

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

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

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Independent Auditors' Review Report

To the Board of Directors of TTY Biopharm Company Limited:

Introduction

We have reviewed the accompanying consolidated balance sheets of TTY Biopharm Company Limited and its subsidiaries as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$232,344 thousand and \$260,118 thousand, constituting 2.36% and 2.67% of consolidated total assets as of September 30, 2022 and 2021, respectively; total liabilities amounting to \$45,489 thousand and \$109,767 thousand, constituting 1.20% and 2.57% of consolidated total liabilities as of September 30, 2022 and 2021, respectively; and total comprehensive income (loss) amounting to \$24,827 thousand, \$(15,764) thousand, \$8,829 thousand and \$(165) thousand, constituting 5.60%, (7.09)%, 0.84% and (0.04)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(e), the investments accounted for using the equity method of TTY Biopharm Company Limited and its subsidiaries amounting to \$408,588 thousand and \$347,390 thousand as of September 30, 2022 and 2021, respectively, and the related share of profit amounting to \$14,541 thousand, \$13,023 thousand, \$46,806 thousand and \$44,582 thousand for the three months and nine months periods ended respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of TTY Biopharm Company Limited and its subsidiaries as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, and its consolidated cash flows for the nine months ended September 30, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of PharmaEngine, Inc., an associate of TTY Biopharm Company Limited and its subsidiaries, which represented as investment accounted for using the equity method. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for PharmaEngine, Inc., is based solely on the review report of another auditor. The investment in PharmaEngine, Inc. accounted for using the equity method amounted to \$851,355 thousand and \$853,827 thousand, constituting 8.65% and 8.77% of consolidated total assets as of September 30, 2022 and 2021, respectively, and the related share of profit of associates accounted for using the equity method amounted to \$15,744 thousand, \$13,175 thousand, \$47,749 thousand and \$56,164 thousand, constituting 3.60%, 4.19%, 4.44% and 8.49% of consolidated total profit before tax for the three months and nine months ended September 30, 2022 and 2021, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)

November 4, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2022 and 2021

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollar)

Assets		September 30, 2022		December 31, 2021		September 30, 2021		Liabilities and Equity		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (notes 6(a) and (r))	\$ 2,512,985	26	2,222,253	24	2,531,855	26	2100	Short-term borrowings (notes 6(i), (r) and 8)	\$ 1,770,000	18	1,711,070	18	1,459,070	15
1120	Current financial assets at fair value through other comprehensive income (notes 6(b) and (r))	47,405	-	52,929	1	43,724	1	2130	Contract liabilities-current (note 6(o))	32,637	-	39,769	-	66,387	1
1150	Notes receivable, net (notes 6(c) and (r))	31,919	-	37,646	-	35,617	-	2150	Notes payable (note 6(r))	57,913	1	57,235	1	57,892	1
1170	Accounts receivable, net (notes 6(c) and (r))	1,092,332	11	1,077,111	12	922,310	10	2170	Accounts payable (note 6(r))	498,880	5	130,033	1	219,673	2
1180	Accounts receivable due from related parties, net (notes 6(c), (r) and 7)	32,102	-	22,996	-	19,400	-	2216	Dividends payable (notes 6(m) and (r))	-	-	-	-	1,024,680	11
1200	Other receivables, net (notes 6(r) and 7)	19,622	-	13,622	-	12,568	-	2219	Other payables (note 6(r))	479,988	5	522,085	6	440,573	4
130X	Inventories (note 6(d))	1,261,882	13	955,011	10	1,262,821	13	2230	Current tax liabilities	88,978	1	150,392	2	76,248	1
1410	Prepayments	52,960	1	46,960	1	55,335	1	2280	Current lease liabilities (note 6(r))	6,779	-	7,623	-	5,225	-
1476	Other current financial assets (notes 6(h), (r) and 8)	259,841	3	319,724	3	313,776	3	2300	Other current liabilities	30,088	-	25,467	-	26,172	-
1470	Other current assets (note 6(h))	17,642	-	1,151	-	16,621	-	2320	Long-term liabilities, current portion (notes 6(j), (r) and 8)	400,000	4	407,905	5	410,527	4
		<u>5,328,690</u>	<u>54</u>	<u>4,749,403</u>	<u>51</u>	<u>5,214,027</u>	<u>54</u>			<u>3,365,263</u>	<u>34</u>	<u>3,051,579</u>	<u>33</u>	<u>3,786,447</u>	<u>39</u>
Non-current assets:								Non-current liabilities:							
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(b) and (r))	196,065	2	197,204	2	225,951	2	2540	Long-term borrowings (notes 6(j), (r) and 8)	-	-	4,146	-	5,689	-
1550	Investments accounted for using the equity method, net (note (e))	1,259,943	13	1,233,023	13	1,201,217	12	2570	Deferred tax liabilities	260,519	3	260,519	3	271,826	3
1600	Property, plant and equipment (notes 6(g) and 9)	2,443,290	25	2,497,392	28	2,512,205	26	2580	Non-current lease liabilities (note 6(r))	10,169	-	14,161	-	9,782	-
1755	Right-of-use assets	16,792	-	21,707	-	14,936	-	2640	Net defined benefit liability, non-current	50,138	1	52,597	1	42,660	-
1760	Investment property, net	135,282	1	135,689	1	135,840	1	2645	Guarantee deposits received (note 6(r))	2,432	-	2,429	-	2,428	-
1780	Intangible assets	118,791	1	124,904	1	126,007	1	2670	Other non-current liabilities (note 6(r))	102,400	1	143,800	2	157,600	2
1840	Deferred tax assets	63,722	1	63,723	1	61,512	1			<u>425,658</u>	<u>5</u>	<u>477,652</u>	<u>6</u>	<u>489,985</u>	<u>5</u>
1915	Prepayments for business facilities (note 9)	13,434	-	8,487	-	2,822	-	Total liabilities		<u>3,790,921</u>	<u>39</u>	<u>3,529,231</u>	<u>39</u>	<u>4,276,432</u>	<u>44</u>
1920	Refundable deposits paid (note 6(r))	24,341	-	33,833	-	24,500	-	Equity attributable to owners of parent (note 6(m)):							
1984	Other non-current financial assets (notes 6(h), (r) and 8)	150,954	2	151,300	2	157,261	2	3100	Share capital	2,486,500	25	2,486,500	27	2,486,500	26
1990	Other non-current assets (notes 6(h) and 9)	85,550	1	79,800	1	58,338	1	3200	Capital surplus (note 6(e))	311,831	3	311,876	3	311,876	3
		<u>4,508,164</u>	<u>46</u>	<u>4,547,062</u>	<u>49</u>	<u>4,520,589</u>	<u>46</u>	3310	Legal reserve	1,278,935	13	1,198,617	13	1,198,617	12
		<u>\$ 9,836,854</u>	<u>100</u>	<u>9,296,465</u>	<u>100</u>	<u>9,734,616</u>	<u>100</u>	3320	Special reserve	198,071	2	133,709	1	133,709	1
								3350	Unappropriated retained earnings	1,194,311	12	1,235,223	13	922,002	10
								3400	Other equity interest	(6,000)	-	(198,070)	(2)	(208,577)	(2)
									Equity attributable to owners of parent:	5,463,648	55	5,167,855	55	4,844,127	50
								36XX	Non-controlling interests (note 6(m))	582,285	6	599,379	6	614,057	6
									Total equity	<u>6,045,933</u>	<u>61</u>	<u>5,767,234</u>	<u>61</u>	<u>5,458,184</u>	<u>56</u>
									Total liabilities and equity	<u>\$ 9,836,854</u>	<u>100</u>	<u>9,296,465</u>	<u>100</u>	<u>9,734,616</u>	<u>100</u>

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30				For the nine months ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(o) and 7)							
5000	Operating costs (notes 6(d), (k) and 12)							
	Gross profit							
5910	Less: Unrealized profit (loss) from sales							
5920	Add: Realized profit (loss) from sales							
	Gross profit, net							
6000	Operating expenses (notes 6(k), (p) and 12):							
6100	Selling expenses							
6200	Administrative expenses							
6300	Research and development expenses							
6450	Expected (reversal of) credit losses (note 6(c))							
	Total operating expenses							
	Net operating income							
	Non-operating income and expenses:							
7100	Interest income (note 6(q))							
7010	Other income (note 6(q))							
7020	Other gains and losses, net (notes 6(q) and 7)							
7050	Finance costs, net (note 6(q))							
7060	Share of profit of associates accounted for using the equity method, net (note 6(e))							
7055	Total non-operating income and expenses							
	Profit before tax							
7950	Less: Income tax expenses (note 6(l))							
	Profit for the period							
8300	Other comprehensive income:							
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss							
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income							
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss							
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							
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss							
8361	Exchange differences on translation							
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							
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss							
	Components of other comprehensive income (loss) that will be reclassified to profit or loss							
8300	Other comprehensive income (loss)							
	Total comprehensive income for the period							
	Profit attributable to:							
8610	Owners of parent							
8620	Non-controlling interests							
	Comprehensive income attributable to:							
	Owners of parent							
	Non-controlling interests							
	Earnings per share, net of tax (note 6(n))							
9750	Basic earnings per share							
9850	Diluted earnings per share							

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital		Retained earnings			Total other equity interest					Non-controlling interests
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interests	Total equity attributable to owners of parent		
Balance at January 1, 2021	\$ 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 for the nine months ended September 30, 2021	-	-	-	-	488,378	-	-	-	488,378	(4,683)	483,695
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	(77,211)	10,226	(66,985)	(66,985)	884	(66,101)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	488,378	(77,211)	10,226	(66,985)	421,393	(3,799)	417,594
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	-	-	-	-	7,883	-	(7,883)	(7,883)	-	-	-
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(30,080)	(30,080)
Balance at September 30, 2021	\$ 2,486,500	311,876	1,198,617	133,709	922,002	(223,822)	15,245	(208,577)	4,844,127	614,057	5,458,184
Balance at January 1, 2022	\$ 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
Net income for the nine months ended September 30, 2022	-	-	-	-	849,717	-	-	-	849,717	15,286	865,003
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	198,944	(6,874)	192,070	192,070	(7,346)	184,724
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	849,717	198,944	(6,874)	192,070	1,041,787	7,940	1,049,727
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	80,318	-	(80,318)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	64,362	(64,362)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(745,949)	-	-	-	(745,949)	-	(745,949)
Other changes in capital surplus:											
Changes in equity of investments accounted for using the equity method	-	(180)	-	-	-	-	-	-	(180)	-	(180)
Other changes in capital surplus	-	93	-	-	-	-	-	-	93	-	93
Changes in ownership interests in subsidiaries	-	42	-	-	-	-	-	-	42	32	74
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(25,066)	(25,066)
Balance at September 30, 2022	\$ 2,486,500	311,831	1,278,935	198,071	1,194,311	(17,829)	11,829	(6,000)	5,463,648	582,285	6,045,933

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,075,254	661,816
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	118,910	107,608
Amortization expenses	16,842	16,189
Expected (reversal of) credit losses	2,940	(134)
Interest expenses	15,663	13,470
Interest income	(14,085)	(4,675)
Dividend income	(6,379)	(6,360)
Shares of profit of investments accounted for using the equity method	(94,555)	(100,746)
(Gains) losses on disposal of property, plant and equipment	(12)	115
Losses on disposal of investments	-	205
Unrealized profit from sales	7,256	6,738
Realized profit from sales	(8,161)	(6,734)
Other	275	-
Total adjustments to reconcile profit (loss)	<u>38,694</u>	<u>25,676</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	5,727	(1,851)
Accounts receivable	(26,702)	57,790
Other receivables	1,162	3,330
Inventories	(306,678)	(152,672)
Prepayments and other current assets	(22,240)	45
Total changes in operating assets	<u>(348,731)</u>	<u>(93,358)</u>
Changes in operating liabilities:		
Contract liabilities	(7,132)	50,102
Notes payable	(40,723)	209,628
Accounts payable	368,601	66,878
Other payable	(42,790)	(56,074)
Other current liabilities	4,584	(6,111)
Net defined benefit liability	(2,459)	(2,840)
Total changes in operating liabilities	<u>280,081</u>	<u>261,583</u>
Total changes in operating assets and liabilities	<u>(68,650)</u>	<u>168,225</u>
Total adjustments	<u>(29,956)</u>	<u>193,901</u>
Cash inflow generated from operations	1,045,298	855,717
Interest received	7,569	4,501
Dividends received	91,267	79,521
Interest paid	(15,858)	(13,673)
Income taxes paid	(271,665)	(211,958)
Net cash flows from operating activities	<u>856,611</u>	<u>714,108</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(10,500)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	20,708
Acquisition of property, plant and equipment	(51,733)	(32,749)
Proceeds from disposal of property, plant and equipment	114	11
Decrease (increase) in refundable deposits paid	9,507	(2,484)
Acquisition of intangible assets	(9,175)	(8,807)
Decrease (increase) in other financial assets	60,230	(31,337)
Increase in prepayments for business facilities	(12,934)	(1,365)
Increase in other non-current assets	(5,750)	(47,009)
Net cash flows used in investing activities	<u>(20,241)</u>	<u>(103,032)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	7,370,000	3,550,000
Decrease in short-term loans	(7,311,070)	(3,806,000)
Proceeds from long-term borrowings	400,000	-
Repayments of long-term borrowings	(412,051)	(12,378)
Increase in guarantee deposits received	69	-
Payment of lease liabilities	(5,864)	(4,135)
Cash dividends paid	(771,015)	-
Dividends unclaimed by shareholders	167	1,095
Net cash flows used in financing activities	<u>(729,764)</u>	<u>(271,418)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>184,126</u>	<u>(31,533)</u>
Net increase in cash and cash equivalents	<u>290,732</u>	<u>308,125</u>
Cash and cash equivalents at beginning of period	<u>2,222,253</u>	<u>2,223,730</u>
Cash and cash equivalents at end of period	<u>\$ 2,512,985</u>	<u>\$ 2,531,855</u>

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2022 and 2021

(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 November 4, 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, 2022:

- 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”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- (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

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 other new and amended standards, which have yet to be endorsed by the FSC, to 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the “Regulations” and IFRSs), International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for the annual consolidated financial statements.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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Except for accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %	100.00 %	
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %	100.00 %	
The Company	American Taiwan Biopharma Philippines Inc.	Selling medicine	87.00 %	87.00 %	87.00 %	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	56.48 %	
The Company	EnhanX Biopharm Inc.	Developing medicine	20.83 %	20.83 %	20.83 %	
The Company	Chuang Yi Biotech Co., Ltd.	Selling functional food	49.05 %	49.05 %	49.05 %	(Note 2)
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Selling medicine	100.00 %	100.00 %	- %	(Note 1)
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Developing medicine	29.17 %	29.17 %	29.17 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Developing medicine	100.00 %	100.00 %	100.00 %	
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Selling functional food	3.89 %	3.89 %	3.89 %	(Note 2)
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00 %	100.00 %	100.00 %	(Note 2)

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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Investor	Subsidiary	Nature of business	Shareholding			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	100.00 %	100.00 %	100.00 %	(Note 2)

(Note 1) 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.

(Note 2) Non-significant subsidiary whose financial statements have not been reviewed.

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

(c) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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

(d) Employee benefits

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated interim financial statements for the current period and the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand	\$ 3,011	2,645	2,609
Cash in banks	1,089,974	1,012,408	1,259,546
Time deposits	<u>1,420,000</u>	<u>1,207,200</u>	<u>1,269,700</u>
Total	<u>\$ 2,512,985</u>	<u>2,222,253</u>	<u>2,531,855</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(h).
- (iii) Please refer to Note 6(r) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Equity investments at fair value through other comprehensive income:			
Domestic common stock—Lumosa Therapeutics Co., Ltd.	\$ 47,405	52,929	43,724
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares B	147,250	157,750	156,000
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares C	3,304	3,483	-
Domestic preferred stock—Union Bank of Taiwan Preferred Shares A	20,240	21,200	20,680
International unlisted stock—CellMax Ltd.	14,771	14,771	49,271
Domestic unlisted stock—ExoOne Bio. Co., Ltd.	10,500	-	-
	<u>\$ 243,470</u>	<u>250,133</u>	<u>269,675</u>

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

- (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) In April, 2022, the Group participated in the capital increase of ExoOne Bio. Co., Ltd. with the amount of \$10,500 thousand and acquired 7.78% equity interests, consisting of 700 thousand common shares.
- (iii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of September 30, 2022. The Group sold its shares amounting to \$20,708 thousand, resulting in a gain of \$13,958 thousand, of which attributable to the owners of parent amounting \$7,883 thousand, for the nine months ended September 30, 2021. The gain on disposal of strategic investments has already reclassified from other equity interest to retained earnings.
- (iv) Please refer to Note 6(r) for information on credit and market risk.
- (v) The above financial assets were not pledged as collateral.
- (c) Notes receivable and accounts receivable (including related parties)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ 31,934	37,661	35,631
Accounts receivable	1,098,168	1,080,007	944,103
Accounts receivable-related parties	32,102	22,996	19,400
Less: allowance for expected credit losses	<u>(5,851)</u>	<u>(2,911)</u>	<u>(21,807)</u>
	<u>\$ 1,156,353</u>	<u>1,137,753</u>	<u>977,327</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:

	<u>September 30, 2022</u>		
	<u>Face value of notes receivable and accounts receivable</u>	<u>Weighted average loss rate</u>	<u>Allowance for expected credit losses</u>
Not overdue	\$ 1,151,715	0.03%~1%	2,131
1 to 90 days overdue	6,179	0.2%~30%	428
91 to 180 days overdue	1,649	1%~67%	1,102
More than 181 days overdue	<u>2,661</u>	2%~100%	<u>2,190</u>
	<u>\$ 1,162,204</u>		<u>5,851</u>

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

	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	48	2%~100%	1
	\$ 1,140,664		2,911
	September 30, 2021		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not overdue	\$ 966,956	0%~1%	4,417
1 to 90 days overdue	8,193	0%~6%	121
91 to 180 days overdue	2,828	0%~50%	9
More than 181 days overdue	21,157	0%~100%	17,260
	\$ 999,134		21,807

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

	For the nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 2,911	21,941
Expected credit losses recognized	2,940	-
Reversal of expected credit losses	-	(134)
Balance at September 30	\$ 5,851	21,807

As of September 30, 2022, December 31, 2021 and September 30, 2021, the notes receivable and accounts receivable for the Group were not pledged as collateral.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(d) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Merchandise	\$ 489,605	284,607	424,316
Finished goods	177,853	193,618	232,694
Work in process	159,307	112,062	127,359
Raw materials	317,652	321,784	345,396
Materials	<u>62,336</u>	<u>54,076</u>	<u>59,344</u>
Subtotal	1,206,753	966,147	1,189,109
Goods in transit	<u>154,226</u>	<u>110,840</u>	<u>150,752</u>
Total	1,360,979	1,076,987	1,339,861
Less: allowance for inventory market decline and obsolescence	<u>(99,097)</u>	<u>(121,976)</u>	<u>(77,040)</u>
Net amount	<u><u>\$ 1,261,882</u></u>	<u><u>955,011</u></u>	<u><u>1,262,821</u></u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Inventories have been sold	\$ 484,979	371,686	1,303,130	1,116,928
Cost of services	751	13,539	3,140	13,539
Write-off of inventories from cost to net realizable value and disposal of inventories	10,950	4,071	26,224	9,103
	<u><u>\$ 496,680</u></u>	<u><u>389,296</u></u>	<u><u>1,332,494</u></u>	<u><u>1,139,570</u></u>

(ii) As of September 30, 2022, December 31, 2021 and September 30, 2021, the inventories were not pledged as collateral.

(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:

	September 30, 2022	December 31, 2021	September 30, 2021
Associates	<u><u>\$ 1,259,943</u></u>	<u><u>1,233,023</u></u>	<u><u>1,201,217</u></u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- 1) As of September 30, 2022, December 31, 2021 and September 30, 2021, the associate which the Group invested had a quoted market price was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying value	<u>\$ 851,355</u>	<u>873,627</u>	<u>853,827</u>
Fair value	<u>\$ 3,052,283</u>	<u>1,877,930</u>	<u>1,433,021</u>

- 2) For the nine months ended September 30, 2022 and 2021, as PharmaEngine, Inc. amortized the compensation cost of employee stock options, employee stock options expired, the compensation cost of amortized restricted stock awards, and purchased treasury stocks, the Group's equity has changed and its capital reserve was debit by \$180 thousand and \$13,893 thousand, respectively.

For the nine months ended September 30, 2022 and 2021, the Group's shareholding ratio dropped from 18.01% to 18.00% and rose from 17.77% to 18.01%, respectively.

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

Associate	Nature of relationship	Country of registration	Equity ownership		
			September 30, 2022	December 31, 2021	September 30, 2021
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	18.00 %	18.01 %	18.01 %

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.

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 3,897,457	4,008,969	3,887,546
Non-current assets	19,719	17,374	18,888
Current liabilities	(97,754)	(87,705)	(76,453)
Non-current liabilities	(2,329)	-	(1,282)
Net assets	<u>\$ 3,817,093</u>	<u>3,938,638</u>	<u>3,828,699</u>
Net assets attributable to investee's owners	<u>\$ 3,817,093</u>	<u>3,938,638</u>	<u>3,828,699</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating revenue	\$ <u>154,882</u>	<u>177,126</u>	<u>495,910</u>	<u>451,034</u>
Profit from continuing operations	\$ 87,462	73,154	265,166	314,501
Other comprehensive (loss) income	-	(37)	-	378
Total comprehensive income	\$ <u>87,462</u>	<u>73,117</u>	<u>265,166</u>	<u>314,879</u>
Comprehensive income attributable to investee's owners	\$ <u>87,462</u>	<u>73,117</u>	<u>265,166</u>	<u>314,879</u>

	For the nine months ended September 30,	
	2022	2021
Net assets attributable to the Group, January 1	\$ 709,349	712,779
Changes in capital surplus of associates	(180)	(13,893)
Comprehensive income attributable to the Group	47,749	56,231
Cash dividends received from associates	(69,841)	(65,568)
Net assets attributable to the Group, September 30	687,077	689,549
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, September 30	\$ <u>851,355</u>	<u>853,827</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:

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount of individually insignificant associates	\$ <u>408,588</u>	<u>359,396</u>	<u>347,390</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Attributable to the Group:				
Profit from continuing operations	\$ 14,541	13,023	46,806	44,582
Other comprehensive income (loss)	6,028	(19,418)	16,529	(34,274)
Total comprehensive income (loss)	\$ <u>20,569</u>	<u>(6,395)</u>	<u>63,335</u>	<u>10,308</u>

(iv) Collateral

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group did not provide any investment accounted for using equity method as collateral.

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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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %
EnhancX Biopharm Inc.	Taiwan	50.00 %	50.00 %	50.00 %
Chuang Yi Biotech Co., Ltd.	Taiwan	52.94 %	52.94 %	52.94 %

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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current assets	\$ 886,470	919,972	975,471
Non-current assets	231,375	240,885	271,071
Current liabilities	(63,403)	(85,800)	(161,373)
Non-current liabilities	-	-	(1,109)
Net assets	<u>\$ 1,054,442</u>	<u>1,075,057</u>	<u>1,084,060</u>
Net assets attributable to non-controlling interest	<u>\$ 458,725</u>	<u>467,741</u>	<u>471,716</u>

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 112,157</u>	<u>98,850</u>	<u>342,255</u>	<u>305,891</u>
Profit for the period	\$ 19,121	9,781	54,069	31,865
Other comprehensive (loss) income	(9,084)	(8,703)	(17,160)	1,931
Total comprehensive income	<u>\$ 10,037</u>	<u>1,078</u>	<u>36,909</u>	<u>33,796</u>
Profit attributable to non-controlling interest	<u>\$ 8,226</u>	<u>4,337</u>	<u>23,487</u>	<u>14,018</u>
Total comprehensive income attributable to non-controlling interest	<u>\$ 4,272</u>	<u>551</u>	<u>16,019</u>	<u>14,859</u>

	<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities	\$ 52,449	58,834
Cash flows from (used in) investing activities	35,276	(6,247)
Cash flows used in financing activities	(61,017)	(3,269)
Net increase in cash	<u>\$ 26,708</u>	<u>49,318</u>
Dividends paid to non-controlling interests	<u>\$ 25,066</u>	<u>30,080</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(ii) Summary financial information on EnhanX Biopharm Inc.

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Current assets	\$ 10,718	23,834	30,274
Non-current assets	89,790	97,188	99,477
Current liabilities	(1,312)	(3,013)	(1,912)
Non-current liabilities	(120)	(120)	-
Net assets	<u>\$ 99,076</u>	<u>117,889</u>	<u>127,839</u>
Net assets attributable to non-controlling interests	<u>\$ 49,538</u>	<u>58,945</u>	<u>63,920</u>

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating revenue	\$ -	-	-	-
Loss for the period	\$ (6,173)	(7,298)	(18,807)	(19,078)
Other comprehensive income (loss)	9	(49)	(5)	(180)
Total comprehensive loss	<u>\$ (6,164)</u>	<u>(7,347)</u>	<u>(18,812)</u>	<u>(19,258)</u>
Loss attributable to non-controlling interest	<u>\$ (3,086)</u>	<u>(3,649)</u>	<u>(9,403)</u>	<u>(9,539)</u>
Total comprehensive loss attributable to non-controlling interest	<u>\$ (3,082)</u>	<u>(3,673)</u>	<u>(9,406)</u>	<u>(9,628)</u>

	<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash flows used in operating activities	\$ (12,717)	(12,260)
Net decrease in cash	<u>\$ (12,717)</u>	<u>(12,260)</u>

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Current assets	\$ 221,127	279,394	250,744
Non-current assets	60,457	68,619	67,620
Current liabilities	(120,416)	(184,631)	(145,576)
Non-current liabilities	(3,213)	(9,315)	(6,516)
Net assets	<u>\$ 157,955</u>	<u>154,067</u>	<u>166,272</u>
Net assets attributable to non-controlling interests	<u>\$ 74,333</u>	<u>72,504</u>	<u>78,248</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating revenue	\$ <u>121,692</u>	<u>78,856</u>	<u>191,713</u>	<u>157,155</u>
Profit (loss) for the period	\$ 23,154	(2,755)	3,814	(19,287)
Other comprehensive income (loss)	17	(6)	72	147
Total comprehensive income (loss)	\$ <u>23,171</u>	<u>(2,761)</u>	<u>3,886</u>	<u>(19,140)</u>
Profit (loss) attributable to non-controlling interest	\$ <u>10,896</u>	<u>(1,297)</u>	<u>1,795</u>	<u>(9,077)</u>
Total comprehensive income (loss) attributable to non-controlling interest	\$ <u>10,905</u>	<u>(1,299)</u>	<u>1,829</u>	<u>(9,007)</u>

	For the nine months ended September 30,	
	2022	2021
Cash flows (used in) from operating activities	\$ (24,868)	4,491
Cash flows from (used in) investing activities	243	(1,861)
Cash flows used in financing activities	(71,121)	(28,905)
Effect of exchange rates changes on cash and cash equivalents	70	150
Net decrease in cash	\$ <u>(95,676)</u>	<u>(26,125)</u>

(g) Property, plant and equipment

The details of the property, plant and equipment of the Group for the nine months ended September 30, 2022 and 2021 were as follows:

	Land	Building and construction	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Carrying value:								
Balance on January 1, 2022	\$902,897	966,351	367,737	425	147,308	17,674	95,000	2,497,392
Balance on September 30, 2022	\$902,897	931,435	336,207	-	131,327	21,318	120,106	2,443,290
Balance on January 1, 2021	\$902,897	874,807	326,494	1,337	139,440	10,780	323,327	2,579,082
Balance on September 30, 2021	\$902,897	834,860	372,357	631	146,050	10,649	244,761	2,512,205

(i) The Group has no significant additions, dispositions, impairments, or reversals of the property, plant and equipment for the nine months ended September 30, 2022 and 2021. Please refer to Note 12(a) for the depreciation amount for the current period. For other relevant information, please refer to Note 6(g) of the consolidated financial statements for the year ended December 31, 2021.

(ii) Collateral

As of September 30, 2022, December 31, 2021 and September 30, 2021, the property, plant and equipment were not pledged as collateral.

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(iii) Property, plant and equipment under construction

As of the reporting date, the Group's plant under construction has incurred expenditures amounting to \$120,106 thousand, and there were no capitalized loan cost for the nine months ended September 30, 2022 and 2021.

(h) Other financial assets and other assets

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other current financial assets	\$ 259,841	319,724	313,776
Other non-current financial assets	150,954	151,300	157,261
Long-term prepayments	85,421	79,672	57,945
Others	<u>17,771</u>	<u>1,279</u>	<u>17,014</u>
	<u><u>\$ 513,987</u></u>	<u><u>551,975</u></u>	<u><u>545,996</u></u>

- (i) Both current and non-current other financial assets were bank deposits that did not qualify as cash and cash equivalents.
- (ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use. 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.

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Secured bank loans	\$ -	61,070	59,070
Unsecured bank loans	<u>1,770,000</u>	<u>1,650,000</u>	<u>1,400,000</u>
	<u><u>\$ 1,770,000</u></u>	<u><u>1,711,070</u></u>	<u><u>1,459,070</u></u>
Unused credit line	<u><u>\$ 1,259,068</u></u>	<u><u>1,176,395</u></u>	<u><u>1,469,837</u></u>
Range of interest rates	<u><u>1.10%~1.58%</u></u>	<u><u>0.72%~2%</u></u>	<u><u>0.73%~2%</u></u>

- (i) For the nine months ended September 30, 2022 and 2021, the Group had the additional short-term borrowings amounting to \$7,370,000 thousand with an interest rate of 1.10%~1.58% and \$3,550,000 thousand with an interest rate of 0.73%~0.82%, respectively; the repayment amounted to \$7,311,070 thousand and \$3,806,000 thousand, respectively. Please refer to Note 6(q) for disclosure of interest expense.
- (ii) Please refer to Note 6(r) for the exposure information of the Group's interest rate and liquidity risk.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(iii) Please refer to Note 8 for the collateral for short-term borrowings.

(j) Long-term borrowings

The long-term borrowings were summarized as follows:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Secured bank loans	\$ -	12,051	16,216
Unsecured bank loans	400,000	400,000	400,000
Less: Current portion	<u>(400,000)</u>	<u>(407,905)</u>	<u>(410,527)</u>
Total	<u>\$ -</u>	<u>4,146</u>	<u>5,689</u>
Unused long-term credit line	<u>\$ 300,000</u>	<u>200,000</u>	<u>300,000</u>
Range of interest rates	<u>1.377%</u>	<u>0.991%~1.945%</u>	<u>0.988%~1.945%</u>

There were no significant issues, repurchases and repayments of long-term borrowings for the nine months ended September 30, 2022 and 2021. Please refer to Note 6(q) for related disclosure of interest expense, Note 6(r) for related risk exposure information and Note 8 for the collateral for long-term borrowings.

(k) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The expenses recognized in profit or loss for the Group were as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating cost	\$ 34	43	101	128
Selling expenses	29	35	86	105
Administrative expenses	33	33	101	98
Research and development expenses	<u>31</u>	<u>25</u>	<u>94</u>	<u>75</u>
Total	<u>\$ 127</u>	<u>136</u>	<u>382</u>	<u>406</u>

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(ii) Defined contributions plans

The Group's pension expenses under defined contribution plans, which had been allocated to the Bureau of Labor Insurance were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating cost	\$ 2,534	2,405	8,778	8,376
Selling expenses	3,383	3,131	10,358	10,768
Administrative expenses	1,794	1,727	5,699	5,624
Research and development expenses	1,434	1,493	4,980	5,085
Total	<u>\$ 9,145</u>	<u>8,756</u>	<u>29,815</u>	<u>29,853</u>

(l) Income Tax

(i) Income tax expense

The components of income tax for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Current tax expense				
Current period	\$ 82,880	61,360	209,316	178,138
Adjustment for prior periods	(43)	(17)	935	(17)
Income tax expense from continuing operations	<u>\$ 82,837</u>	<u>61,343</u>	<u>210,251</u>	<u>178,121</u>

(ii) The Company's income tax returns through 2020 have been assessed and approved by the Tax Authorities.

(m) Capital and other equity

There was no significant change in capital and other equity for the nine months ended September 30, 2022 and 2021. For the related information, please refer to Note 6(o) of the consolidated financial statements for the year ended December 31, 2021.

(i) Capital surplus

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

	September 30, 2022	December 31, 2021	September 30, 2021
Share capital	\$ 484	484	484
Long-term investment	310,544	310,682	310,682
Other	803	710	710
	<u>\$ 311,831</u>	<u>311,876</u>	<u>311,876</u>

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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, at the end of fiscal year, shall pay tax first and recover accumulated losses before contributing 10% for legal reserve. However, this shall not be applied if legal reserve hereto has already reached the amount of share capital. After residual amount from aforementioned calculation is added to unappropriated earnings from previous period, a contribution or reversal to special reserved shall then be conducted in accordance with regulations or competent authority's requirements. At the end of each fiscal year, the Board of Directors will propose an earnings distribution based on considerations of the Company's profits, capital and financial structure, future business needs, accumulated earnings and legal reserve, market competition conditions as well as shareholders' interests. The proposal hereto shall be submitted to Annual General Meeting for resolution before being executed accordingly.

The Company adopts principle of conservatism in its distribution of dividend. In the event of surplus from the Company's fiscal account, a contribution of not lower than 70% of the balance amount after tax payment, accumulated loss recovery, contribution of legal reserve and contribution or reversal of special earnings reserve as required by laws shall be made to serve as shareholder dividend. This can be conducted in cash or stocks. Percentage for cash dividend distribution shall not lower than 70% of the total dividend amount.

Based on the Company's principles of stability for financial structure and dividend balance, the Company may distribute all or part of reserve or retained earnings from previous period in accordance with laws or competent authority's requirements in the event that there is no surplus for distribution in current period, or there is surplus but surplus amount is obviously lower than the Company's surplus actually distributed in the previous year. In the event of disposal of real estate, equity investments or intangible assets in the current year, all or a portion of difference between disposal amount and acquisition cost, or income received from litigation or commercial dispute, can be retained accordingly. Restrictions on distribution percentage shall not apply.

1) Legal reserve

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

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

2) Special reserve

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

In accordance with 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. When relevant assets are used, disposed or reclassified, the original proportion of the special reserve can be reversed to distribute surplus.

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 September 30, 2022, December 31, 2021 and September 30, 2021, the special reserve amounted to \$198,071 thousand, \$133,709 thousand and \$133,709 thousand, respectively.

3) Earnings distribution

The Company resolved the 2021 and 2020 earnings distribution proposal by the general meeting of shareholders on May 26, 2022 and August 25, 2021. The appropriation and dividends per share were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (dollars)</u>	<u>Amount</u>	<u>Amount per share (dollars)</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.00	<u>745,949</u>	4.00	<u>994,600</u>

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

	<u>Exchange differences on translation</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1, 2022	\$ (216,773)	18,703	(198,070)
Exchange differences on foreign operations	198,944	-	198,944
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(9,694)	(9,694)
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	2,820	2,820
Balance at September 30, 2022	<u>\$ (17,829)</u>	<u>11,829</u>	<u>(6,000)</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	\$ (146,611)	12,902	(133,709)
Exchange differences on foreign operations	(77,278)	-	(77,278)
Exchange differences of associates accounted for using the equity method	67	-	67
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	1,087	1,087
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	9,139	9,139
Disposal of equity instrument measured at fair value through other comprehensive income which was transferred to retained earnings	-	(7,883)	(7,883)
Balance at September 30, 2021	<u>\$ (223,822)</u>	<u>15,245</u>	<u>(208,577)</u>

(iv) Non-controlling interests

	For the nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 599,379	628,302
Attributable to non-controlling interests:		
Profit (losses) for the period	15,286	(4,683)
Exchange differences on translation in foreign operations	124	46
Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income	(7,470)	838
Cash dividend distributed	(25,066)	(30,080)
Changes in ownership interest in subsidiaries	32	168
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	-	19,466
Balance at September 30	<u>\$ 582,285</u>	<u>614,057</u>

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

For the three months and nine months ended September 30, 2022 and 2021, the Company's earnings per share were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>338,048</u>	<u>253,355</u>	<u>849,717</u>	<u>488,378</u>
Weighted average number of ordinary shares	248,650	248,650	248,650	248,650
	\$ <u>1.36</u>	<u>1.02</u>	<u>3.42</u>	<u>1.96</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>338,048</u>	<u>253,355</u>	<u>849,717</u>	<u>488,378</u>
Weighted average number of ordinary shares	248,650	248,650	248,650	248,650
Effect of employees' compensation	80	140	326	235
Weighted average number of ordinary shares (diluted)	<u>248,730</u>	<u>248,790</u>	<u>248,976</u>	<u>248,885</u>
	\$ <u>1.36</u>	<u>1.02</u>	<u>3.41</u>	<u>1.96</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2022					Total
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	
Primary geographical markets:						
Taiwan	\$ 626,466	47,893	244,989	109,453	121,680	1,150,481
Other countries	<u>171,310</u>	-	-	<u>2,079</u>	<u>2,304</u>	<u>175,693</u>
	\$ <u>797,776</u>	<u>47,893</u>	<u>244,989</u>	<u>111,532</u>	<u>123,984</u>	<u>1,326,174</u>
Major products/services lines:						
Medicine and functional food	\$ 770,059	47,668	244,989	107,854	123,984	1,294,554
Services	6,140	225	-	3,678	-	10,043
Royalty	<u>21,577</u>	-	-	-	-	<u>21,577</u>
	\$ <u>797,776</u>	<u>47,893</u>	<u>244,989</u>	<u>111,532</u>	<u>123,984</u>	<u>1,326,174</u>

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For the three months ended September 30, 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	\$ 584,616	39,538	200,580	94,590	79,714	999,038
Other countries	54,677	-	-	3,823	2,395	60,895
	<u>\$ 639,293</u>	<u>39,538</u>	<u>200,580</u>	<u>98,413</u>	<u>82,109</u>	<u>1,059,933</u>
Major products/services lines:						
Medicine and functional food	\$ 626,764	39,538	200,580	98,413	81,252	1,046,547
Services	12,529	-	-	-	857	13,386
	<u>\$ 639,293</u>	<u>39,538</u>	<u>200,580</u>	<u>98,413</u>	<u>82,109</u>	<u>1,059,933</u>
For the nine months ended September 30, 2022						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 1,882,215	132,764	659,737	336,634	191,665	3,203,015
Other countries	316,837	-	-	4,099	4,855	325,791
	<u>\$ 2,199,052</u>	<u>132,764</u>	<u>659,737</u>	<u>340,733</u>	<u>196,520</u>	<u>3,528,806</u>
Major products/services lines:						
Medicine and functional food	\$ 2,135,569	132,484	659,737	329,727	196,520	3,454,037
Services	17,868	280	-	11,006	-	29,154
Royalty	45,615	-	-	-	-	45,615
	<u>\$ 2,199,052</u>	<u>132,764</u>	<u>659,737</u>	<u>340,733</u>	<u>196,520</u>	<u>3,528,806</u>
For the nine months ended September 30, 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	\$ 1,688,856	118,048	609,235	298,394	158,741	2,873,274
Other countries	181,305	-	90	5,759	6,735	193,889
	<u>\$ 1,870,161</u>	<u>118,048</u>	<u>609,325</u>	<u>304,153</u>	<u>165,476</u>	<u>3,067,163</u>
Major products/services lines:						
Medicine and functional food	\$ 1,845,506	118,048	609,325	304,153	163,762	3,040,794
Services	24,655	-	-	-	1,714	26,369
	<u>\$ 1,870,161</u>	<u>118,048</u>	<u>609,325</u>	<u>304,153</u>	<u>165,476</u>	<u>3,067,163</u>

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(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Contract liability	\$ <u>32,637</u>	\$ <u>39,769</u>	<u>66,387</u>

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

The amount of revenue recognized for the nine months ended September 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$16,560 thousand and \$8,958 thousand, respectively.

(p) 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 three months and nine months ended September 30, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$5,799 thousand, \$4,764 thousand, \$17,396 thousand and \$10,071 thousand, respectively, as well as its remuneration to directors amounting to \$3,737 thousand, \$3,176 thousand, \$11,212 thousand and \$6,714 thousand, respectively. 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 expenses. If there would be any difference between accrued amount and the actual distributed amount in the following year, the difference shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year.

For the years ended December 31, 2021 and 2020, the Company accrued and recognized its employee compensation both amounting to \$23,195 thousand, and its remuneration to directors both amounting to \$14,950 thousand. The actual distribution and related information can be accessed from the website of Market Observation Post System.

(q) Non-operating income and expenses

(i) Interest income

The details of total interest income for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest income from bank deposits	\$ <u>8,383</u>	<u>1,096</u>	<u>14,085</u>	<u>4,675</u>

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(ii) Other income

The details of other income for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Rent revenue	\$ 2,696	2,693	8,087	8,174

(iii) Other gains and losses

The details of other gains and losses for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
(Losses) gains on disposal of property, plant and equipment	\$ (31)	(16)	12	(115)
Losses on disposal of investments	-	-	-	(205)
Dividend income	5,419	6,360	6,379	6,360
Foreign exchange gains (losses)	24,047	487	38,949	(6,138)
Other gains and losses	3,569	8,825	15,544	(202,092)
	<u>\$ 33,004</u>	<u>15,656</u>	<u>60,884</u>	<u>(202,190)</u>

(iv) Finance costs

The details of finance costs for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest expense	\$ 6,352	4,024	15,456	13,236
Other finance costs	63	125	207	234
	<u>\$ 6,415</u>	<u>4,149</u>	<u>15,663</u>	<u>13,470</u>

(r) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to Note 6(t) of the consolidated financial statements for the year ended December 31, 2021.

(i) Credit risk of receivables

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

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All other financial assets measured 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 credit losses. With regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(g) of the consolidated financial statements for the year ended December 31, 2021.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
September 30, 2022					
Non-derivative financial liabilities					
Bank loans	\$ 2,170,000	2,178,507	2,178,507	-	-
Non-interest-bearing liabilities (including related parties)	1,139,181	1,139,181	1,036,781	102,400	-
Lease liabilities (current and non-current)	16,948	17,275	6,913	8,581	1,781
Guarantee deposits received	2,432	2,432	2,432	-	-
	<u>\$ 3,328,561</u>	<u>3,337,395</u>	<u>3,224,633</u>	<u>110,981</u>	<u>1,781</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
Lease liabilities (current and non-current)	21,784	22,284	7,850	10,873	3,561
Guarantee deposits received	2,429	2,429	2,429	-	-
	<u>\$ 3,000,487</u>	<u>3,005,159</u>	<u>2,842,752</u>	<u>125,446</u>	<u>36,961</u>
September 30, 2021					
Non-derivative financial liabilities					
Bank loans	\$ 1,875,286	1,881,417	1,875,679	5,738	-
Non-interest-bearing liabilities (including related parties)	1,900,418	1,900,418	1,742,818	110,400	47,200
Lease liabilities (current and non-current)	15,007	15,351	5,356	5,840	4,155
Guarantee deposits received	2,428	2,428	2,428	-	-
	<u>\$ 3,793,139</u>	<u>3,799,614</u>	<u>3,626,281</u>	<u>121,978</u>	<u>51,355</u>

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(iii) Market risk

1) Currency risk

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

	September 30, 2022			December 31, 2021			September 30, 2021			
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	13,668	31.7500	433,968	11,054	27.68	305,973	12,335	27.85	343,536
CNY		2,382	4.4730	10,655	2,429	4.344	10,553	2,429	4.305	10,458
JPY		334,108	0.2201	73,537	128,475	0.24	30,898	20,677	0.25	5,148
EUR		325	31.2600	10,156	180	31.32	5,630	164	32.32	5,293
GBP		108	35.5300	3,826	-	-	-	51	37.46	1,904
<u>Non-monetary items</u>										
USD		47,826	31.7500	1,518,468	47,800	27.68	1,323,103	47,863	27.85	1,332,995
CNY		49,535	4.4730	221,569	47,335	4.344	205,623	48,085	4.305	207,004
THB		384,267	0.8452	324,783	350,604	0.835	292,649	327,272	0.87	284,727
EUR		45	31.2600	1,405	58	31.32	1,815	60	32.32	1,954
TRY		6,631	1.7120	11,352	6,744	2.16	14,539	-	-	-

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

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY, EUR and GBP as of September 30, 2022 and 2021 would have increased (decreased) the net profit after tax by \$4,257 thousand and \$2,931 thousand, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the nine months ended September 30, 2022 and 2021, the foreign exchange gains (losses) (including realized and unrealized portions) amounted to gain \$38,949 thousand and loss \$6,138 thousand, respectively.

(iv) Interest rate analysis

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

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

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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 \$1,273 thousand and \$1,333 thousand for the nine months ended September 30, 2022 and 2021, respectively with all other variable factors remaining constant.

(v) Other market price risk

For the nine months ended September 30, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Prices of securities at the reporting date	For the nine months ended September 30,			
	2022		2021	
	Other Comprehensive income after tax	Net income	Other Comprehensive income after tax	Net income
Increasing 10%	\$ 24,347	-	26,968	-
Decreasing 10%	\$ (24,347)	-	(26,968)	-

(vi) 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:

	September 30, 2022				
	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	\$ 170,794	170,794	-	-	170,794
Domestic stock in listed company at Taipei Exchange	47,405	47,405	-	-	47,405
Domestic unlisted stock	10,500	-	-	10,500	10,500
International stock	14,771	-	-	14,771	14,771
Subtotal	243,470	218,199	-	25,271	243,470

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
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	-	-	-	-
Lease liabilities (current and non-current)	21,784	-	-	-	-
Guarantee deposit received	2,429	-	-	-	-
Other non-current liabilities	143,800	-	-	-	-
Total	<u>\$ 3,000,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
September 30, 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	\$ 176,680	176,680	-	-	176,680
Domestic stock in listed company at Taipei Exchange	43,724	43,724	-	-	43,724
International stock	49,271	-	-	49,271	49,271
Subtotal	<u>269,675</u>	<u>220,404</u>	<u>-</u>	<u>49,271</u>	<u>269,675</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	September 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,531,855	-	-	-	-
Notes receivable and accounts receivable (including related party)	977,327	-	-	-	-
Other receivables (including related party)	12,568	-	-	-	-
Other financial assets	471,037	-	-	-	-
Refundable deposits paid	24,500	-	-	-	-
Subtotal	<u>4,017,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,286,962</u>	<u>220,404</u>	<u>-</u>	<u>49,271</u>	<u>269,675</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,875,286	-	-	-	-
Notes payable and accounts payable (including related party)	277,565	-	-	-	-
Dividends payable	1,024,680	-	-	-	-
Other payables (including related party)	440,573	-	-	-	-
Lease liabilities (current and non-current)	15,007	-	-	-	-
Guarantee deposit received	2,428	-	-	-	-
Other non-current liabilities	157,600	-	-	-	-
Total	<u>\$ 3,793,139</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).

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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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

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which are published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, are included in the fair value of the listed securities instruments and the debt instruments in active market with open bid.

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.

For financial instruments traded in active markets under standard terms and conditions, their fair values are based on quoted market prices.

For financial instruments not traded in active markets, their fair values are listed below by types and attributes:

- 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.
- Equity instruments without a public quotation: The fair value is estimated based on the transaction prices of the stocks of the companies engaged in the same or similar business in the active market. The value multipliers implied by these prices and relevant transaction information determine the value of the evaluated companies and the liquidity discount is taken into consideration.

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5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the nine months ended September 30, 2022 and 2021, so there was no transfer between levels.

6) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2022	\$ 14,771
Acquisition	10,500
Balance at September 30, 2022	\$ 25,271
Balance at January 1, 2021	\$ 49,271
Balance at September 30, 2021	\$ 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	<ul style="list-style-type: none"> ·Weighted average cost of capital (On September 30, 2021 were 13.32%) ·Discount for lack of market liquidity (On September 30, 2021 were 20.6%) 	<ul style="list-style-type: none"> ·The higher the weighted average cost of capital and discount for lack of market liquidity, the lower the fair value.
	Comparable Companies Method	<ul style="list-style-type: none"> ·Discount for lack of market liquidity (On September 30, 2022 and December 31, 2021 both were 28.52%) ·Expected volatility (On September 30, 2022 and December 31, 2021 both were 60.84%) 	<ul style="list-style-type: none"> ·The higher the discount for lack of market liquidity, the lower the fair value. ·The higher the volatility, the higher the fair value.

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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>
September 30, 2022				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	253	(253)
	Expected volatility	1%	494	(489)
December 31, 2021				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	148	(148)
	Expected volatility	1%	494	(489)
September 30, 2021				
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.

- (s) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(u) of the consolidated financial statements for the year ended December 31, 2021.

- (t) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2021 for further details.

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(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 (ATB)	An associate
Shangta Pharmaceutical Co., Ltd.	Other related party

(b) Significant transactions with related parties

(i) Sales revenue

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Associates	\$ 32,871	25,401	82,451	63,870
Other related parties	105	78	265	365
	<u>\$ 32,976</u>	<u>25,479</u>	<u>82,716</u>	<u>64,235</u>

The selling prices with associates were marked up by 100% of the cost of goods sold. 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:

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other gains	Associates-ATB	<u>\$ 3,096</u>	<u>2,905</u>	<u>9,226</u>	<u>9,025</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 not different from the payment terms given by other non-related parties.

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(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable	Associates	\$ 31,991	22,936	19,362
	Other related parties	111	60	38
		<u>\$ 32,102</u>	<u>22,996</u>	<u>19,400</u>
Other receivables	Associate-ATB	<u>\$ 3,421</u>	<u>2,971</u>	<u>3,205</u>

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 19,850	27,275	55,054	71,155
Post-employment benefits	204	267	584	814
	<u>\$ 20,054</u>	<u>27,542</u>	<u>55,638</u>	<u>71,969</u>

(8) Assets pledged as security:

The carrying amounts of pledged assets were as follows:

<u>Pledged asset</u>	<u>Object</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other financial assets-current and non-current	Bank loan	\$ -	21,135	21,133
Other financial assets-non-current	Guarantee for provision attachment	149,380	149,380	149,380
		<u>\$ 149,380</u>	<u>170,515</u>	<u>170,513</u>

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(9) Significant commitments and contingencies:

- (a) The Group's unfinished contracts as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
<u>Total price of unfinished contracts</u>			
Purchase of equipment and construction engineering	\$ <u>59,646</u>	<u>18,185</u>	<u>7,371</u>
Acquisition of intangible assets	\$ <u>219,119</u>	<u>219,892</u>	<u>213,002</u>
Research and development service	\$ <u>109,894</u>	<u>195,549</u>	<u>357,994</u>
Purchase of raw materials	\$ <u>105,447</u>	<u>95,252</u>	<u>238,000</u>
<u>Unpaid amount</u>			
Purchase of equipment and construction engineering	\$ <u>30,568</u>	<u>10,974</u>	<u>4,005</u>
Acquisition of intangible assets	\$ <u>148,174</u>	<u>146,170</u>	<u>155,417</u>
Research and development service	\$ <u>36,707</u>	<u>86,828</u>	<u>134,901</u>
Purchase of raw materials	\$ <u>79,375</u>	<u>73,525</u>	<u>168,200</u>

- (b) As of September 30, 2022, December 31, 2021, and September 30, 2021, the financial institutions provided guarantee for the import and sale of medicine, which amounted to \$72,226 thousand, \$153,605 thousand and \$110,163 thousand, respectively.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By function	For the three months ended September 30,					
	2022			2021		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 58,407	170,562	228,969	54,842	166,357	221,199
Health and labor insurance	4,796	12,006	16,802	4,673	11,469	16,142
Pension	2,568	6,704	9,272	2,448	6,444	8,892
Others	1,544	12,058	13,602	580	10,551	11,131
Depreciation expense	29,531	10,260	39,791	26,287	10,439	36,726
Amortization expense	101	5,562	5,663	63	5,467	5,530

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By item	By function	For the nine months ended September 30,					
		2022			2021		
		Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit							
Salary	\$	175,539	518,912	694,451	164,697	507,051	671,748
Health and labor insurance		16,249	37,122	53,371	15,792	37,240	53,032
Pension		8,879	21,318	30,197	8,504	21,755	30,259
Others		4,762	36,496	41,258	1,918	28,952	30,870
Depreciation expense		87,782	31,128	118,910	77,166	30,442	107,608
Amortization expense		281	16,561	16,842	106	16,083	16,189

(b) Others

The Group donated \$31,461 thousand and \$23,854 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the nine months ended September 30, 2022 and 2021, respectively.

- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the ex-chairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. (hereinafter referred to as the “Breach of Trust Case”) Meanwhile, the company filed a criminal incidental civil lawsuit for the “Breach of Trust Case”. The relevant incidental civil action was later transferred to the civil court on September 6, 2017 for further trial (hereinafter referred to as “relevant civil case 1”). The Company additionally filed another criminal incidental civil lawsuit on February 13, 2018 (hereinafter referred to as “relevant civil case 2”) in requesting Mr.Lin, Denis Opitz and Inopha A.G. to be jointly and severally liable for compensation.

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 and was acquitted by the Taiwan High Court on May 27, 2020. The company then appealed the “Breach of Trust Case” case to the Supreme Court, and was remanded on December 23, 2021 by the Supreme court. It is now in the High Court for further trial together with the “relevant civil case 2”. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin’ s offense for a joint trial. Concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called “Risperdone”(hereinafter referred to as the “Risperdone Case”). However, on May 27, 2020, the Taiwan High Court rejected the above request. TTDPO insisted former request and appealed to the Taiwan Supreme Court on September 29, 2020. It was later remanded to the High Court by the Supreme Court and is now in the High Court and joint with the “Breach of Trust Case”. The Company filed an additional claim for compensation in the “the relevant civil case 2” for the “Risperdone Case” part on June 29, 2015, which was now remanded to the Taiwan Supreme Court.

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- (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 September 30, 2022, the monies incurred from the agreement in dispute in the amount of \$21,458 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.
- (h) On May 14, 2021, the Company was penalized by the Fair Trade Commission for concerted action due to the agreement it entered with Lotus Pharmaceutical Co., Ltd. on February 4, 2009 regarding the exclusive right to sell "Furil Capsules". On July 12, 2021, the Company filed a complaint with the Taipei High Administrative Court to revoke the above penalty. The case was still in progress as of the reporting date.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2022:

(i) Loans to other parties:

(In Thousands)

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	79,375 USD 2,500	- USD -	-	0.9%	2	-	Operating capital	-	-	-	83,662 CNY 18,704	83,662 CNY 18,704

The exchange rate of USD to NTD as of the reporting date is 1:31.7500.

The exchange rate of CNY to NTD as of the reporting date is 1:4.4730.

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

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

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

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

Note 4): The highest balance of financing to other parties as of September 30, 2022.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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:

(In Thousands of New Taiwan Dollars)

No. (Note1)	Name of guarantor	Party being endorsed/guaranteed		Limitation on amount of guarantees and endorsements for a specific enterprise (Note3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note2)										
0	The Company	Chuang Yi Biotech Co.,Ltd.	2	1,092,729	50,000	50,000	-	-	0.92 %	2,731,823	Y	N	N

Note1: The numbering is as follows:

1. The issuer is coded "0".
2. Subsidiaries are sequentially numbered from 1 by company.

Note2: The 7 types of relationship between the guarantor and parties being endorsed/guaranteed were as follows:

1. An investee company that has a business relationship with the Company.
2. An investee in which the Company holds directly and indirectly over 50% of voting shares.
3. An investee in which the Company and its subsidiaries directly and indirectly hold over 50% of voting shares.
4. An investee in which the Company holds directly and indirectly over 90% of voting shares.
5. An investee that has provided guarantees to the Company, and vice versa, due to contractual requirements.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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6. An investee in which the Company conjunctly invests with other shareholders, and for which the Company has provided endorsement/guarantee in proportion to its shareholding percentage.

7. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note3: The amount of guarantee/endorsement to a Company shall not exceed 20% and the total amount of guarantee/endorsement to others shall not exceed 50% of the worth of the Company in the latest financial statements.

The amount of guarantee/endorsement to a Company shall not exceed 20% and the total amount of guarantee/endorsement to others shall not exceed 50% of the worth of the Company and its subsidiaries in their latest financial statements.

(iii) Securities held as of September 30, 2022 (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	
The Company	ExoOne Bio. Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income–non-current	700	10,500	7.78 %	10,500	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income– current	1,315	47,405	0.81 %	47,405	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	147,250	0.38 %	147,250	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,240	0.20 %	20,240	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	58	3,304	0.02 %	3,304	
"	CellMax Ltd. Common Stock	-	"	1,593	14,771	- %	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

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

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(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	(102,434)	(3.41)%	90 days T/T	Normal	-	78,579	7.50%	
Chuang Yi Biotech Co., Ltd.	The Company	The parent company	Purchase	102,434	85.88%	90 days T/T	Normal	No different to other vendors	(78,579)	(94.02)%	

(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	44,916	By contract	1.27%
0	"	"	1	Accounts receivable	29,385	"	0.30%
0	"	TSH Biopharm Co., Ltd.	1	Accounts receivable	6,941	"	0.07%
0	"	"	1	Other receivables	1,909	"	0.02%
0	"	"	1	Sales revenue	60,040	"	1.70%
0	"	"	1	Other income	3,447	"	0.10%
0	"	"	1	Other gains and losses	4,888	"	0.14%
0	"	"	1	Selling expense	1,492	"	0.04%
0	"	American Taiwan Biopharma Phils Inc.	1	Other receivables	5,809	"	0.06%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	78,579	"	0.80%

(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	Chuang Yi Biotech Co., Ltd.	1	Sales revenue	102,434	By contract	2.90%
0	"	"	1	Other gains and losses	5,734	"	0.16%
0	"	TTY Biopharm Mexico S.A. de C.V.	1	Sales revenue	1,112	"	0.03%

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.

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2022 (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 September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	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 %	1,434,297	(1,906)	(1,906)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	219,164	8,303	8,303	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(74)	255	120	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	593,125	54,069 (Note)	30,481	Subsidiary

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	20,638	(18,807)	(3,918)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	250,951	16,646	49.05 %	15,167	3,814	1,871	Subsidiary
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Turkey	Selling chemical medicine	13,863	13,863	240	100.00 %	11,352	(211)	(211)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.00 %	851,355	265,166	47,749	Investments accounted for using equity method
The Company	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	324,783	81,171	32,468	Investments accounted for using equity method
The Company	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	84,171	35,846	14,338	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 %	40,779	(18,807)	(5,486)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	6,390	(5,055)	(5,055)	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 %	12,252	(5,640)	(2,820)	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 %	12,252	(5,640)	(2,820)	Subsidiary
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	1,405	(405)	(405)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89 %	6,144	3,814	148	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00 %	2,477	(163)	(163)	Subsidiary

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

(In Thousands)

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	53,229	(2)	90,041	-	-	90,041	529	100 %	529	51,141	-
		CNY 11,900		CNY 20,130			CNY 20,130	CNY 120		CNY 120	CNY 11,433	
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	15,875	(2)	15,875	-	-	15,875	(167)	100 %	(167)	2,405	-
		USD 500		USD 500			USD 500	CNY (38)		CNY (38)	CNY 538	

The exchange rate of USD to NTD as of the reporting date was 1:31.7500, and the average exchange rate of USD to NTD for the reporting period was 1:29.2006.

The exchange rate of CNY to NTD as of the reporting date was 1:4.4730, and the average exchange rate of CNY to NTD for the reporting period was 1:4.4247.

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

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

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

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 105,916	NTD 1,499,489 (USD 47,228)	NTD 3,278,188

(iii) Significant transactions: None

(d) Major shareholders:

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

(14) Segment information:

(a) General information

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

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

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

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

For the three months ended September 30, 2022	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	\$ 797,776	47,893	244,989	111,532	-	123,984	-	1,326,174
Intersegment revenues	48,038	14,481	61,333	625	-	12	(124,489)	-
Total revenue	<u>\$ 845,814</u>	<u>62,374</u>	<u>306,322</u>	<u>112,157</u>	<u>-</u>	<u>123,996</u>	<u>(124,489)</u>	<u>1,326,174</u>
Reportable segment profit or loss	<u>\$ 276,287</u>	<u>34,022</u>	<u>106,147</u>	<u>23,676</u>	<u>5,097</u>	<u>19,244</u>	<u>(27,493)</u>	<u>436,980</u>

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For the three months ended September 30, 2021	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	\$ 639,293	39,538	200,580	98,413	-	82,109	-	1,059,933
Intersegment revenues	<u>36,032</u>	<u>9,614</u>	<u>26,667</u>	<u>437</u>	<u>-</u>	<u>-</u>	<u>(72,750)</u>	<u>-</u>
Total revenue	<u>\$ 675,325</u>	<u>49,152</u>	<u>227,247</u>	<u>98,850</u>	<u>-</u>	<u>82,109</u>	<u>(72,750)</u>	<u>1,059,933</u>
Reportable segment profit or loss	<u>\$ 194,845</u>	<u>27,705</u>	<u>89,704</u>	<u>12,253</u>	<u>(1,173)</u>	<u>(14,095)</u>	<u>4,920</u>	<u>314,159</u>
For the nine months ended September 30, 2022								
Revenue:								
Revenue from external customers	\$ 2,199,052	132,764	659,737	340,733	-	196,520	-	3,528,806
Intersegment revenues	<u>107,500</u>	<u>41,101</u>	<u>61,333</u>	<u>1,492</u>	<u>-</u>	<u>48</u>	<u>(211,474)</u>	<u>-</u>
Total revenue	<u>\$ 2,306,552</u>	<u>173,865</u>	<u>721,070</u>	<u>342,225</u>	<u>-</u>	<u>196,568</u>	<u>(211,474)</u>	<u>3,528,806</u>
Reportable segment profit or loss	<u>\$ 714,378</u>	<u>96,876</u>	<u>234,008</u>	<u>67,542</u>	<u>8,601</u>	<u>(19,466)</u>	<u>(26,685)</u>	<u>1,075,254</u>
For the nine months ended September 30, 2021								
Revenue:								
Revenue from external customers	\$ 1,870,161	118,048	609,325	304,153	-	165,476	-	3,067,163
Intersegment revenues	<u>81,116</u>	<u>35,039</u>	<u>26,667</u>	<u>1,738</u>	<u>-</u>	<u>-</u>	<u>(144,560)</u>	<u>-</u>
Total revenue	<u>\$ 1,951,277</u>	<u>153,087</u>	<u>635,992</u>	<u>305,891</u>	<u>-</u>	<u>165,476</u>	<u>(144,560)</u>	<u>3,067,163</u>
Reportable segment profit or loss	<u>\$ 331,167</u>	<u>84,605</u>	<u>237,959</u>	<u>44,720</u>	<u>(5,022)</u>	<u>(53,520)</u>	<u>21,908</u>	<u>661,817</u>
Reportable segment assets								
Balance on September 30, 2022	<u>\$ 7,922,139</u>	<u>498,563</u>	<u>734,209</u>	<u>1,117,846</u>	<u>251,959</u>	<u>1,866,274</u>	<u>(2,554,136)</u>	<u>9,836,854</u>
Balance on December 31, 2021	<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>
Balance on September 30, 2021	<u>\$ 7,835,161</u>	<u>434,246</u>	<u>629,366</u>	<u>1,246,542</u>	<u>205,308</u>	<u>1,762,156</u>	<u>(2,378,163)</u>	<u>9,734,616</u>