14,076)
Reclassification	-	(6,279)	-	-	-	-	-	(6,279)
Adjustment for foreign currency translation	-	-	5	-	-	-	-	5
Balance on December 31, 2020	<u>\$ -</u>	<u>430,246</u>	<u>381,497</u>	<u>4,264</u>	<u>361,682</u>	<u>8,753</u>	<u>-</u>	<u>1,186,442</u>
Carrying value:								
Balance on December 31, 2021	<u>\$ 902,897</u>	<u>980,352</u>	<u>367,737</u>	<u>425</u>	<u>154,192</u>	<u>10,790</u>	<u>95,000</u>	<u>2,511,393</u>
Balance on January 1, 2020	<u>\$ 816,169</u>	<u>939,301</u>	<u>328,784</u>	<u>2,337</u>	<u>154,833</u>	<u>3,068</u>	<u>149,785</u>	<u>2,394,277</u>
Balance on December 31, 2020	<u>\$ 902,897</u>	<u>880,465</u>	<u>326,494</u>	<u>1,337</u>	<u>148,384</u>	<u>1,836</u>	<u>323,327</u>	<u>2,584,740</u>

(i) Collateral

As of December 31, 2021 and 2020, the property, plant and equipment were not pledged as collateral.

(ii) Property, plant and equipment under construction

As of the reporting date, the Group's plant under construction has incurred expenditures amounting to \$95,000 thousand, and there were no capitalized loan cost for the years ended December 31, 2021 and 2020.

(h) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 99,769	54,981	154,750
Effect of changes in foreign exchange rate	-	(195)	(195)
Balance on December 31, 2021	<u>\$ 99,769</u>	<u>54,786</u>	<u>154,555</u>
Balance on January 1, 2020	\$ 69,152	41,035	110,187
Reclassification from property, plant and equipment	30,617	13,522	44,139
Effect of changes in foreign exchange rate	-	424	424
Balance on December 31, 2020	<u>\$ 99,769</u>	<u>54,981</u>	<u>154,750</u>
Accumulated depreciation and impairment loss:			
Balance on January 1, 2021	\$ -	17,480	17,480
Depreciation	-	1,406	1,406
Effect of changes in foreign exchange rate	-	(20)	(20)
Balance on December 31, 2021	<u>\$ -</u>	<u>18,866</u>	<u>18,866</u>

(Continued)

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

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Balance on January 1, 2020	\$ -	9,756	9,756
Depreciation	-	1,397	1,397
Reclassification from property, plant and equipment	-	6,279	6,279
Effect of changes in foreign exchange rate	-	48	48
Balance on December 31, 2020	<u>\$ -</u>	<u>17,480</u>	<u>17,480</u>
Carrying amount:			
Balance on December 31, 2021	<u>\$ 99,769</u>	<u>35,920</u>	<u>135,689</u>
Balance on January 1, 2020	<u>\$ 69,152</u>	<u>31,279</u>	<u>100,431</u>
Balance on December 31, 2020	<u>\$ 99,769</u>	<u>37,501</u>	<u>137,270</u>
Fair value:			
Balance on December 31, 2021			<u>\$ 295,466</u>
Balance on December 31, 2020			<u>\$ 273,606</u>

- (i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length terms.
- (ii) As of December 31, 2021 and 2020, the investment property of the Group were not pledged as collateral.

(i) Intangible assets

The cost, amortization, and impairment of the intangible assets of the Group for the years ended December 31, 2021 and 2020, were as follows:

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 17,067	218,440	235,507
Additions	11,339	2,500	13,839
Disposals	(1,829)	-	(1,829)
Effect of changes in foreign exchange rate	(2)	-	(2)
Balance on December 31, 2021	<u>\$ 26,575</u>	<u>220,940</u>	<u>247,515</u>
Balance on January 1, 2020	\$ 34,771	289,357	324,128
Additions	6,356	7,398	13,754
Disposals	(24,060)	(78,315)	(102,375)
Balance on December 31, 2020	<u>\$ 17,067</u>	<u>218,440</u>	<u>235,507</u>

(Continued)

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

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Amortization and impairment loss:			
Balance on January 1, 2021	\$ 9,910	92,699	102,609
Amortization for the period	4,494	17,339	21,833
Disposals	(1,829)	-	(1,829)
Effect of changes in foreign exchange rate	(2)	-	(2)
Balance on December 31, 2021	<u>\$ 12,573</u>	<u>110,038</u>	<u>122,611</u>
Balance on January 1, 2020	\$ 30,828	154,287	185,115
Amortization for the period	3,142	16,727	19,869
Disposals	(24,060)	(78,315)	(102,375)
Balance on December 31, 2020	<u>\$ 9,910</u>	<u>92,699</u>	<u>102,609</u>
Carrying value:			
Balance on December 31, 2021	<u>\$ 14,002</u>	<u>110,902</u>	<u>124,904</u>
Balance on January 1, 2020	<u>\$ 3,943</u>	<u>135,070</u>	<u>139,013</u>
Balance on December 31, 2020	<u>\$ 7,157</u>	<u>125,741</u>	<u>132,898</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 187	405
Operating expenses	21,646	19,464
	<u>\$ 21,833</u>	<u>19,869</u>

As of December 31, 2021 and 2020, the intangible assets of the Group were not pledged as collateral.

(j) Other financial assets and other assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other current financial assets	\$ 319,724	280,186
Other non-current financial assets	151,300	159,514
Long-term prepayments	79,672	10,936
Others	8,985	8,152
	<u>\$ 559,681</u>	<u>458,788</u>

(Continued)

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

- (i) Both current and non-current other financial assets were bank deposits that did not qualify as cash and cash equivalents.
- (ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use. Please refer to Note 9 for the Group's information of unfinished contracts.
- (iii) Please refer to Note 8 for the Group's information of collateral.

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Secured bank loans	\$ 61,070	65,070
Unsecured bank loans	1,650,000	1,650,000
	\$ 1,711,070	1,715,070
Unused credit line	\$ 1,176,395	1,178,789
Range of interest rates	0.72%~2%	0.77%~2%

- (i) Please refer to Note 6(t) for the exposure information of the Group's interest rate and liquidity risk.
- (ii) Please refer to Note 8 for the collateral for short-term borrowings.

(l) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2021			
	Currency	Interest rate	Maturity	Amount
Secured bank loans	NTD	1.700%~1.945%	2022-2023	\$ 12,051
Unsecured bank loans	NTD	0.991%	2022	400,000
Less: current portion				(407,905)
Total				\$ 4,146
Unused credit line				\$ 200,000
	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 line				\$ 300,000

(Continued)

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

- (i) Please refer to Note 6(t) for the exposure information of the Group's interest rate and liquidity risk.
- (ii) Please refer to Note 8 for the collateral for long-term borrowings.
- (m) Employee benefits
- (i) Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	\$ 96,593	105,341
Fair value of plan assets	(43,996)	(59,841)
Net defined benefit liabilities	<u>\$ 52,597</u>	<u>45,500</u>

The Group's employee benefit liabilities were as below:

	December 31, 2021	December 31, 2020
Vacation liability	<u>\$ 7,861</u>	<u>8,678</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 \$43,996 thousand as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

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

2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31,	
	2021	2020
Defined benefit obligation, January 1	\$ 105,341	123,179
Current service costs and interest	823	1,604
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial gain arising from changes in demographic assumptions	3,780	-
— Actuarial (loss) gain arising from changes in financial assumptions	(346)	2,715
— Experience adjustments	8,119	(8,429)
Benefits paid	(21,124)	(13,728)
Defined benefit obligations, December 31	\$ 96,593	105,341

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,	
	2021	2020
Fair value of plan assets, January 1	\$ 59,841	67,070
Interest revenue	282	467
Remeasurement on the net defined liabilities (assets):		
— Return on plan assets excluding interest income	744	2,206
Contributions made	4,253	3,826
Benefits paid	(21,124)	(13,728)
Fair value of plan assets, December 31	\$ 43,996	59,841

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2021 and 2020, were as follows:

	For the years ended December 31,	
	2021	2020
Current service cost	\$ 338	727
Net interest of net liabilities for defined benefit obligation	203	410
	\$ 541	1,137

(Continued)

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

	For the years ended December 31,	
	2021	2020
Operating costs	\$ 171	373
Selling expenses	139	351
Administrative expenses	131	178
Research and development expenses	100	235
	\$ 541	1,137

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

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

	For the years ended December 31,	
	2021	2020
Accumulated amount, January 1	\$ 381	8,301
Recognized during the year	10,809	(7,920)
Accumulated amount, December 31	\$ 11,190	381

- 6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.51 %	0.47 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$4,032 thousand.

The weighted-average lifetime of the defined benefit plan is 2 years.

- 7) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increase	Decrease
December 31, 2021		
Discount rate (Fluctuation of 0.25%)	\$ (1,923)	1,983
Future salary increasing rate (Fluctuation of 0.25%)	1,691	(1,652)

(Continued)

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

	Influences of 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)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumptions may change all at once. The method used in the sensitivity analysis is consistent with the calculation of net defined benefit liabilities in the balance sheets.

The method and assumptions used in the preparation of sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

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

The pension costs under defined contribution plans, which had been allocated to the Bureau of Labor Insurance, amounted to \$39,283 thousand and \$38,059 thousand for the years ended December 31, 2021 and 2020, respectively.

(n) Income Tax

(i) Income tax expense

The components of income tax for years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Current tax expense		
Current period	\$ 265,326	234,124
Adjustment for prior periods	(4,823)	(1,377)
	260,503	232,747
Deferred tax expense		
Origination and reversal of temporary difference	4,308	(9,899)
Income tax expense from continuing operations	\$ 264,811	222,848

(Continued)

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

The components of income tax expense recognized in other comprehensive income were as follows:

	For the years ended December 31,	
	2021	2020
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation	\$ <u>17,540</u>	<u>16,480</u>

A reconciliation of income tax expense and accounting profit was as follows:

	For the years ended December 31,	
	2021	2020
Profit before income tax	\$ 1,087,380	1,201,525
Income tax using the company's domestic tax rate	\$ 216,700	251,710
Permanent difference	52,404	(19,606)
Gains derived from securities transactions	(1,272)	(1,284)
Tax incentives	(2,636)	(1,032)
Changes in provision in prior periods	(4,823)	(1,377)
Undistributed earnings additional tax at 10%	3,766	384
Basic income tax	-	467
Non-deductible expenses	2,309	-
Others	(1,637)	(6,414)
	<u>\$ 264,811</u>	<u>222,848</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31,	December 31,
	2021	2020
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>

(Continued)

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

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, were as follows:

	<u>Gain on foreign investments</u>	<u>Reserve for land revaluation increment tax</u>	<u>Total</u>
Deferred tax liabilities:			
Balance, January 1, 2021	\$ 210,955	60,871	271,826
Recognized in profit or loss	6,233	-	6,233
Recognized in other comprehensive income	<u>(17,540)</u>	<u>-</u>	<u>(17,540)</u>
Balance, December 31, 2021	<u>\$ 199,648</u>	<u>60,871</u>	<u>260,519</u>
Balance, January 1, 2020	\$ 221,206	60,871	282,077
Recognized in profit or loss	6,229	-	6,229
Recognized in other comprehensive income	<u>(16,480)</u>	<u>-</u>	<u>(16,480)</u>
Balance, December 31, 2020	<u>\$ 210,955</u>	<u>60,871</u>	<u>271,826</u>

	<u>Defined benefit plan</u>	<u>Gain or loss on valuation of inventory</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:				
Balance, January 1, 2021	\$ 6,317	14,934	40,547	61,798
Recognized in profit or loss	<u>(742)</u>	<u>1,914</u>	<u>753</u>	<u>1,925</u>
Balance, December 31, 2021	<u>\$ 5,575</u>	<u>16,848</u>	<u>41,300</u>	<u>63,723</u>
Balance, January 1, 2020	\$ 6,855	8,881	29,934	45,670
Recognized in profit or loss	<u>(538)</u>	<u>6,053</u>	<u>10,613</u>	<u>16,128</u>
Balance, December 31, 2020	<u>\$ 6,317</u>	<u>14,934</u>	<u>40,547</u>	<u>61,798</u>

(iii) Assessment of tax

Except for the year of 2018, the Company's income tax returns through 2019 have been assessed and approved by the Tax Authorities.

(o) Capital and other equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 500,000,000 shares and 350,000,000 shares, respectively, with par value of \$10 per share. The total value of authorized ordinary shares amounted to 5,000,000 thousand and 3,500,000 thousand, respectively. All issued shares were paid up upon issuance.

(Continued)

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

(i) Capital surplus

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

	December 31, 2021	December 31, 2020
Share capital	\$ 484	484
Long-term investment	310,682	337,513
Other	710	-
	\$ 311,876	337,997

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

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

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

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

(Continued)

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

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

As of December 31, 2021 and 2020, the special reserve amounted to \$133,709 thousand and \$110,154 thousand, respectively.

3) Earnings distribution

Earnings distribution for 2020 and 2019 was resolved in the general meeting of shareholders held on August 25, 2021 and June 12, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.00	<u>994,600</u>	4.00	<u>994,599</u>

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

	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2021	\$ (146,611)	12,902	(133,709)
Exchange differences on foreign operations	(69,986)	-	(69,986)
Exchange differences of associates accounted for using the equity method	(176)	-	(176)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(11,914)	(11,914)
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	11,603	11,603
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	6,112	6,112
Balance on December 31, 2021	<u>\$ (216,773)</u>	<u>18,703</u>	<u>(198,070)</u>

(Continued)

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

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

(iv) Non-controlling interests

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 628,302	598,428
Attributable to non-controlling interests:		
(Losses) profit for the period	(9,325)	54,499
Exchange differences on translation in foreign operations	28	(3)
Unrealized losses on financial assets	(9,180)	(1,143)
Cash dividend distributed	(30,080)	(30,079)
Changes in ownership interest in subsidiaries	168	6,600
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	<u>19,466</u>	<u>-</u>
Balance on December 31	<u>\$ 599,379</u>	<u>628,302</u>

(p) Earnings per share

For the years ended December 31, 2021 and 2020, the Company's earnings per share were calculated as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 831,894</u>	<u>924,178</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
	<u>\$ 3.35</u>	<u>3.72</u>

(Continued)

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

	For the years ended December 31,	
	2021	2020
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>831,894</u>	<u>924,178</u>
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	<u>409</u>	<u>413</u>
Weighted average number of ordinary shares (diluted)	<u>249,059</u>	<u>249,063</u>
	<u>\$ 3.34</u>	<u>3.71</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 2021					
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 2,372,040	165,760	1,040,488	405,777	262,292	4,246,357
Other countries	<u>274,962</u>	<u>-</u>	<u>90</u>	<u>5,760</u>	<u>8,441</u>	<u>289,253</u>
	<u>\$ 2,647,002</u>	<u>165,760</u>	<u>1,040,578</u>	<u>411,537</u>	<u>270,733</u>	<u>4,535,610</u>
Major products/services lines:						
Medicine and functional food	\$ 2,537,460	165,760	1,040,569	411,380	269,019	4,424,188
Services	98,764	-	9	157	1,714	100,644
Royalty	<u>10,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,778</u>
	<u>\$ 2,647,002</u>	<u>165,760</u>	<u>1,040,578</u>	<u>411,537</u>	<u>270,733</u>	<u>4,535,610</u>
	For the years 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	<u>257,113</u>	<u>-</u>	<u>2,557</u>	<u>5,156</u>	<u>13,200</u>	<u>278,026</u>
	<u>\$ 2,452,779</u>	<u>173,473</u>	<u>953,330</u>	<u>445,833</u>	<u>196,421</u>	<u>4,221,836</u>
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	<u>1,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,534</u>
	<u>\$ 2,452,779</u>	<u>173,473</u>	<u>953,330</u>	<u>445,833</u>	<u>196,421</u>	<u>4,221,836</u>

(Continued)

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

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liability	<u>\$ 39,769</u>	<u>16,285</u>	<u>16,678</u>

The amount of revenue recognized for the year ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$12,804 thousand and \$10,724 thousand, respectively.

(r) Remunerations to employees and directors

The Company's Articles of Incorporation require that earnings shall first be offset against any deficit, then, a range of 0.5%~10% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration both at \$23,195 thousand, and directors' remuneration at \$14,950 thousand. These amounts were calculated by using the Company's profit before tax for the period before deducting the amounts of the remuneration to employees and directors based on the Company's Articles of Incorporation, and the amount was recognized under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(s) Non-operating income and expenses

(i) Interest income

The details of total interest income for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	<u>\$ 6,309</u>	<u>14,981</u>

(ii) Other income

The details of other income for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Rent revenue	\$ 10,920	10,644
Compensation income	-	74,478
Others	<u>351</u>	<u>6,290</u>
	<u>\$ 11,271</u>	<u>91,412</u>

(Continued)

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

In February 2020, Belviq, a product sold by Chuang Yi Biotech Co., Ltd. (Chuang Yi), was considered to have a higher risk of getting cancer according to the result of a clinical trial conducted by U.S. Food and Drug Administration. Therefore, Eisai Co., Ltd., the license holder of Belviq, recalled its public trading permission in the U.S.. In addition, Taiwan Food and Drug Administration also requested Chuang Yi to suspend the sales of Belviq and reassessed the product for safety concerns. Chuang Yi signed a settlement agreement with Eisai Co., Ltd. in September 2020, wherein Eisai Co., Ltd. promised to compensate the recalling expense and the cost of inventories. Upon receiving the compensation, Chuang Yi wrote off the other receivables and recognized the remaining balance amounting to \$74,478 thousand as compensation income.

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Losses on disposal of property, plant and equipment	\$ (736)	(321)
Dividend income	6,360	6,420
Foreign exchange gains (losses)	1,116	(15,253)
Losses on financial assets measured at fair value through profit or loss	-	(1,558)
Impairment losses of non-financial assets	(4,146)	(4,583)
Other gains and losses	(189,645)	9,596
	\$ (187,051)	(5,699)

On May 14, 2021, the Company received a decision from the Fair Trade Commission, stating that the agreement between the Company and Lotus Pharmaceutical Co., Ltd. for exclusive right to sell “Furil Capsules” since February 4, 2009, was regarded as a concerted action. Therefore, the Company was fined with \$220,000 thousand, which was recognized under other gains and losses. On July 12, 2021, the Company filed a complaint with Taipei High Administrative Court to revoke the decision, and the court has accepted the case.

(iv) Finance costs

The details of finance costs for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Interest expense	\$ 18,985	19,413

(Continued)

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

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Group's maximum amount exposed to credit risk. Such maximum credit exposure on December 31, 2021 and 2020, amounted to \$1,140,664 thousand and \$1,055,209 thousand, respectively.

2) Concentration of credit risk

In order to lower the credit risk on accounts receivable, the Group continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for doubtful accounts". Bad debt losses are always within the administrative personnel's expectations. As of December 31, 2021 and 2020, the accounts receivable from the Group's top ten customers represented 16% and 15%, respectively, of accounts receivable.

(ii) Credit risk of receivables

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

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

(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Bank loans	\$ 2,123,121	2,127,293	2,123,120	4,173	-
Non-interest-bearing liabilities (including related parties)	853,153	853,153	709,353	110,400	33,400
Guarantee deposits received	<u>2,429</u>	<u>2,429</u>	<u>2,429</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,978,703</u>	<u>2,982,875</u>	<u>2,834,902</u>	<u>114,573</u>	<u>33,400</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
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>

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

(iv) Market risk

1) Currency risk

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

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 11,054	27.68	305,973	10,416	28.48	296,648
CNY	2,429	4.344	10,553	2,647	4.377	11,586
JPY	128,475	0.24	30,898	95,362	0.28	26,701
EUR	180	31.32	5,630	152	35.02	5,323
IDR	216,025	0.002	428	760,275	0.002	1,521
HKD	648	3.55	2,301	35	3.67	129
<u>Non-monetary items</u>						
USD	47,800	27.68	1,323,103	48,097	28.48	1,369,812
CNY	47,335	4.344	205,623	49,391	4.377	216,183
THB	350,604	0.835	292,649	299,410	0.96	287,434
EUR	58	31.32	1,815	72	35.02	2,534
TRY	6,744	2.16	14,539	-	-	-

2) Sensitivity analysis

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

(Continued)

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

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY, EUR, IDR, and HKD as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$2,846 thousand and \$2,733 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, the foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$1,116 thousand and (\$15,253) thousand, respectively.

(v) Interest rate analysis

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

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

Regarding the liabilities with variable interest rates, their sensitivity analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The fluctuation rate is expressed as the interest rate increases or decreases by 0.25%, which also represents the Group management's assessment of the reasonably possible interest rate change, when reporting to the internal management.

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$899 thousand and \$1,967 thousand for the years ended December 31, 2021 and 2020, respectively with all other variable factors remaining constant.

(vi) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

	For the years ended December 31,			
	2021		2020	
	Other	Net income	Other	Net income
Prices of securities at the reporting date	Comprehensive income after tax	after tax	Comprehensive income after tax	Net income
10% increasing	\$ 25,013	-	28,845	-
10% decreasing	\$ (25,013)	-	(28,845)	-

(Continued)

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

(vii) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

	December 31, 2021				
	Book Value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 182,433	182,433	-	-	182,433
Domestic stock in listed company at Taipei Exchange	52,929	52,929	-	-	52,929
International stock	14,771	-	-	14,771	14,771
subtotal	<u>250,133</u>	<u>235,362</u>	<u>-</u>	<u>14,771</u>	<u>250,133</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,222,253	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,137,753	-	-	-	-
Other receivables (including related party)	13,622	-	-	-	-
Other financial assets	471,024	-	-	-	-
Refundable deposits paid	33,833	-	-	-	-
subtotal	<u>3,878,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,128,618</u>	<u>235,362</u>	<u>-</u>	<u>14,771</u>	<u>250,133</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,123,121	-	-	-	-
Notes payable and accounts payable (including related party)	187,268	-	-	-	-
Other payables (including related party)	522,085	-	-	-	-
Guarantee deposit received	2,429	-	-	-	-
Other non-current liabilities	143,800	-	-	-	-
Total	<u>\$ 2,978,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 176,970	176,970	-	-	176,970
Domestic stock in listed company at Taipei Exchange	62,216	62,216	-	-	62,216
International stock	<u>49,271</u>	<u>-</u>	<u>-</u>	<u>49,271</u>	<u>49,271</u>
subtotal	<u>288,457</u>	<u>239,186</u>	<u>-</u>	<u>49,271</u>	<u>288,457</u>
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	<u>22,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>2,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,802,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

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

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Continued)

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

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

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

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

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

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

Equity instruments without a public quotation: The fair value of the equity instrument is estimated based on a discounted cash flow model. The main assumption is that the expected future cash flow of the investee will be discounted at the rate of return, which reflects the time value of money and investment risk.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2021 and 2020, so there was no transfer between levels.

(Continued)

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

6) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2021	\$ 49,271
Addition	14,771
Disposal	(49,271)
Balance at December 31, 2021	\$ 14,771
Balance at January 1, 2020	\$ 49,271
Balance at December 31, 2020	\$ 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".

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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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 were 13.32%.)	•The higher the weighted average cost of capital and discount for lack of market liquidity, the lower the fair value.
		•Discount for lack of market liquidity (On December 31, 2020 were 20.6%)	
	Comparable companies method	•Discount for lack of market liquidity (On December 31, 2021 were 28.52%)	•The higher the discount for lack of market liquidity, the lower the fair value.
		•Expected volatility (On December 31, 2021 were 60.84%)	•The higher the volatility, the the higher the fair value.

(Continued)

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

- 8) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The valuation models and assumptions used to measure the fair value of financial instruments are reasonable. However, the use of different valuation models or assumptions may result in different measurements. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used in valuation models have changed:

	<u>Input</u>	<u>Change</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2021				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	148	(148)
December 31, 2020				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	487	(487)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(u) Financial risk management

(i) Overview

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

- 1) credit risk
- 2) liquidity risk
- 3) market risk

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

(ii) Risk management framework

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

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

(Continued)

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

(iii) Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like accounts receivable and equity securities.

1) Accounts receivable and other receivables

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

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

2) Investment

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

3) Guarantees

The Group did not provide any endorsement or guarantee as of December 31, 2021 and 2020.

(iv) Liquidity risk

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

(v) Market risk

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

(Continued)

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

(v) Capital management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares or sell assets to reduce debts.

The Group manages capital by the debt-to-equity ratio. Such ratio is calculated as net liabilities divided by total capital. Net liabilities represent the total amount of liabilities on the balance sheet minus cash and cash equivalents. The total amount of capital represents all the equity components (share capital, capital surplus, retained earnings, and other equity) plus net liabilities.

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

	December 31, 2021	December 31, 2020
Total liabilities	\$ 3,529,231	3,282,741
Less: cash and cash equivalents	<u>(2,222,253)</u>	<u>(2,223,730)</u>
Net debt	1,306,978	1,059,011
Total capital	<u>5,767,234</u>	<u>6,078,068</u>
Adjusted capital	<u>\$ 7,074,212</u>	<u>7,137,079</u>
Debt-to-equity ratio	<u>18.48 %</u>	<u>14.84 %</u>

(7) Related-party transactions:

(a) Names of related parties and relationship

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

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

(Continued)

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

(b) Significant transactions with related parties

(i) Sales revenue

The amounts of significant sales by the Group to related parties were as follows:

	For the years ended December 31,	
	2021	2020
Associates	\$ 86,888	71,355
Other related parties	465	527
	<u>\$ 87,353</u>	<u>71,882</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) Other gains

The amounts of other gains by the Group from related parties were as follows:

Recognized item	Category	For the years ended December 31,	
		2021	2020
Other gains	Associates-American Taiwan	\$ 11,903	12,545
	Biopharm (Thailand)		
	Associates	2,926	205
		<u>\$ 14,829</u>	<u>12,750</u>

Other gains of the Group to the associates were mainly paid in accordance with the management service contract between the two parties. The payment terms are three months, which were no different from the payment terms given by other vendors.

(c) Assets and liabilities with related parties

Recognized item	Category	December 31,	December 31,
		2021	2020
Accounts receivable	Associates	\$ 22,936	24,854
	Other related parties	60	-
		<u>\$ 22,996</u>	<u>24,854</u>
Other receivables	Associate-American Taiwan	<u>\$ 2,971</u>	<u>3,515</u>
	Biopharm (Thailand)		

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

(Continued)

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 93,028	97,725
Post-employment benefits	<u>1,021</u>	<u>1,234</u>
	<u>\$ 94,049</u>	<u>98,959</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged asset	Object	December 31, 2021	December 31, 2020
Other current and non-current asset	Bank loan	\$ 21,135	21,131
Other financial assets-non-current	Guarantee for provision attachment	149,380	149,380
		<u>\$ 170,515</u>	<u>170,511</u>

(9) Significant commitments and contingencies:

(a) The Group's unfinished contracts as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
<u>Total price of unfinished contracts</u>		
Purchase of equipment and construction engineering	\$ <u>18,185</u>	<u>162,960</u>
Acquisition of intangible assets	\$ <u>219,892</u>	<u>59,048</u>
Research and development service	\$ <u>195,549</u>	<u>343,838</u>
Purchase of raw materials	\$ <u>333,252</u>	<u>238,000</u>
<u>Unpaid amount</u>		
Purchase of equipment and construction engineering	\$ <u>10,974</u>	<u>20,143</u>
Acquisition of intangible assets	\$ <u>146,170</u>	<u>37,060</u>
Research and development service	\$ <u>86,828</u>	<u>122,787</u>
Purchase of raw materials	\$ <u>235,925</u>	<u>185,600</u>

(b) As of December 31, 2021, and 2020, the financial institutions provide guarantee for the import and sale of medicine amounted to \$153,605 thousand and \$71,211 thousand, respectively.

(Continued)

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

- (a) A summary of current-period employee benefits, depreciation and amortization expenses, by function, was as follows:

By item	By function					
	For the years ended December 31,					
	2021			2020		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 212,700	651,638	864,338	221,866	656,274	878,140
Health and labor insurance	20,731	49,819	70,550	20,077	44,510	64,587
Pension	11,213	28,611	39,824	11,359	27,837	39,196
Others	2,006	55,583	57,589	5,914	47,325	53,239
Depreciation expense	104,315	41,133	145,448	105,251	31,879	137,130
Amortization expense	187	21,646	21,833	405	19,464	19,869

(b) Others

The Group donated \$47,069 thousand and \$46,191 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2021 and 2020, respectively.

(c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the exchairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan High Court. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called "Risperidone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29, 2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.

(Continued)

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

- (d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress.
- (e) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of December 31, 2021, the monies incurred from the agreement in dispute in the amount of \$21,538 thousand euros have been deposited into the escrow account by Janssen.
- (f) With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative action for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case is further remanded by the Supreme Court to the Taiwan High Court for an appeal by the Company.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. This case has been accepted by the Labor Court Dresden of Germany and is currently under progress.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the years ended December 31, 2021:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	69,200 USD 2,500	69,200 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	81,249 CNY 18,704	81,249 CNY 18,704

The exchange rate of USD to NTD as of the reporting date is 1:27.68.

The exchange rate of CNY to NTD as of the reporting date is 1:4.344.

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

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

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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

Note 4): The highest balance of financing to other parties as of December 31, 2021.

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

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

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income– current	1,315	52,929	0.81 %	52,929	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	157,750	0.38 %	157,750	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	21,200	0.20 %	21,200	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	58	3,483	0.02 %	3,483	
"	CellMax Ltd. Preferred Stock	-	"	1,593	14,771	0.67 %	14,771	

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None

(v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None

(vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollar)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chuang Yi Biotech Co., Ltd.	The subsidiary	Sale	(150,958)	(3.74)%	90 days T/T	Normal	-	91,792	8.91%	
Chuang Yi Biotech Co., Ltd.	The Company	The parent company	Purchase	150,958	92.57%	90 days T/T	Normal	-	(91,792)	(97.56)%	

(viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital: None

(ix) Information regarding trading in derivative financial instruments: None

(x) Significant transactions and business relationship between the parent company and its subsidiaries:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco International Co., Ltd.	1	Royalty revenue	48,181	By contract	1.06%
0	"	"	1	Accounts receivable	21,136	"	0.23%
0	"	TSH Biopharm Co., Ltd.	1	Accounts receivable	6,234	"	0.07%
0	"	"	1	Other receivables	2,684	"	0.03%
0	"	"	1	Sales revenue	69,460	"	1.53%
0	"	"	1	Services revenue	2,317	"	0.05%
0	"	"	1	Other income	4,431	"	0.10%
0	"	"	1	Other gains and losses	5,514	"	0.12%

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	TSH Biopharm Co., Ltd.	1	Selling expense	1,946	By contract	0.04%
0	"	American Taiwan Biopharma Phils Inc.	1	Other receivables	6,922	"	0.07%
0	"	EnhanX Biopharm Inc.	1	Services revenue	1,631	"	0.04%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	91,822	"	0.99%
0	"	"	1	Sales revenue	150,958	"	3.33%
0	"	"	1	Other income	2,757	"	0.06%
0	"	"	1	Other gains and losses	13,446	"	0.30%
0	TSH Biopharm Co., Ltd.	"	3	Other gains and losses	2,897	"	0.06%

Note 1): The numbering is as follows:

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

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

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

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

Note 4): The related-party transactions less than NT\$1,000 thousand were not disclosed, and so were the relative transactions.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,256,092	(18,357)	(18,357)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	203,123	(7,803)	(7,803)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(1,300)	(548)	(476)	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	603,181	45,881	26,035	Subsidiary
The Company	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	24,556	(28,967)	(6,034)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	180,951	16,646	49.05 %	17,462	(31,516)	(15,458)	Subsidiary
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Turkey	Selling chemical medicine	13,863	-	240	100.00 %	14,539	6,463	6,463	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.01 %	873,627	426,031	76,250	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	292,649	100,869	40,348	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	67,011	46,464	18,586	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	44,744	(28,967)	(8,450)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	11,786	(8,987)	(8,987)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00 %	13,098	(7,610)	(3,805)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00 %	13,098	(7,610)	(3,805)	Subsidiary
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	1,815	(479)	(479)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89 %	5,993	(31,516)	(1,226)	Subsidiary

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00 %	2,567	(325)	(325)	Subsidiary

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollar)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	51,694	(2)	87,445	-	-	87,445	634	100 %	100 %	634	49,147	-
		CNY 11,900		CNY 20,130			CNY 20,130	CNY 146			CNY 146	CNY 11,314	
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	13,840	(2)	13,840	-	-	13,840	(287)	100 %	100 %	(287)	2,500	-
		USD 500		USD 500			USD 500	CNY (66)			CNY (66)	CNY 576	

The exchange rate of USD to NTD as of the reporting date was 1:27.68, and the average exchange rate of USD to NTD for the reporting period was 1:27.9904.

The exchange rate of CNY to NTD as of the reporting date was 1:4.344, and the average exchange rate of CNY to NTD for the reporting period was 1:4.3394.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 1): Investment methods are classified into the following four categories.

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

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 101,285	NTD 1,307,271 (USD 47,228)	NTD 3,100,713

(iii) Significant transactions: None

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Dawan Technology Company Limited		23,526,732	9.46 %

(14) Segment information:

(a) General information

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

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

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

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

<u>For the year ended December 31, 2021</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	\$ 2,647,002	165,760	1,040,578	411,537	-	270,733	-	4,535,610
Intersegment revenues	121,824	55,720	95,238	1,946	-	(13)	(274,715)	-
Interest revenue	442	-	-	2,099	226	3,552	(10)	6,309
Total revenue	<u>\$ 2,769,268</u>	<u>221,480</u>	<u>1,135,816</u>	<u>415,582</u>	<u>226</u>	<u>274,272</u>	<u>(274,725)</u>	<u>4,541,919</u>
Interest expense	\$ 17,288	-	-	80	-	1,707	(90)	18,985
Depreciation and amortization	147,970	309	304	9,785	639	21,966	(13,692)	167,281
Share of profit (loss) of associates and joint ventures accounted for using equity method	76,250	58,934	-	-	-	-	-	135,184
Reportable segment profit or loss	<u>\$ 649,109</u>	<u>53,281</u>	<u>380,370</u>	<u>60,322</u>	<u>(8,344)</u>	<u>(76,684)</u>	<u>29,326</u>	<u>1,087,380</u>
Assets:								
Investments accounted for using equity method	\$ 873,363	359,660	-	-	-	-	-	1,233,023
Reportable segment assets	<u>\$ 7,535,847</u>	<u>460,004</u>	<u>509,320</u>	<u>1,160,857</u>	<u>239,828</u>	<u>1,782,187</u>	<u>(2,391,578)</u>	<u>9,296,465</u>

(Continued)

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

For the year ended December 31, 2020	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	\$ 2,452,779	173,473	953,330	445,833	-	196,421	-	4,221,836
Intersegment revenues	154,801	39,154	36,122	2,029	-	(371)	(231,735)	-
Interest revenue	1,126	-	-	2,238	357	11,860	(600)	14,981
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 (loss) of associates and joint ventures 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
Assets:								
Investments accounted for using equity method	\$ 876,630	345,106	-	-	-	-	-	1,221,736
Reportable segment assets	\$ 7,611,661	434,823	472,931	1,220,139	214,178	1,883,533	(2,476,456)	9,360,809

(c) Information

The Group's information about revenue from external customers was as follows:

Product and Service	2021	2020
Medical and functional food	\$ 4,424,188	4,193,242
Service and royalty revenue	111,422	28,594
Total	\$ 4,535,610	4,221,836

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets including property, plant and equipment, investment property, intangible assets, and guarantee deposits received, are based on the geographical location of the assets.

Region	2021	2020
Revenue from external customers:		
Taiwan	\$ 4,246,357	3,931,611
Others countries	289,253	290,225
Total	\$ 4,535,610	4,221,836
Non-current assets:		
Taiwan	\$ 2,783,216	2,853,618
China	22,400	23,113
Others countries	203	196
Total	\$ 2,805,819	2,876,927

(Continued)

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

(e) Major customer

The Group's did not have revenues from a single customer that exceeds 10% of the consolidated operating revenues in 2020 and 2021.